

## CHAPTER II VALUE ADDED TAX AND CENTRAL SALES TAX

### 2.1 Tax Administration

Value Added Tax and Central Sales Tax Act and Rules framed thereunder are administered at the Government level by Principal Secretary of Revenue Department. The Commissioner of Commercial Taxes (CCT) is the Head of the Commercial Tax wing of the Revenue Department assisted by two Additional Commissioners (ACCT) and four Joint Commissioners (JC). In field, the CCT is assisted by 17 Deputy Commissioners (DC), 33 Assistant Commissioners (AC). There are 12 LTUs and 91 Circles in the State functioning under the administrative control of DCs. They administer the relevant tax laws and rules under Telangana Value Added Tax 2005 (VAT Act) and Central Sales Tax Act 1956 (CST Act). Further, there is an Inter State Investigation Wing (IST) headed by a Joint Commissioner within Enforcement wing, which assists CCT in cross verification of interstate transactions.

### 2.2 Internal Audit

The Department did not have a dedicated Internal Audit Wing that would plan and conduct audit in accordance with a scheduled audit plan. Each LTU/circle is audited by audit teams consisting of five members headed by either CTOs or Deputy CTOs. The DC(CT) would monitor the reports of internal audit. CCT intimated that 120 audit observations were outstanding at the end of March 2017.

### 2.3 Results of Audit

In 2016-17, the assessment files, refund records and other connected documents of the Commercial Taxes Department were test checked. Instances of underassessment of Sales Tax/ VAT and other irregularities involving ₹ 1,100.30 crore in 1,055 cases were observed. These fall under the following categories as given in **Table 2.1**:

**Table 2.1: Results of audit**

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Short levy of tax on works contracts	53	19.57
2.	Non-levy/short levy of interest and penalty	155	26.03
3.	Excess claim/allowance of Input Tax Credit	153	25.43
4.	Non-levy/short levy of tax under VAT Act	312	780.91
5.	Non-levy/short levy of tax under CST Act	153	79.98
6.	Sales tax deferment	22	10.22
7.	Other irregularities	207	158.16
	<b>Total</b>	<b>1,055</b>	<b>1,100.30</b>

During the year, Department accepted under-assessments and other deficiencies in 775 cases involving ₹ 126.77 crore. An amount of ₹ 0.71 crore in 39 cases was recovered during the year 2016-17.

A few illustrative cases involving ₹ 134.18 crore are discussed in the following paragraphs:

### **Audit observations**

Records of the Offices of the Commercial Taxes Department relating to assessment and revenue collection towards VAT and CST were scrutinised. Audit observed several cases of non-observance of provisions of Acts/ Rules. This resulted in non/ short levy of tax/ penalty and other cases as mentioned in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on a test check carried out by Audit. Such omissions are pointed out in audit every year, but not only do the irregularities persist; these remain undetected till an audit is conducted again. There is a need for improvement of internal controls so that repetitions of such omissions can be avoided or detected timely and rectified.

## **2.4 Input Tax Credit**

### **2.4.1 Incorrect allowance of Input Tax Credit on ineligible items**

Under Section 13(1) and 13(3) of the Telangana VAT Act 2005, Input Tax Credit (ITC) shall be allowed to the VAT dealer for the tax charged in respect of all purchases of taxable goods, made from a registered VAT dealer during the tax period if such goods are for use in his business and if he is in possession of valid tax invoices. Further, under section 13(4) of the Act, a VAT dealer shall not be entitled for ITC in respect of purchases of goods enumerated under Rule 20(2) of Telangana VAT Rules. As per section 4(9)(d) read with 13(5)(h) of the Act, dealers running restaurant business whose annual total turnover is less than ₹ 1.50 crore are not entitled to claim ITC on their purchases. As per Rule 27(1)(d) of Telangana VAT Rules 2005, tax invoice should have printed or computer generated serial numbers.

Audit test checked VAT assessments and VAT records for the period 2010-11 to 2015-16. It was observed (between May 2015 and January 2017) that in 22 cases the dealers incorrectly claimed ITC though they were not eligible. In another case, the AA restricted ITC as per assessment order, but the assessee continued to claim the ITC. This resulted in incorrect claim of ITC aggregating to ₹ 155.31 lakh in 23 cases as detailed in **Table 2.2** below:

**Table 2.2:**

Subject	No. of Division/circle	No. of cases	Incorrect allowance of ITC (₹ in lakh)	Remarks
Incorrect claim of ITC by Eating houses/Hotel and bakery dealers	six <sup>6</sup>	15	138.22	The annual turnover was less than 1.5 crore, hence ineligible for ITC.
ITC claimed on ineligible items	five <sup>7</sup>	5	10.75	
ITC claimed by the dealer even after restricted by the department	CTO, Adilabad	1	4.39	
ITC allowed on invalid tax invoice	CTO, Gadwal	1	1.24	
ITC not restricted on damaged goods lost in fire accident	DC(CT) Warangal	1	0.71	
<b>Total</b>		<b>23</b>	<b>155.31</b>	

After Audit pointed out the cases, the Government replied (January 2018) that in nine cases<sup>8</sup> notices were issued. In nine other cases<sup>9</sup>, it was replied that the files were submitted to DC(CT) for revision. In four cases, the CTO, Vanasthalipuram, stated that authorisation by DC(CT) for conduct of audit was made. In one case in CTO, Adilabad, it was replied that audit was pending.

#### **2.4.2 Excess claim of Input Tax Credit due to incorrect method of restriction**

According to Section 13(5) of the Telangana VAT Act, no ITC shall be allowed to any VAT dealer on sale of exempted goods (except in the course of export), exempt sales, and to the works contractors who opt to pay tax under composition<sup>10</sup>. As per Section 13(6), ITC for transfer of taxable goods outside

<sup>6</sup> CTOs - Basheerbagh, General Bazar, Jubilee hills, Srinagar colony, Vanasthalipuram and Vengalraonagar.

<sup>7</sup> DC (CT), Secunderabad, CTOs - Bhongir, Keesara, Lad Bazar and Pedapalli.

<sup>8</sup> DC(CT) - Secunderabad, CTOs - Bhongiri, Gadwal, General Bazar, Jubileehills, Lad Bazar, Peddapalli, Srinagar colony and Vengalraonagar.

<sup>9</sup> DC(CT) - Warangal, CTOs - Basheerbagh and Keesara.

<sup>10</sup> 'Composition' is an option available to works contractors to pay tax at a fixed rate on the total value of the work done irrespective of tax rates applicable to the goods used in work.

the State otherwise than by way of sale (exempt transactions) shall be allowed for the amount of tax in excess of four/ five *per cent*. Further as per sub rules (7) (8) and (9) of Rule 20 of VAT Rules, a VAT dealer making taxable sales, exempt sales and exempt transactions of taxable goods shall restrict his ITC as per the prescribed formula  $(A \times B / C)$ , where A is the ITC for common inputs for each tax rate, B is the taxable turnover and C is the total turnover.

Audit test checked VAT assessments and VAT records for the period 2009-10 to 2015-16. It was observed (between May 2015 and January 2017) that in seven Division Offices<sup>11</sup> and 17 circles<sup>12</sup> that ITC was incorrectly restricted in respect of 28 cases. Non- restriction of ITC by the AAs as per the rules on exempt sales/ transactions resulted in excess allowance of ITC of ₹ 2.72 crore as detailed in **Table 2.3** below:

**Table 2.3:**

(₹)			
ITC claimed/allowed (1)	Eligible ITC (2)	ITC actually restricted (3)	Excess ITC allowed/ claimed (1-(2+3))
89,44,86,894.00	86,59,20,607.00	13,42,001.00	2,72,24,285.00

After Audit pointed out the cases, the Government replied (January 2018) that in 17 cases<sup>13</sup> notices were issued. In five cases<sup>14</sup>, it was replied that files were submitted to DC(CT) for revision. In two cases<sup>15</sup>, it was replied that assessments were revised and demands would be collected. In one case, it was replied that file was transferred from CTO, Ranigunj to CTO, Jadcherla. In one case in DC(CT) Warangal, it was replied that audit was under process. In one case in CTO, Jadcherla, it was replied that demand was collected but no evidence was produced to Audit. In one case, DC(CT) Punjagutta stated (February 2016) that the matter would be examined.

#### **2.4.3 Excess allowance of Input Tax Credit due to incorrect determination of purchase turnover**

According to Section 13(1) of the Telangana VAT Act 2005, ITC shall be allowed to the VAT dealer for the Tax charged in respect of all purchases of taxable goods, made by that dealer during the tax period, if such goods are for use in the business.

Para 5.12 of VAT Audit Manual prescribes mandatory basic checks for conducting VAT audit, which include cross checking of figures reported by

<sup>11</sup> DCs - Charminar, Hyderabad Rural, Karimnagar, Nalgonda, Punjagutta, Secunderabad and Warangal.

<sup>12</sup> CTOs - Adilabad, Agapura, Fathenagar, General Bazar, Gowliguda, IDA Gandhinagar, Jadcherla, Lad Bazar, Mahankali Street, Maharajgunj, Musheerabad, Ranigunj, RP Road, Srinagar colony, Sultan Bazar, Vanasthalipuram and Vengalraonagar.

<sup>13</sup> DCs - Charminar, Hyderabad Rural, Secunderabad and Warangal.  
CTOs - Adilabad, Fathenagar, General Bazar, IDA Gandhinagar, Lad Bazar, Mahankali Street, Musheerabad, RP Road, Srinagar colony and Vengalraonagar.

