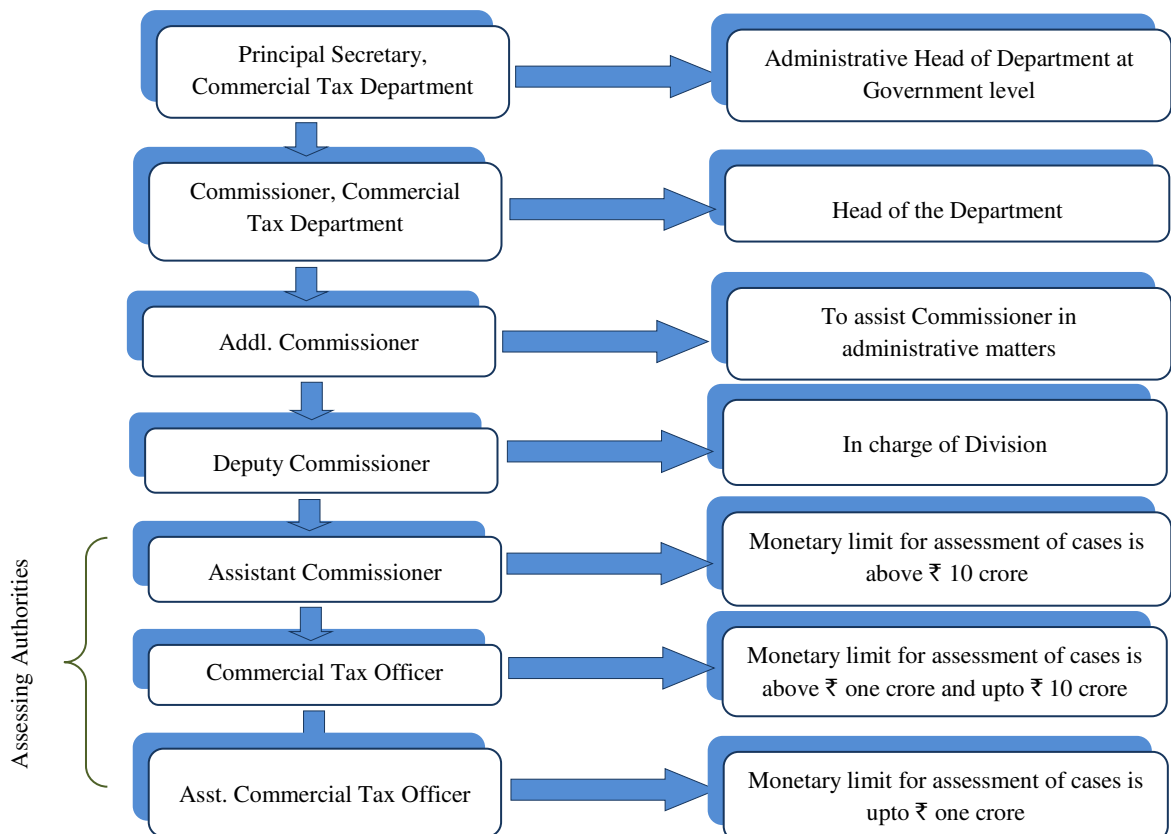


## CHAPTER II: COMMERCIAL TAX

### 2.1 Tax administration

Commercial Tax Department is administered at the Government level by the Principal Secretary. The Commissioner is the head of the Commercial Tax Department and is assisted by four Additional Commissioners (Addl. Commissioners), 12 Deputy Commissioners (DCs), 26 Assistant Commissioners (ACs), 72 Commercial Tax Officers (CTOs), 121 Assistant Commercial Tax Officers (ACTOs) and 174 Inspectors of Commercial Tax (CTIs) in performance of such functions as may be assigned to them under the Chhattisgarh Value Added Tax (CGVAT) Act 2005. Against the above sanctioned posts, nine DCs, 19 ACs, 67 CTOs, 31 ACTOs and 117 CTIs are presently working in the Department. In addition to the above, there is an Enforcement Wing at Headquarters headed by the Commissioner, which consists of one Joint Commissioner, one DC, one AC and two inspectors to conduct surprise inspections and unearth evasion of tax. There are two regional branches located at Raipur and Bilaspur. Organisational setup of the Department is given in **Chart 2.1**.