<sup>14</sup> DC(CT) - Nalgonda, CTOs - Aghapura, Gowliguda, Sulthan Bazar and Vanasthalipuram.

<sup>15</sup> DC(CT) - Karimnagar, CTO - Maharajgunj.

VAT dealers in their monthly VAT returns filed with those recorded in certified annual accounts, so as to detect underdeclaration of tax, if any.

Audit test checked (between May 2015 and January 2017) VAT assessments and VAT records for the period 2008-09 to 2015-16. It was observed in DC(CT), Charminar Division and 22 Circles<sup>16</sup> that in 28 cases, the AAs had adopted excess purchase turnovers for allowing ITC, than those shown in Profit and Loss Accounts of dealers. This resulted in excess allowance of ITC of ₹ 2.28 crore.

After audit pointed out the cases, the Government replied (January 2018) that in 21 cases<sup>17</sup> notices were issued. In three cases<sup>18</sup>, it was replied that there was no excess claim of ITC by the dealers but did not furnish any supporting documents. In three cases<sup>19</sup>, it was replied that files were sent to DC(CT) for revision. In one case in CTO, Aghapura, it was replied that revision was under process.

#### **2.4.4 Incorrect allowance of Input Tax Credit**

According to Section 13(5)(a) of the Telangana VAT Act 2005, no ITC shall be allowed on the works contracts where the VAT dealer pays tax under composition<sup>20</sup> as per the provisions of Section 4(7)(b) & (d) of the Act. Further as per Section 4(7)(a) of the Act read with Rule 17(1)(g) of the Telangana VAT Rules 2005, a VAT dealer is not entitled to claim ITC, if he does not maintain the accounts to determine the correct value of the goods at the time of incorporation in execution of works contracts.

As per Section 13(7) of Telangana VAT Act 2005, where any VAT dealer pays Tax under section 4(7)(a) of the Act, the ITC shall be limited to 75 per cent<sup>21</sup> of the related input tax.

Audit test checked (between January 2016 and December 2016) VAT assessments and VAT records for the period 2010-11 to 2014-15. In one case in CTO, Srinagar colony, the dealer was engaged in execution of works contracts under composition along-with trading of goods. The ITC was, however, not restricted on prorata purchases relating to works contract by the AA. In one case in CTO, General Bazar, the dealer executed works contract under non-composition and did not maintain detailed accounts. The assessing authority however finalised the assessment under Rule 17(1)(g) and allowed ITC though not eligible. In one case in CTO, Vengalraongar, the dealer was

<sup>16</sup> CTOs - Abids, Agapura, Basheerbagh, Ferozguda, Gadwal, Gandhinagar, General Bazar, Jeedimetla, Karimnagar-I, Karimnagar-II, Lad Bazar, Mahaboobnagar, Mahankali Street, Maredpally, Mehdipatnam, Nampally, Peddapalli, Ramgopalpet, Sangareddy, Srinagar Colony, Vengalraonagar, and Vidyanagar.

<sup>17</sup> CTOs - Ferozguda, Gadwal, Gandhinagar, General Bazar, Jeedimetla, Karimnagar-I, Karimnagar-II, Lad Bazar, Mahaboobnagar, Maredpally, Mehdipatnam, Peddapalli, Ramgopalpet, Sangareddy, Srinagar Colony, Vengalraonagar and Vidyanagar.

<sup>18</sup> CTOs - Mahankali street, Nampally and Ramgopalpet.

<sup>19</sup> DC(CT) - Charminar, CTOs - Abids and Basheerbagh.

<sup>20</sup> Composition is the option available to the dealer to pay tax at a fixed rate of the total amount received or receivable by himself towards execution of the works contract.

<sup>21</sup> Substituted for the figure 90 per cent by Act No. 21 of 2011 w.e.f. 15 November 2011.

engaged in execution of works contracts both under composition and non-composition along-with trading of goods but ITC was less restricted by the AA. In eight cases, the AAs<sup>22</sup> allowed 100 *per cent* ITC though the dealers were works contractors under non-composition. They were eligible for only 90/ 75 *per cent* of tax paid on the goods purchased. The incorrect allowance of ITC worked out to ₹ 1.63 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in five cases<sup>23</sup> files were submitted to DC(CT) for revision. In four cases<sup>24</sup> notices were issued. In one case in CTO, Basheerbagh, it was replied that ITC was already rejected in refund audit but did not furnish any supporting document. In one case in CTO, Malakpet, it was replied that the amount was collected but did not furnish any supporting documents to audit.

## 2.5 Short levy of Tax due to adoption of incorrect rate of Tax

Under Section 4(3) of the VAT Act, every VAT dealer shall pay Tax on sale of taxable goods at the rates specified in the Schedules to the Act. Commodities which fall under Schedule VI to the Act attract special rate of Tax. Commodities not specified in any of the schedules fall under Schedule V and Tax is to be levied at the rate of 14.5 *per cent*. Further, as per Section 4(9)(c) of the Act, every dealer whose annual total turnover is ₹ 1.50 crore and above shall pay Tax at the rate of 14.5 *per cent* on the taxable turnover representing sale or supply of food served in restaurants, sweet-stalls etc.

Audit test checked (between May 2015 and February 2017) VAT assessments and VAT records for the period 2009-10 to 2015-16. Audit observed that there was short levy of tax in DC(CT) Secunderabad Division and in 25 circles<sup>25</sup> in 29 cases relating to 28 dealers. The rate of tax was incorrectly declared by the dealers at four *per cent*/ five *per cent* on sale of commodities liable to be taxed at the rate of 14.5 *per cent*. In nine circles<sup>26</sup> and in 10 cases, nine dealers who owned bars and restaurants/restaurants and bakeries had declared annual total turnover above ₹ 1.50 crore and paid VAT at five *per cent* on sale of food. Audit noticed that in nine cases, the dealers turnover exceeded ₹ 1.50 crore, and were liable to pay tax at 14.5 *per cent*. In another case, CTO, Basheerbagh incorrectly exempted the sales turnover of “Quinoa and Chia seeds”. The AA also did not identify the incorrect payment of tax during their audit. The application of incorrect rates of tax resulted in non-levy/ short levy of tax aggregating to ₹ 35.61 crore on the turnover of ₹ 368.33 crore as detailed **Table 2.4** below:

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<sup>22</sup> CTOs - Agapura, Basheerbagh, Gowliguda, Jeedimetla, Malakpet and Nacharam.

<sup>23</sup> CTOs - Aghapura, Basheerbagh, Gowliguda and Nacharam.

<sup>24</sup> CTOs - General Bazar, Jeedimetla, Srinagar Colony and Vengalraonagar.

<sup>25</sup> DC (CT) Secunderabad, CTOs - Agapura, Barkatpura, Basheerbagh, Bhongir, Ferozguda, General Bazar, Jeedimetla, Karimnagar-I, Keesara, Kothagudem, Madhapur, Mahaboobnagar, Maredpally, Mehdipatnam, Miryalaguda, Nalgonda, Nizamabad-I, Punjagutta, Ranigunj, RP Road, Somajiguda, Srinagar Colony, Sultan Bazar, Tarnaka and Vengalraonagar.

<sup>26</sup> CTOs - Agapura, Basheerbagh, Keesara, Kothagudem, Madhapur, Mahaboobnagar, Mehdipatnam, Srinagar Colony and Vengalraonagar.

Table 2.4:

(₹ in crore)

Subject	No. of the Division / circles	No. of cases	Short levy of tax	Remarks
Mis-classification of goods	26	30	33.07	Goods such as empty gas cylinders, water purifiers, LED lights, ammonium nitrate, magnetic handling system, Quinoa and Chia seeds etc., which were liable to be taxed at 14.5 per cent were taxed at 5 per cent.
Bar and Restaurants/ Restaurants whose turnover above 1.5 crore but paid 5 per cent instead of 14.5 per cent	9	10	2.54	
		<b>40</b>	<b>35.61</b>	

After Audit pointed out the cases, the Government replied (January 2018) that in eighteen cases<sup>27</sup> files were submitted to DC(CT) for revision. In nine cases<sup>28</sup> it was replied that notices were issued. In five cases in CTO, Bhongir, it was replied that final orders would be passed. In two cases<sup>29</sup> it was replied that audit of the dealer was under process. In two cases<sup>30</sup> it was replied that the dealers preferred an appeal before ADC (CT) and the final outcome would be reported to audit. In one case it was replied that the objection raised during audit pertained to CTO, Barkatpura circle and file was transferred to concerned circle. In one case in CTO Miryalguda it was replied that the amount was collected but no documentary evidence was produced. In one case in CTO, Keesara it was replied that orders was passed and collection was under process. In one case in CTO, Mahaboobnagar it was replied that the matter would be examined.

### 2.5.1 Short levy of VAT

As per Section 4(3) of Telangana VAT Act, every VAT dealer shall pay tax on the sale of goods, at the rates specified in the Schedules to the Act. All goods other than those specified in schedules I, III, IV and VI falls under schedule V are liable to be taxed at the rate of 14.5 per cent. As per the Government Orders<sup>31</sup> dated 31 August 2005, 'Mobile phones' (HSN Code 8517) are taxable at five per cent under Schedule IV to the Act. This order was rescinded by the Government through subsequent orders<sup>32</sup> issued on 19 March

<sup>27</sup> DC (CT) Secunderabad, CTOs - Agapura, Basheerbagh, Ferozguda, Jeedimetla, Kothagudem, Madhapur, Nalgonda, Nizamabad-I, Punjagutta, Somajiguda, Srinagar Colony, Sultan Bazar and Tarnaka.

<sup>28</sup> DC (CT) Secunderabad, CTOs - General Bazar, Jeedimetla, Karimnagar-I, Mehdipatnam, Nalgonda, RP Road and Vengalraonagar.

<sup>29</sup> CTOs - Jeedimetla and Vengalraonagar.

<sup>30</sup> CTOs - Maredpally and Ranigunj.

<sup>31</sup> G.O.Ms.No.1615, dated 31 August 2005.

<sup>32</sup> G.O.Ms.No.140, dated 19 March 2013.

2013. As a result, mobile phones were to be taxed as per the residuary entry in schedule V to the Act, at 14.5 *per cent* with effect from 1 April 2013. Further, the Government vide Orders,<sup>33</sup> again inserted the commodity “Cell phones/Mobile Phones” as item No.131 of Schedule IV w.e.f. 28 July 2016. As per the above orders, mobile phones fell under Schedule V of the Act, during the intermediary period from 01 April 2013 to 27 July 2016 and were to be taxed at 14.5 *per cent*.

According to Section 20(3)(a) of the Act, every monthly return submitted by a dealer shall be subjected to scrutiny by the Department to verify the correctness of calculation, application of correct rate of tax, ITC claimed therein and full payment of tax payable for such tax period.

Audit test checked (between July 2016 and December 2016) VAT assessments and VAT records for the period April 2013 to March 2016. Audit observed in twelve circles<sup>34</sup> that in 21 cases AAs levied/ dealers paid tax at the rate of five *per cent* instead of at 14.5 *per cent* on sale of mobile phones. This resulted in short-levy of tax of ₹ 43.47 crore at differential rate of 9.5 *per cent* on a turnover of ₹ 457.58 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in 11 cases<sup>35</sup> notices were issued. In five cases<sup>36</sup>, files were sent to DC(CT) for revision. In five cases<sup>37</sup>, revision of assessment was under process.

## 2.6 Non-levy of VAT on Taxable Turnover

As per Section 4(3) of Telangana VAT Act, every VAT dealer shall pay tax on the sale of goods, at the rates specified in the Schedules to the Act. As per the Government Order dated 8 July 2011<sup>38</sup>, the commodity “textiles and fabrics” was added to Schedule IV and made taxable at five *per cent*. Further as per the Government Ordinance No.9<sup>39</sup> the dealers of “textiles and fabrics” may opt to pay tax at the rate of one *per cent*, under composition. Government by another order<sup>40</sup> included this commodity in Schedule-I from 7 June 2013 and exempted these sales. Hence the commodity was liable for tax at five *per cent* from 8 July 2011 to 7 June 2013, if the dealers had not opted for composition.

As per Section 20(3)(a) of the Act, every monthly return submitted by a dealer shall be subjected to scrutiny by the Department to verify the correctness of calculation, application of correct rate of tax, ITC claimed therein and full payment of tax payable for such tax period.

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<sup>33</sup> G.O.Ms.No.186, dated 28 July 2016.

<sup>34</sup> CTOs - Abids, Agapura, Basheerbagh, Gadwal, General Bazar, M.G.Road, Market Street, S.D.Road, Sanathnagar, Suryapet, Vengalrao Nagar and Vidyannagar.

<sup>35</sup> CTOs - Abids, General Bazar, Market Street, S.D.Road, Suryapet, Vengalraonagar and Vidyannagar.

<sup>36</sup> CTOs - Abids, Basheerbagh, Gadwal and Sanathnagar.

<sup>37</sup> CTOs - Aghapura, MG Road and Sanathnagar.

<sup>38</sup> G.O.Ms.No.932, Revenue (CT-II) Department, dated 08 July 2011.

<sup>39</sup> Ordinance No.9 of 2012, dated 05 November 2012.

<sup>40</sup> G.O.Ms.No.308, dated 07 June 2013.



Audit test checked (between December 2015 and January 2017) VAT assessments and VAT records for the period April 2009 to January 2014. Audit observed in DC(CT), Begumpet and 15 circles<sup>41</sup> that in 26 cases the dealers declared the sales of textiles as exempted/paid tax at one *per cent*. As none of the dealers opted for composition, they were liable to pay tax at the rate of five *per cent*. This resulted in non-levy of tax of ₹ 9.53 crore at five *per cent* on the turnover of ₹ 190.53 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in 16 cases<sup>42</sup> notices were issued. In six cases<sup>43</sup>, files were sent to DC(CT) for revision. In CTO, Abids in one case, it was replied that the amount was paid by the dealer but no payment particulars were furnished. In another case, it was replied that the dealer did not collect any tax from the customers. As per the above GOs, the dealer however has to pay tax on the sale of textiles. In one case in CTO, Basheerbagh, it was replied that orders were passed but the details were not furnished to Audit. In one case in CTO, Charminar, it was replied that orders would be passed.

## 2.7 Inter-State sales

### 2.7.1 Incorrect grant of concessional rate of Tax due to acceptance of invalid statutory forms

According to Section 8(4) of the CST Act, 1956 read with Rule 12(1) of CST (R&T) Rules, 1957 every dealer shall file a single declaration in form 'C' covering all inter-state transactions of sale, which take place in a quarter of a financial year between the same two dealers, to claim concessional rate of tax of two *per cent*. As per Section 8(2) of the CST Act, interstate sale turnover not covered by proper declaration forms shall be taxed at the respective State rates applicable to the goods.

- Audit test checked (between July 2016 and September 2016) VAT assessments and VAT records for the period 2011-12 and 2012. Audit observed in DC(CT), Hyderabad (Rural) Division and four circles<sup>44</sup> that in five cases, the AAs had incorrectly allowed concessional rate of tax on the interstate sales. The turnover of ₹ 1.77 crore, was not supported by valid 'C' forms. The forms were either covering transactions of more than a quarter or did not pertain to the year of assessment or were issued in favour of some other dealer. This resulted in short levy of tax of ₹ 13.87 lakh on the interstate sales turnover of 'Granite, Cement, Wood pulp, Foam and Foam products'.

<sup>41</sup> CTOs - Abids, Aghapura, Barkatpura, Basherbagh, Charminar, General Bazar, Jagitial, Khammam-II, Lad Bazar, M.G. Road, Market street, Nacharam, S.D. Road, Srinagar colony and Vengalraonagar.

<sup>42</sup> DC(CT) Begumpet, CTOs - Abids, Barkatpura, General Bazar, Jagitial, Lad Bazar, M.G. Road, S.D. Road, Srinagar colony and Vengalraonagar.

<sup>43</sup> CTOs - Aghapura, Basherbagh, Khammam-II, Market street and Nacharam.

<sup>44</sup> CTOs - Gowliguda, Khammam-II, Mahaboobnagar and Mancherial.

After Audit pointed out the cases, the Government replied (January 2018) that in four cases<sup>45</sup> notices were issued. In one case in CTO, Gowliguda it was replied that the file was sent to DC(CT) for revision.

- Audit test checked (between March 2015 and December 2016) CST assessments and CST records for the period 2010-11 to 2012-13. Audit observed in four circles that in five cases the AAs<sup>46</sup>, while finalising the assessments levied tax at less than the applicable rates on inter-State sales of goods not covered by “C” forms. This resulted in short levy of tax of ₹ 9.95 lakh on a turnover of ₹ 1.03 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in five cases<sup>47</sup> show cause notices were issued.

### **2.7.2 Short levy of Tax due to excess adjustment of ITC against CST payments**

According to Rule 35(7) of Telangana VAT Rules, a VAT dealer making inter-State sale of goods may adjust any excess credit available under the VAT Act against any tax payable under the CST Act, for the same tax period.

Audit test checked (between September 2015 and November 2016) VAT/CST assessments and CST records for the period 2011-12. Audit observed in DC(CT) Adilabad and two circle offices<sup>48</sup> that in four cases the dealers had ₹ 43.22 lakh as excess ITC available with them under VAT Act. However, the AAs adjusted ₹ 59.56 lakh against tax payable under CST Act. This resulted in short levy of tax of ₹ 16.34 lakh due to excess adjustment of ITC.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases<sup>49</sup> show cause notices were issued. In two cases in CTO, Kothagudem, it was replied that revision was under process.

### **2.7.3 Non-levy of Tax due to incorrect exemption on the turnover of job works not covered by statutory forms**

According to Sections 6A and 8 of Central Sales Tax (CST) Act, 1956 read with Rule 12(5) of CST (Registration & Turnover) Rules, 1957 every dealer shall file declaration in Form F to cover all interstate transfer of goods other than by way of sale every month to claim exemption. As per Section 8(2) of the CST Act, interstate sale turnover not covered by proper declaration forms shall be taxed at the respective State rate applicable to the goods.

Further as per the judgement delivered by Hon’ble Allahabad High Court<sup>50</sup> in respect of job work transactions, it is necessary to submit Form F declarations

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<sup>45</sup> DC(CT) Hyderabad Rural, CTOs - Khammam-II, Mahaboobnagar and Mancherial.

<sup>46</sup> CTOs - Abids, Ferozguda, General Bazar and Musheerabd.

<sup>47</sup> CTOs - Abids, Ferozguda, General Bazar and Musheerabad.

<sup>48</sup> CTOs - Fathenagar and Kothagudem.

<sup>49</sup> DC(CT) Adilabad, CTO - Fathenagar.

<sup>50</sup> M/s Ambica Steels Limited Vs the State of Uttar Pradesh.

to claim exemption. The same was upheld by the Hon'ble Supreme Court also in March 2009.

Audit test checked (between July 2016 to December 2016) CST assessments and CST records for the period 2010-11 to 2012-13. Audit observed in four circles<sup>51</sup>, that in four cases, the AAs allowed exemption on the turnover of ₹ 2.82 crore relating to Job work receipts though these were not supported by Form F declarations. The incorrect exemption allowed by AAs resulted in non-levy of tax of ₹ 31.22 lakh.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases<sup>52</sup> show cause notices were issued. In two cases<sup>53</sup>, it was replied that files were submitted to DC(CT) for revision.

#### **2.7.4 Non-levy/short levy of tax due to incorrect exemption on the turnover not covered by statutory forms**

##### **2.7.4.1 Non-levy of tax due to incorrect exemption of SEZ sales without proper declaration forms**

According to section 8(6) and 8(8) of CST Act, 1956 read with the Rule 12(11) of Central Sales Tax (Registration and Turnover) Rules 1957 no tax shall be payable by any dealer in respect of sale of any goods made by such dealer, in the course of interstate trade or commerce, to a registered dealer for the purpose of manufacture, production, processing, assembling, repairing, reconditioning, re-engineering, packaging or for use as trading or packing material or packing accessories in an unit located in any special economic zone, if such registered dealer has been authorised to establish such unit by the authority specified by the Central Government in this behalf. If the dealer furnishes a declaration in the prescribed manner in the prescribed form (Form I) obtained from the authority duly filled in and signed by the registered dealer to whom such goods are sold.

Audit test checked (between November 2015 and December 2015) CST assessments and CST records for the period 2010-11. Audit observed in one case in CTO, Fathenagar allowed exemption on SEZ sales for entire turnover of ₹ 72.88 lakh even though the dealer did not submit declaration forms. This resulted in non-levy of tax of ₹ 10.57 lakh due to incorrect exemption.

After Audit pointed out the case, the Government replied (January 2018) that the show cause notice was issued.

##### **2.7.4.2 Non-levy of tax due to incorrect exemption**

As per Section 6A of the Central Sales Tax Act, 1956 (CST Act) read with Rule 12 of the CST (Registration & Turnover) Rules, 1957 if any dealer fails to submit necessary statutory forms in support of exports, branch transfers, transit sales etc., the relevant transactions have to be treated as interstate sales

<sup>51</sup> CTOs - Fathenagar, Musheerabad, Sangareddy and Vengalraonagar.

<sup>52</sup> CTOs - Fathenagar and Vengalraonagar.

<sup>53</sup> CTOs - Musheerabad and Sangareddy.

not covered by 'F' forms and tax shall be levied at the rates applicable to the sale of goods inside the appropriate State. The commodity Rexine falls under entry 86 of schedule IV to Telangana VAT Act. It was clarified vide Advance Ruling<sup>54</sup> that the commodity Rexine (HSN code 5903.10) cannot be taxed under VAT as the same is listed in Schedule-I of Additional Excise Duties (goods of special importance) Act, 1957 (AED). The Government of India had removed Schedule-I to AED Act with effect from 1 April 2011 facilitating the State Governments to levy VAT on the commodities listed therein.

Audit test checked (between November 2016 and December 2016) CST assessment and CST record for the period 2011-12 and 2012-13. In one case the CTO, General Bazar while finalising the assessment of a dealer allowed exemption of stock transfer of Rexine without insisting on Form F declarations. This resulted in non-levy of tax of ₹ 1.68 crore on taxable turnover of ₹ 33.60 crore.

After Audit pointed out the cases, the Government replied (January 2018) that the show cause notice was issued.

### **2.7.5 Non-levy of tax and penalty for using false tax invoice**

According to Section 55(2) of Telangana VAT Act, any VAT dealer, who issues a false tax invoice or receives and uses a tax invoice, knowing it to be false, shall be liable to pay a penalty of 200 *per cent* of tax shown on the false invoice.

As per Section 55(4)(b) of Telangana VAT Act, any dealer, who claims that sale of any good is liable to tax at a reduced rate is found to be in possession of any false or fabricated declaration and pays tax at a reduced rate under the Act, shall be liable to pay a penalty of 200 *per cent* of the tax leviable in the absence of such declaration on the value of the goods, so sold.

Audit test checked (between March 2015 and July 2016) VAT/CST assessments and VAT/ CST records for the period 2010-11 to 2014-15. Audit observed in CTO Jadcherla that in one case the AA had disallowed ITC of ₹ 1.10 lakh, based on false tax invoice for the period November 2014.

In CTO Special Commodities, in one case, the dealer was issued 'F' forms by the dealers in Tamil Nadu state for consignment sales. Audit cross checked the details of vehicles used for consignment sales on 'F' forms with the websites of Transport Department. It was found that the vehicles were Auto rickshaws, Educational Institution Buses, Motor cars, etc., some of which were even registered after the date of issue of 'F' declaration forms. Thus, exemption was claimed by the dealers by submitting false declaration forms. However, the AA had exempted tax of ₹ 6.39 lakh on the branch transfer/interstate sales turnover amounting to ₹ 1.64 crore. The dealers were therefore liable to pay penalty of 200 *per cent*. This resulted in non-levy of tax and penalty aggregating to ₹ 6.39 lakh and ₹ 14.99 lakh respectively.

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<sup>54</sup> No.PMT/P&L/AR.com/36/2005, dated 10 May 2005.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases<sup>55</sup> show cause notices were issued.

## 2.8 Short levy of Tax due to incorrect determination of Taxable Turnover

As per Sections 5, 6, 6A and 8 of the CST Act read with Rule 12 of CST(R&T) Rules, if the dealer fails to submit necessary statutory forms in support of exports, branch transfers, transit sales etc., the relevant transactions are to be treated as interstate sales not covered by ‘C’ forms and tax levied under Section 8(2) of the Act at the rates applicable to sale of such goods inside the appropriate State.

As per Section 21(4) of the Telangana VAT Act, the authority prescribed may, based on any information available or on any other basis, conduct a detailed scrutiny of the accounts of any VAT dealer and where any assessment, as a result of such scrutiny, becomes necessary, such assessment shall be made within a period of four years from the end of the period for which assessment is to be made. Rule 25(10) of the VAT Rules requires all the VAT dealers to furnish for every financial year to the prescribed authority, the statements of manufacturing/ trading, Profit and Loss accounts, balance sheet and annual report duly certified by Chartered Accountant on or before 31 December subsequent to the financial year to which the statements relate. As per para 5.12 of the VAT audit Manual 2012, audit officer has to reconcile the figures given by the dealer on VAT returns with certified annual accounts.

Audit test checked (between June 2015 and January 2017) VAT/ CST assessments and VAT/ CST records for the period 2009-10 to 2014-15. Audit observed in DC(CT) Nalgonda and 22 circles<sup>56</sup> that in 41 cases, there was a variation between the sales turnover determined by the AAs and the turnovers reported in Profit and Loss accounts. This resulted in short levy of tax of ₹ 5.30 crore on differential turnover of ₹ 196.06 crore at 5 per cent/ 14.5 per cent as shown in the table 2.5 below:

**Table 2.5:**

(₹ in crore)				
No. of assessees	Sales turnover as per P&L A/cs	Sales turnover determined by AAs	Balance turnover liable to be taxed	Extent of short levy of tax
41	1222.19	1026.13	196.06	5.30

<sup>55</sup> CTOs - Jadcherla and Special Commodities.

<sup>56</sup> CTOs - Adilabad, Fathenagar, Ferozguda, General Bazar, Jeedimetla, Jubilee Hills, Karimnagar-I, Karimnagar-II, Keesara, Kodad, Madhapur, Mahankali street, Mehdipatnam, Miryaguda, Musheerabad, Nacharam, Peddapalli, Ramgopalpet, RP Road, Srinagar Colony, Sultan Bazar and Vengalraonagar.

After Audit pointed out the cases, the Government replied (January 2018) that in 25 cases<sup>57</sup> show cause notices were issued. In 14 cases<sup>58</sup>, files were submitted to DC(CT). In two cases<sup>59</sup>, it was replied that no variations were found, but no supporting evidence was produced to Audit.

## **2.9 VAT on Works Contracts**

### **2.9.1 Payment of VAT under non-composition method**

#### **2.9.1.1 Short levy of tax due to incorrect determination of taxable turnover under works contract**

Under Section 4(7) (a) of the Telangana VAT Act, tax on works contract receipts is to be paid on the value of goods at the time of their incorporation in the work at the rates applicable to them. To determine the value of goods incorporated, deductions prescribed under Rule 17(1) (e) of Telangana VAT Rules such as expenditure incurred towards labour charges, hire charges etc., are to be allowed from the total consideration and the remaining turnover is to be taxed at the rates applicable to them taking the same proportion at which the goods were purchased.

Audit test checked (between December 2015 and November 2016) VAT assessments and VAT records for the period 2010-11 to 2014-15. Audit observed in two Division offices<sup>60</sup> and three circles<sup>61</sup>, that in three cases, AAs<sup>62</sup> incorrectly determined taxable turnover as ₹ 27.04 crore instead of ₹ 33.07 crore. This was due to allowing certain inadmissible and excess deductions from gross turnovers on account of profit relatable to labour charges, incorrect excess calculation of cost of establishment etc. In two cases<sup>63</sup>, the dealers received works contract receipts of ₹ 1.85 crore during the years 2013-14 and 2014-15, however, while finalising the assessments, the AAs did not consider these turnovers for assessment. The incorrect determination of taxable turnover resulted in short levy of tax of ₹ 65.57 lakh as given in **Table 2.6**:

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<sup>57</sup> CTOs - Adilabad, Fathehnagar, General Bazar, Jeedimetla, Karimnagar-I, Karimnagar-II, Keesara, Kodad, Madhapur, Mehdipatnam, Miryalaguda, Musheerabad, Ramgopalpet, and Vengalraonagar.

<sup>58</sup> DC(CT) - Nalgonda, CTOs - Jubileehills, Mahankali street, RP Road, Srinagar Colony, Sultan Bazar and Vengalraonagar.

<sup>59</sup> CTOs - Adilabad and Peddapalli.

<sup>60</sup> DC(CT)s - Secunderabad and Warangal.

<sup>61</sup> CTOs - Ashoknagar, Peddapalli and Vidyanagar.

<sup>62</sup> DC(CT) - Secunderabad and Warngal, CTO - Ashoknagar.

<sup>63</sup> CTOs - Pedapalli and Vidyanagar.

**Table 2.6:**

(₹ in lakh)

Subject	Name of the Circle	Short levy of tax
Allowed inadmissible and excess deductions while finalising the assessment	Dy. Commissioner(CT) Warangal Division	22.82
	Dy. Commissioner(CT) Secunderabad	9.06
	CTO, Ashoknagar	14.74
	<b>Total</b>	<b>46.62</b>
Incorrect determination of turnover	CTO, Vidyanagar	14.28
	CTO, Peddapalli	4.67
	<b>Total</b>	<b>18.95</b>
	<b>Grand Total</b>	<b>65.57</b>

After Audit pointed out the cases, the Government replied (January 2018) in four cases<sup>64</sup> that the files were submitted to DC(CT) for revision. In CTO, Peddapalli in one case it was replied that notice had been issued.

### 2.9.1.2 Short assessment of turnover transferred to sub-contractor

As per Section 4(7) (a) of the Telangana VAT Act, 2005, tax on works contract is to be paid on the value of goods incorporated in the work at the rates applicable to such goods. Further as per Section 4(7)(h) of the Act no tax shall be payable under Section 4(7)(a) on the turnover relating to amounts paid to a sub-contractor as consideration for the execution of works contract whether wholly or partly subject to the production of proof that such sub-contractor is registered as a VAT dealer under the Act and the turnover of such amount is included in the return prescribed filed by such sub-contractor.

The judgement of Hon'ble High court of Karnataka<sup>65</sup> pronounced that the turnover of profit earned/ retained by the main contractor on works awarded to sub-contractors are liable for assessment at the hands of the main contractor.

Audit test checked (between January 2016 and December 2016) VAT assessments and VAT records for the period from 2011-12 and 2014-15. Audit observed in one case, that CTO, Agapura allowed exemption on a turnover of ₹ 44.97 crore as turnover transferred to sub-contractor. However, when it was cross verified from assessment order of the sub-contractor, it was revealed that a turnover of ₹ 3.67 crore was under assessed. As per the above judgement, the under assessed turnover is liable to be assessed at the hands of main contractor. The incorrect exemption of turnover resulted in non-levy of tax of ₹ 37.28 lakh.

After Audit pointed out the case, the Government replied (January 2018) that show cause notice was issued and revision was under process.

<sup>64</sup> DC(CT) - Secunderabad and Warangal, CTOs - Ashoknagar and Vidyanagar.

<sup>65</sup> M/s Larson & Tourbo Limited, Bangalore Vs the State of Karnataka (Sales Tax Revision Petition No.126/2008, dated 20 June 2012).

### **2.9.1.3 Short levy of tax on works contractors who did not maintain detailed accounts**

As per Rule 17(1)(g) of Telangana VAT Rules, if any works contractor has not maintained detailed accounts to determine the correct value of the goods at the time of their incorporation, tax shall be levied at the rate of 14.5 *per cent* on the total consideration received after allowing permissible deductions on percentage basis based on the category of work executed. Civil works and works which do not fall under any category are entitled for 30 *per cent* deductions.

Audit test checked (between September 2016 and December 2016) VAT assessments and VAT records for the period from 2011-12 and 2014-15. Audit noticed in three cases, that the AAs<sup>66</sup> finalised the assessments under Rule 17(1)(g). However, tax was levied at the rate of five *per cent* on part turnover and at the rate of 14.5 *per cent* on the balance turnover. As the dealers are works contractors who did not maintain detailed accounts, the entire turnover of ₹ 24.76 crore was to be taxed at the rate of 14.5 *per cent*. The failure of AAs to do so, resulted in short levy of tax of ₹ 0.91 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases<sup>67</sup> show cause notices were issued. In CTO, Basheerbagh in one case it was replied that the file was sent to DC(CT) for revision.

## **2.9.2 Payment of VAT under composition method**

### **2.9.2.1 Short levy of tax due to incorrect exemption**

As per Section 4(1) of Telangana VAT Act, every VAT dealer shall pay tax on every sale of goods, at the rates specified in the Schedules.

As per the provisions of Section 4(7) (b) of the VAT Act, any works contractor may opt to pay tax by way of composition at the rate of five *per cent* on the total consideration received towards execution of works contract. Similarly, under Section 4(7)(d) of VAT Act, the rate of tax payable under composition by any dealer engaged in construction and selling of residential apartments, houses etc., is 1.25 *per cent* of the consideration received or receivable or the market value of land and building fixed for the purpose of stamp duty, whichever is higher. In the method of composition, no deductions are allowable to arrive at taxable turnover except payments made to sub-contractors.

Audit test checked (between May 2015 and December 2016) VAT assessments and VAT records for the period from 2009-10 to 2014-15. Audit observed in three Circles<sup>68</sup> that in three cases, the AAs, while finalising the assessments of works contractors who had opted to pay tax under composition under Section 4(7)(b), allowed deduction of an amount of ₹ 8.47 crore. The deduction allowed pertained to land development charges, design &

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<sup>66</sup> CTOs - Adilabad, Basheerbagh and General Bazar.

<sup>67</sup> CTOs - Adilabad and General Bazar.

<sup>68</sup> CTOs - Abids, Khairatabad and Market Street.



engineering services, erection & installation services, labour charges etc., which were not admissible. In another case, in CTO Sangareddy circle, a dealer who opted for composition for works contract had withdrawn from the project agreement. The material purchased had been handed over to the owner when the project was in a semi-finished stage. The AA completed the assessment under Section 4(7)(d), though the dealer was not entitled to. Since the dealer did not complete the project and no material was incorporated in works contract, the material handed over falls under the definition of “Sale” and the turnover of ₹ 0.48 crore has to be assessed under Section 4(1). This resulted in short levy of tax of ₹ 50.30 lakh on the turnover of ₹ 8.95 crore.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases<sup>69</sup> notices were issued. In CTO, Sangareddy in one case it was replied that the file was submitted to DC(CT) for revision. In CTO, Market Street in one case, it was replied that the order was passed but the dealer preferred an appeal.

### **2.9.3 Short levy of tax due to incorrect determination of incorporation charges under works contract**

Under Section 4(7) (a) of the Telangana VAT Act, tax on works contract receipts is to be paid on the value of goods at the time of their incorporation in the work at the rates applicable to them. To determine the value of goods incorporated, deductions prescribed under Rule 17(1)(e) of VAT Rules, such expenditure incurred towards labour charges, hire charges etc. are to be allowed from the total consideration and the remaining turnover is to be taxed at the rates applicable to them taking the same proportion at which the goods were purchased. Under Section 5(2) of CST Act 1956, a sale or purchase of goods shall be deemed to take place in the course of the import of the goods into the territory of India only if the sale or purchase either occasions such import or is effected by a transfer of documents of title to the goods before the goods have crossed the customs frontiers of India. Under Section 6(2) of CST Act, where a sale of any goods in the course of interstate trade or commerce has either occasioned the movement of such goods from one state to another or has been effected by a transfer of documents of title to such goods during their movement from one state to another, any subsequent sale during such movement effected by a transfer of documents of title to such goods to a registered dealer, shall be exempt from tax.

Audit observed (May 2015) during the test check of VAT audit file that in one case, the DC (CT), Karimnagar while finalising the assessment, incorrectly determined the incorporation charges. The dealer who executed works contracts also dealt in trading of goods, which included transit sales and sale in the course of import and export. The turnover relating to transit sale and sale in the course of import does not form a part of taxable turnover or works contract turnover. The dealer included the expenditure incurred on these sales also in the apportionment of common expenditure such as hire charges of machinery, freight and transport charges towards claiming exemption under

<sup>69</sup> CTOs - Abids and Khairatabad.

works contract. This resulted in incorrect determination of incorporation charges and consequent short levy of tax of ₹ 8.19 lakh.

After Audit pointed out the case, the Government replied (January 2018) that a show cause notice would be issued.

## **2.10 Non-levy of VAT on transfer of right to use goods**

As per Section 4(8) of Telangana VAT Act, every VAT dealer who leases out or licenses others to use taxable goods, for cash or consideration in the course of his business shall pay tax at the rates on the consideration as are applicable to the goods involved.

Audit test checked (between April 2015 and August 2016) VAT assessments and VAT records for the period from 2009-10 to 2013-14. Audit observed in three circles<sup>70</sup> that in four cases, the AAs did not levy tax on a turnover of ₹ 1.54 crore representing lease rentals of vehicles. This resulted in non-levy of VAT of ₹ 22.34 lakh.

After Audit pointed out the cases, the Government replied (January 2018) that in three cases<sup>71</sup> show cause notices were issued. In CTO Karimnagar-II in one case, it was replied that order was passed and collection was under process.

## **2.11 Short realisation of Tax for failure to register as VAT dealers**

As per Section 17(3) of the Telangana VAT Act 2005 with effect from 1 May 2009, every dealer whose taxable turnover in the preceding twelve months exceeds ₹ 50 lakh shall be liable to be registered as a VAT dealer. As per the provisions of Section 17(5)(h) of the Act, every dealer engaged in sale of food items including sweets etc. whose annual total turnover is more than ₹ 7.50 lakh is liable for VAT registration and has to pay tax at the rate of five *per cent* under the provisions of Section 4(9)(d) of the Act. Further, as per Section 17(5)(b) of Act, every dealer registered or liable to be registered under the Central Sales Tax Act 1956, or any dealer making purchases or sales in the course of interstate trade or commerce or dispatches any goods to a place outside the state other than by way of sale shall be liable to be registered as VAT dealer irrespective of their taxable turnover. There shall be no eligibility for the ITC for sales made prior to the date from which the registration is effected. As per Rule 11(1) of the VAT Rules, the prescribed authority may *suo moto*, register a dealer, who is liable to apply for registration as VAT dealer but has failed to do so.

Audit test checked the Turnover Tax (TOT) records in ten Circle offices<sup>72</sup> and observed (between July 2016 and December 2016) that in 13 cases the taxable turnover of the dealers (during the period from April 2010 to June 2016) had

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<sup>70</sup> CTOs - Karimnagar-II, Keesara and Mahaboobnagar.

<sup>71</sup> CTOs - Karimnagar-II, Keesara and Mahaboobnagar.

<sup>72</sup> CTOs - Bhongir, Fort Road, General Bazar, Khammam-II, Mehdipatnam, Nalgonda, Narayanaguda, Sultan Bazar, Vanasthalipuram and Vidyanagar.

crossed the threshold limit. In one case, the dealer reported interstate purchases, making them liable for VAT registration. These TOT dealers had neither applied for VAT registration nor were registered by the respective AAs at the time of assessment. The total turnover that exceeded the threshold limits in these cases amounted to ₹ 7.22 crore on which VAT of ₹ 35.93 lakh was to be levied had they been registered as VAT dealers. Failure to get them registered as VAT dealers resulted in short realisation of tax of ₹ 35.93 lakh as detailed in **Table 2.7** below:

**Table 2.7:**

(₹ in lakh)		
Subject	No. of cases	Short levy of tax
Turnover above the threshold limit of ₹ 50 lakh	10	27.31
Interstate purchases	1	5.41
Bakeries with turnover above ₹ 7.5 lakh and below ₹ 1.5 crore	3	3.21
<b>Total</b>	<b>14</b>	<b>35.93</b>

After Audit pointed out the cases, the Government replied (January 2018) that in nine cases<sup>73</sup> show cause notices were issued. In three cases<sup>74</sup>, it was replied that audit was under process. In one case in CTO, Narayanguda it was replied that file had been submitted to DC(CT).

## 2.12 Levy of penalties and interest under VAT

### 2.12.1 Non levy of penalty and interest on belated payment of tax

Under Section 51(1) of the Telangana VAT Act 2005, where a dealer who fails to pay tax due on the basis of the return submitted by him by the last day of the month in which it is due, he shall be liable to pay tax and a penalty of 10 *per cent* of the amount of tax due.

According to Rule 24 (1) of Telangana VAT Rules, in case of a VAT dealer, the tax declared to be due in Form VAT 200 shall be paid not later than 20 days after the end of the tax period. Further, according to Section 22 (2) of Telangana VAT Act, if any dealer fails to pay the tax due on the basis of return submitted by him or fails to pay any tax assessed or penalty levied or any other amount due under the Act, within the time prescribed or specified, he shall pay in addition to the amount of such tax or penalty, interest calculated at the rate of 1.25 *per cent* per month for the period of delay.

According to Section 20(3)(a) of the Act, every monthly return submitted by a dealer shall be subjected to scrutiny to verify the correctness of calculation, application of correct rate of tax, ITC claimed therein and full payment of tax payable for such tax period.

<sup>73</sup> CTOs - Bhongir, Fort Road, General Bazar, Mehdipatnam, Nalgonda, Sultan Bazar and Vidyanagar.

<sup>74</sup> CTOs - Khammam-II, Nalgonda and Vanasthalipuram.

Audit test checked (between March 2015 to January 2017) VAT assessments and VAT records for the period from April 2011 to March 2016. Audit observed in three DC(CT) offices<sup>75</sup> and 35 circle offices<sup>76</sup>, that in 167 cases the dealers paid tax belatedly with delay ranging from one to 1073 days and were therefore liable for penalty and interest. However, the AAs did not levy penalty and interest. This had resulted in non-levy of penalty of ₹ 3.59 crore and interest of ₹ 1.31 crore.

After Audit pointed out cases, the Government replied (January 2018) that in 94 cases<sup>77</sup> show cause notices were issued. In 22 cases<sup>78</sup>, it was replied that orders would be passed. In 22 cases<sup>79</sup>, it was replied that orders would be issued and amounts collected. In 19 cases<sup>80</sup>, it was replied that orders were passed and demands were taken into DMU but did not furnish any documents. In five cases in CTO, Ramgopalpet, it was replied that interest and penalty orders would be passed. In three cases<sup>81</sup>, it was replied that files were submitted to DC(CT). In one case in CTO, Osmangunj, it was replied that orders were issued and amount collected but no particulars were furnished. In one case in CTO, Barkatpura, it was replied that orders were passed and dealer preferred to appeal before ADC(CT).

### **2.12.2 Non levy/ short levy of penalty on wilful under-declaration of tax**

Under Section 53(3) of Telangana VAT Act, any dealer who has under declared tax and where it is established that fraud or wilful neglect has been committed he shall be liable to pay penalty equal to the tax under declared.

Audit test checked (between December 2015 and January 2017) VAT assessments and VAT records for the period from 2008-09 to 2014-15. Audit observed in nine circles<sup>82</sup> that in 10 cases the dealers had under declared tax of ₹ 93.91 lakh wilfully. The AAs<sup>83</sup> in eight cases short levied penalty and in two cases in CTO, RP Road, no penalty was levied in contravention of the provisions of the Act. This resulted in non-levy/ short levy of penalty of ₹ 75.32 lakhs.

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<sup>75</sup> DC(CT)s - Nizamabad, Secunderabad and Warangal.

<sup>76</sup> CTOs - Abids, Barkatpura, Basheerbagh, Begambazar, Fathenagar, Fort Road, Gadwal, General Bazar, Jagitial, Karimnagar-I, Keesara, Khammam-I, Khammam-II, Kothagudem, Mahaboobnagar, Mancherial, Marketstreet, Medak, Mehdipatnam, MG Road, Miryalguda, Musheerabad, Nacharam, Narayanaguda, Narsampet, Nirmal, Osmangunj, Ramannapet, Ramgopalpet, RP Road, Siddipet, Special Commodities, Tarnaka, Vamasthalipuram and Vidyannagar.

<sup>77</sup> DC(CT) - Warangal, CTOs -Abids, Barkatpura, Basheerbagh, Begambazar, Fathenagar, General Bazar, Jagitial, Karimnagar-I, Mahaboobnagar, Mancherial, Medak, Mehdipatnam, Musheerabad, Nacharam, Narayanaguda, Narsampet, Nirmal, Ramannapet, RP Road, Siddipet, and Tarnaka.

<sup>78</sup> CTOs - Khammam-II and Kothagudem.

<sup>79</sup> DC(CT) - Nizamabad, CTOs - Fort Road, Gadwal, Khammam-I, Market street, Miryalaguda, Special Commodities and Vidyannagar.

<sup>80</sup> CTOs - Keesara, MG Road and Vanasthalipuram.

<sup>81</sup> DC(CT) - Secunderabad, CTOs - Marketstreet and Nacharam.

<sup>82</sup> CTOs - Gadwal, Jagitial, Madhapur, Medak, NS Road, Punjagutta, RP Road, Special Commodities and Vengalraonagar.

<sup>83</sup> CTOs - Gadwal, Jagitial, Madhapur, Medak, NS Road, Punjagutta, Special Commodities and Vengalraonagar.

After Audit pointed out cases, the Government replied (January 2018) that in three cases<sup>84</sup> show cause notices were issued. In two cases<sup>85</sup>, it was replied that the revision is under process. In two cases<sup>86</sup>, files were sent to DC(CT) for revision. In two cases<sup>87</sup>, orders were issued but the dealers preferred an appeal to ADC(CT).

### 2.12.3 Non-levy/ short levy of penalty on under-declaration of tax

As per Section 53(1) of Telangana VAT Act, where any dealer has under-declared tax, and where it has not been established that fraud or wilful neglect has been committed, if under-declared tax is (i) less than 10 *per cent* of the tax, a penalty shall be imposed at 10 *per cent* of such under-declared tax; (ii) more than 10 *per cent* of the tax due, a penalty shall be imposed at 25 *per cent* of such under-declared tax. Further as per Rule 25(8)(a)& (b) of Telangana VAT Rules, for the purpose of Section 53, the tax under-declared in respect of input tax means the excess of ITC claimed over and above the input tax actually entitled to be claimed and tax under-declared in respect of output tax means the difference between output tax actually chargeable and the output tax declared in the returns.

Audit test checked (between May 2015 and January 2017) VAT assessments and VAT records for the period from 2008-09 to 2014-15. Audit observed in four DCs<sup>88</sup> and 13 circles<sup>89</sup> that in 26 cases, the dealers under declared tax/ claimed excess ITC of ₹ 27.61 crore for reasons other than due to fraud or wilful neglect. However, the AAs did not levy penalty in 10 cases and short levied penalty in the 16 remaining cases. This resulted in non/short levy of penalty of ₹ 4.11 crore as given in **Table 2.8**.

**Table 2.8:**

Subject	No. of cases	(₹ in crore)	
		Short levy of penalty	Non levy of penalty
Excess claim of Input Tax Credit	7	2.21	0.09
Under declaration of tax	19	0.65	1.16
<b>Total</b>	<b>26</b>	<b>2.86</b>	<b>1.25</b>

After Audit pointed out the cases, the Government replied (January 2018) that in seven cases<sup>90</sup>, files were submitted to DC(CT). In seven cases<sup>91</sup>, it was replied that orders were passed and demands were taken into DMU but did not

<sup>84</sup> CTOs - Jagityal, Madhapur and Vengalraonagar.

<sup>85</sup> CTOs - Gadwal and Punjagutta.

<sup>86</sup> CTOs - Medak and Special Commodities.

<sup>87</sup> CTOs - NS Road and RP Road.

<sup>88</sup> DC(CT)s - Begumpet, Karimnagar, Saroornagar and Secunderabad.

<sup>89</sup> CTOs - Adilabad, Basheerbagh, Fathenagar, General Bazar, Jublee Hills, Kothagudem, MG Road, Madhapur, Mehdiapatnam, Special Commodities, Srinagar Colony, Vanasthalipuram and Vengalraonagar.

<sup>90</sup> DC(CT) - Secunderabad, CTOs - Basheerbagh, General Bazar, Special. Commodities and Vanasthalipuram.

<sup>91</sup> DC(CT) - Karimnagar, CTOs - Basheerbagh, MG Road, Srinagar Colony and Vengalraonagar.

furnish any supporting documents. In six cases<sup>92</sup> it was replied that show cause notices were issued. In two cases<sup>93</sup>, it was replied that revision was under process. In two cases<sup>94</sup>, it was replied that dealers preferred to appeal before ADC(CT). In one case in DC(CT) Saroomnagar, it was replied that file was pending with ADC(CT). In one case in DC(CT), Begampet it was replied that case was remanded back to the AA by ADC(CT).

#### **2.12.4 Non-levy of penalty for failure to register as a VAT dealer**

According to Section 49(2) of Telangana VAT Act, 2005, any dealer who fails to apply for registration as required under Section 17 before the end of the month subsequent to the month in which the obligation arose, shall be liable to pay penalty at the rate 25 *per cent* of the amount of tax due or prior to the date of the registration by the Registering Authority.

Audit test checked (between March 2016 to September 2016) VAT assessments and VAT records for the period from 2009-10 to 2013-2014. Audit observed in two circle offices<sup>95</sup> that in three cases, the dealers did business without obtaining VAT registration though they were liable to be registered as VAT dealers. Based on the reports of Vigilance and Enforcement Department, the AAs assessed the turnovers of the three unregistered dealers and levied VAT of ₹ 46.35 lakh. However, penalty under Section 49(2) was not levied for failure to register as VAT dealers. This resulted in non-levy of penalty of ₹ 11.59 lakh.

After Audit pointed out the cases, the Government replied (January 2018) that in two cases in CTO, Beat Bazar penalty orders were passed but did not furnish any supporting documents. In one case in CTO, Kothagudem, it was replied that a show cause notice was issued to the dealer.

### **2.13 Deferment of Sales Tax**

#### **2.13.1 Excess availment of Deferred Sales Tax**

According to Sales Tax incentive scheme envisaged in Government Orders<sup>96</sup> dated 20 May 1996, sanctions for Sales Tax incentive in the form of Sales Tax Holiday (exemption)/ Sales Tax Deferment were issued and communicated to Industrial Units, through a Final Eligibility Certificate (FEC) by the office of the erstwhile Commissioner of Industries, A.P. Hyderabad.

As per the conditions stipulated in the Final Eligibility Certificate (FEC), the Industrial Units availing Sales Tax Deferment/ Tax Holiday, can avail deferment incentive to the extent of eligibility amount fixed and for the period stipulated in FEC.

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<sup>92</sup> CTOs - Adilabad, Jubilee Hills, Kothagudem, MG Road and Vengalraonagar.

<sup>93</sup> CTOs - Fathenagar and Madhapur.

<sup>94</sup> CTOs - Jubilee Hills and Mehdiapatnam.

<sup>95</sup> CTOs - Beat Bazar and Kothagudem.

<sup>96</sup> G.O.Ms.No.108 Industries & Commerce (IP) Department, dated 20 May 1996.

During the test check of records in six circle offices<sup>97</sup> (between October 2016 and March 2017) Audit observed that 15 Industrial units were sanctioned Sales Tax Deferment/ Tax Holiday under Target-2000 Scheme. These Industrial units were sanctioned Sales Tax Deferment/ Tax Holiday of ₹ 16.98 crore to be availed between 1996 and 2016, as per the FECs issued by the Department of Industries.

Audit observed that these industrial units availed (between 1996 and 2011) tax deferment of ₹ 20.00 crore against ₹ 16.98 crore sanctioned by Department of Industries. This resulted in unauthorized/ excess availment of Deferred Sales Tax of ₹ 3.02 crore indicating deficiency in monitoring of availment by AAs.

After Audit pointed out the cases, the Government (January 2018) replied that in 10 cases<sup>98</sup> notices were issued to the dealers. In two cases in IDA Gandhinagar, it was replied that they would be rechecked and report submitted. In two cases<sup>99</sup>, it was replied that there was no excess availment, but did not furnish any supporting documentary evidence. In one case in CTO, Jeedimetla, it was replied that the amount was taken into DMU but did not furnish any document.

### 2.13.2 Non-levy of interest on belated payment of Deferred Sales Tax

According to the Sales Tax Deferment Schemes envisaged in Government Order's<sup>100</sup> and as per the conditions stipulated in the FEC, the Sales Tax Deferment allowed to a unit in the first year should be paid back in lump sum at the end of 10<sup>th</sup>/ 14<sup>th</sup> year thereof without interest. Further, the Commissioner of Commercial Taxes (CCT) also clarified vide CCT's reference<sup>101</sup> dated 19 December 2012 that the due date for repayment of Sales Tax Deferment availed in the year 1996-97 was 31 March 2010 and the due date for the payment of Sales Tax Deferment availed in the year 1997-98 was 31 March 2011 and so on. In case of non-remittance of the tax on due dates, an interest of 21.50 *per cent* will be charged from the due date till the date of payment as per the guidelines of deferment scheme.

Audit observed (between January 2016 and March 2017) during test check of records of six division offices<sup>102</sup> and 18 circle offices<sup>103</sup> that in 128 cases, the industrial units availed Sales Tax Deferment. These units repaid the deferred tax of ₹ 70.72 crore (availed during 1996-97 to 2004-05) belatedly with delay ranging from one to 2000 days. The AAs, however, did not levy interest in

<sup>97</sup> CTOs - Jeedimetla, Keesara, Malkajgiri, Nacharam, IDA Gandhinagar and Sangareddy.

<sup>98</sup> CTOs - Keesara, Nacharam and Sangareddy.

<sup>99</sup> CTOs - Jeedimetla and Malkajgiri.

<sup>100</sup> G.O.Ms.No.498, Industries & Commerce Department, dated 16 October 1989, G.O.Ms.No.117, Industries & Commerce Department, dated 17 March 1993 & G.O.Ms.No.108, Industries & Commerce (IP-II) Department, dated 20 May 1996.

<sup>101</sup> CCT's reference No. AII (3)/373/2012, dated 19 December 2012.

<sup>102</sup> DC(CT)s - Hyderabad Rural, Nalgonda, Nizamabad, Punjagutta, Saroornagar and Warangal.

<sup>103</sup> CTOs - Bhongir, Bowenpally, Fathenagar, IDA Gandhinagar, Jeedimetla, Kothagudem, Malkajgiri, Nacharam, Nalgonda, Nampally, Punjagutta, Sangareddy, Sanathnagar, SD Road, Srinagar colony, Tarnaka, Vanasthalipuram and Vidyanagar.

deviation to the Government orders. This resulted in non-levy of interest of ₹ 11.10 crore.

The Government replied (January 2018) that in 72 cases<sup>104</sup>, notices were issued. In 46 cases<sup>105</sup>, it was replied that orders were passed but did not furnish the supporting documents. In two cases<sup>106</sup>, it was replied that dealers approached the High Court. In one case in DC(CT) Hyderabad Rural, it was replied that all the payments were received on time but no documents were furnished in support of their reply. In seven cases in DC(CT) Punjagutta, it was replied that the dealers paid tax in time. The reply is not tenable since as per CCT's circular, calculation of interest on belated deferred payments had been clearly illustrated.

### **2.13.3 Non-Recovery of Deferred Sales Tax in respect of Sales Tax Deferment and Tax Holidays cases converted into Deferment Sales Tax availed by Industrial Units**

According to the Sales Tax Deferment Scheme envisaged in Government Orders<sup>107</sup> and as per the conditions stipulated in the FEC, the industrial units availing Sales Tax deferment can avail deferment of Sales Tax to the extent of eligibility fixed for a period of 14 years or less as prescribed. The amount of sales tax deferred will be treated as deemed interest free loan subject to making available security of fixed assets of the industry, *pari passu*<sup>108</sup> with financial institutions. The sanction was accorded by the Office of the Commissioner of Industries, A.P, Hyderabad.

As per Section 69 of Telangana VAT Act, all the Tax Holiday cases sanctioned prior to the enactment of VAT Act were converted into Sales Tax Deferment by doubling the period left over without change in monetary limit of the amount sanctioned. Further as per Rule 67(5) of Telangana VAT Rules, the amount availed in first year in which unit is converted into Deferment from Tax holiday scheme shall be paid in the month succeeding the month in which the period for which the unit is eligible for availment of the incentives is completed and the amount availed in the second year, shall be paid in the year, subsequent to the year in which the amount, availed in the first year is paid or payable and so on.

Audit observed (between October 2016 and March 2017) during test check of records of DC (CT) Punjagutta and 13 circle offices<sup>109</sup> that in 120 cases, the

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<sup>104</sup> DC(CT)s - Nalgonda, Nizamabad and Warangal, CTOs- Fathenagar, IDA Gandhinagar, Kothagudem, Punjagutta, Sangareddy, Sanathnagar, Srinagar Colony, Tarnaka, Vanasthalipuram and Vidyanagar.

<sup>105</sup> DC(CT)s - Hyderabad Rural and Saroornagar, CTOs- Bhongir, Bowenpally, Jeedimetla, Kothagudem, Malkajgiri, Nacharam, Nalgonda, Punjagutta, Sanathnagar and S.D. Road.

<sup>106</sup> DC(CT) Hyderabad Rural and CTO Nampally.

<sup>107</sup> G.O.Ms.No.108, Industries & Commerce (IP) Department, dated 20 May 1996, G.O.Ms. No. 187, Industries & Commerce (IP) Department, dated 21 November 1995.

<sup>108</sup> Where a dealer avails loans from multiple financial institutions the charge is agreed to be created on *pari passu* basis i.e. charge is proportionate to the quantum of loan lent by each financial institution.

<sup>109</sup> CTOs - Balanagar, Bhongir, Bowenpally, Fathenagar, IDA Gandhinagar, Jeedimetla, Keesara, Malkajgiri, Medak, Nacharam, Rajendranagar, Sangareddy and Sanathnagar.



industrial units availed Sales Tax Deferment of ₹ 21.44 crore (availed during 1993-94 to 2015-16). These became due for repayment between 1999-2000 to 2015-16 which was not recovered by the AAs. The reasons for non-recovery were not on record. Effective steps were not taken by the Department, in spite of the fact that the deferred tax was pending for recovery as early from 1999-2000 onwards.

Out of 120 cases, in nine cases relating to three circles<sup>110</sup>, the industrial units closed their business and did not repay the deferred tax availed by them. The tax involved in these cases amounted to ₹ 4.06 crore. In such cases, though the CT Department had the authority for attachment of the movable and immovable properties of the units as stipulated, this was not resorted to. The conditions of the agreements with loanee units were not invoked by Department for recovery of the long pending deferred tax.

After Audit pointed out the cases, the Government replied (January 2018) that in 60 cases in 10 circles<sup>111</sup> notices were issued. In 49 cases in 11 circles<sup>112</sup> it was replied that amounts were paid by the units/collected and taken into DMU but no supporting documentary evidence was produced. In eight cases in DC(CT) Punjagutta and three circles<sup>113</sup> it was replied that action was being taken for recovery of amounts. In two cases in two circles<sup>114</sup> it was replied that the dealers went for appeal. In one case in CTO, Sanathnagar it was replied that the dealer availed tax holiday from 1995-96 to 2001-02 and the dealer had closed the business hence no liability arose of payment of deferred sales tax. The AA, however, did not produce supporting documents of availment up to 2001-02.

Audit observed (between October 2016 and March 2017) during test check of records of eight circle offices<sup>115</sup> that in 57 cases, the industrial units availed Sales Tax Deferment ₹ 5.90 crore (availed during 2005-06 to 2012-13) which became due for repayment between 2005-06 to 2015-16. But the amount due for repayment was not recovered by the AAs yet. The reasons for non-recovery were not on record. Effective steps were not taken by the Department, in spite of the fact that the deferred tax was pending for recovery as early from 2006-07 onwards.

Out of 57 cases, in 22 cases relating to two circles<sup>116</sup>, the industrial units closed their business but did not repay the deferred tax availed by them. The tax involved in these cases amounted to ₹ 2.33 crore. In such cases, though the CT Department had the authority for attachment of the movable and immovable properties of the units as stipulated, this was not resorted to. The

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<sup>110</sup> CTOs - Bhongir, Jeedmetla and Sanathnagar.

<sup>111</sup> CTOs - Balanagar, Bhongir, Bowenpally, IDA Gandhinagar, Jeedimetla, Keesara, Medak, Nacharam, Rajendranagar and Sangareddy.

<sup>112</sup> CTOs - Bowenpally, Fathenagar, IDA Gandhinagar, Jeedimetla, Keesara, Malkajigiri, Medak, Nacharam, Rajendranagar, Sanathnagar and Sangareddy.

<sup>113</sup> DC(CT) Punjagutta, CTOs - Bhongir, Malkajigiri and Rajendranagar.

<sup>114</sup> CTOs - Keesara and Rajendranagar.

<sup>115</sup> CTOs - Balanagar, IDA Gandhinagar, Jeedimetla, Malkajigiri, Nacharam, Rajendranagar, Special Commodities and Tarnaka.

<sup>116</sup> CTOs - Rajendranagar and Tarnaka.

conditions of the agreements with loanee units were not invoked by the Department for recovery of the long pending deferred tax.

After Audit pointed out the cases, the Government replied (January 2018), in 26 cases in eight circles<sup>117</sup>, notices were issued. In 22 cases in two circles<sup>118</sup> it was replied that the units were closed and efforts were being made to recover the dues. In six cases in three circles<sup>119</sup> it was replied that amounts were collected but no supporting documents were produced. In two cases in two circles<sup>120</sup> it was replied that amounts would be collected. In one case in CTO, Rajendranagar it was replied that the dealer preferred an appeal in Supreme Court.

#### **2.13.4 Tax Holiday converted to Deferment - Non-levy of interest on belated payment of Deferred Sales Tax**

As per the provisions of Section 69 of the Telangana VAT Act, all Sales Tax Holiday/ exemption cases sanctioned prior to the enactment of Telangana VAT Act were converted as Sales Tax Deferment with effect from 1 April 2005 by doubling the period left over without change in monetary limit of the amount sanctioned. Further, as per Rule 67(5) of Telangana VAT Rules, the amount availed in the first year, in which the unit is converted from Tax Holiday Scheme to Deferment Scheme, shall be paid in the month succeeding the month in which the period for which the Unit is eligible for availment of the incentives is completed and the amount availed in the second year, shall be paid in the year, subsequent to the year in which the amount, availed in the first year is paid or payable and so on. In case of non-remittance of deferred tax on the due date, interest at the rate of 21.5 *per cent* per annum was to be charged as per the guidelines of the Sales Tax Deferment scheme envisaged in Government Orders<sup>121</sup> dated 20 May 1996.

Audit observed (between October 2016 and March 2017) during test check of records of DC(CT) Nalgonda and seven circle offices<sup>122</sup> that in 16 cases, the industrial units availed Sales Tax Deferment. These units repaid the deferred tax of ₹ 10.61 crore (availed during 2005-06 and 2008-09) belatedly with delay ranging from 18 to 1491 days. The AAs however, did not levy interest in violation of the Government orders. This resulted in non-levy of interest of ₹ 2.27 crore.

After Audit pointed out the cases, Government replied (January 2018) that in eight cases<sup>123</sup> notices were issued. In eight other cases<sup>124</sup> it was replied that

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<sup>117</sup> CTOs - Balanagar, IDA Gandhinagar, Jeedimetla, Malkajigiri, Nacharam, Rajendranagar, Special Commodities and Tarnaka.

<sup>118</sup> CTOs - Rajendranagar and Tarnaka.

<sup>119</sup> CTOs - Jeedimetla, Malkajigiri and Rajendranagar.

<sup>120</sup> CTOs - Malkajigiri and Rajendranagar.

<sup>121</sup> G.O.Ms.No.108 Industries & Commerce (IP-II) Department, dated 20 May 1996.

<sup>122</sup> CTOs - Bhongir, IDA Gandhinagar, Rajendranagar, Malkajigiri, Nacharam, Nampally and Vanasthalipuram.

<sup>123</sup> DC(CT) Nalgonda, CTOs - Bhongir, IDA Gandhinagar, Rajendranagar and Vanasthalipuram.

<sup>124</sup> CTOs - Malkajigiri, Nacharam and Nampally.

orders were passed and taken to DMU but did not furnish the supporting documents.