**Chart 2.1: Organisational setup**



The receipts of commercial taxes are administered (upto 30/6/2017) under the provisions of:

- Chhattisgarh Value Added Tax Act, 2005
- Chhattisgarh Value Added Tax Rules, 2006

- Central Sales Tax Act, 1956
- Central Sales Tax (Registration & Turnover) Rules, 1957
- Chhattisgarh Entry Tax Act, 1976
- Rules, circulars, exemptions, notifications and instructions issued by the Department and State Government from time to time.

Since 1 July 2017 Goods and Services Tax (GST) was introduced and taxes are administered under the provisions of:

- Chhattisgarh Goods and Services Tax Act, 2017
- Chhattisgarh Goods and Services Tax Rules, 2017

## **2.2 Internal Audit**

The Department did not furnish the number of units planned, number of units audited and the observations made by the internal auditor. However, the Department stated (May 2019) that for smooth functioning of audit work, services of 10 Chartered Accountants had been hired on contract basis on the direction of the State Government. Audit observed that a dedicated Internal Audit Wing (IAW) was not functioning in the Commercial Tax Department.

### **Recommendation:**

**The Government may institute an internal audit wing for safeguarding assessment, levy and collection of all the revenue due.**

## **2.3 Results of audit**

Audit test checked records of 25<sup>1</sup> units out of 55 units relating to Commercial Tax Department in 2017-18 involving 6,155 (3,123 self-assessed and 3,032 scrutiny) cases out of 24,043 (11,667 self-assessed and 12,376 scrutiny) cases in the 25 units, which was 25.60 *per cent* of the total cases in selected units. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 11,267.56 crore of which, the audited units collected ₹ 5,503.05 crore which was 48.84 *per cent* of total revenue. In addition, a paragraph on “Preparedness for Transition to Goods and Services Tax (GST)” was compiled during the period from January to April 2019. Audit noticed irregularities involving ₹ 79.60 crore in 491 cases (181 self-assessed cases and 310 scrutiny cases), which fall under the following categories as given in **Table 2.1:**

<sup>1</sup> CTO-1, Raigarh; CTO-1, Raipur; CTO-2, Raipur; CTO-3, Raipur; CTO-4, Raipur; CTO-5, Raipur; CTO-8, Raipur; CTO-9, Raipur; CTO-2, Durg; CTO-1, Bilaspur; AC-3, Durg; DC, Div-I, Bilaspur; AC-2, Durg; AC-5, Raipur; AC, Korba; DC, Durg; AC-1, Durg; AC-3, Raipur; DC(HQ), Raipur; CTO, Rajnandgaon; AC-1, Circle-9, Raipur; AC-4, Raipur; AC, Raigarh; CTO-3, Durg; AC, Raipur (Circle 6,7 & 8)

Table 2.1: Results of audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Paragraph on “Preparedness for Transition to Goods and Services Tax (GST)”	1	5.30
2.	Short levy of tax/tax not levied	109	14.00
3.	Incorrect grant of exemption/deduction	73	23.20
4.	Application of incorrect rate of tax	25	11.12
5.	Incorrect determination of taxable turnover	26	5.70
6.	Other irregularities <sup>2</sup>	258	25.58
<b>Total</b>		<b>492</b>	<b>84.90</b>

The Department accepted underassessment of ₹ 1.50 crore in 39 cases and recovered ₹ 14.71 lakh in five cases. In the remaining cases, Audit is pursuing the matter with the Department.

After issue of seven draft paragraphs involving 93 cases amounting to ₹ 37.77 crore during 2017-18, the Department accepted underassessment of ₹ 10.34 crore in 49 cases and recovered ₹ 0.44 crore in 14 cases.

#### 2.4 Follow up of previous Audit Reports

In the Audit Reports for the period 2012-17, Audit had pointed out various observations amounting to ₹ 54.83 crore in 28 paragraphs against which Department accepted observations involving ₹ 12.68 crore and recovered ₹ 1.23 crore.

The PAC had selected 30 paragraphs of Audit Reports for the year 2002 to 2012 for discussion and gave its recommendation on 12 paragraphs for the year 2002-03, 2005-06 to 2007-08 and 2009-10. However, ATN has been received for only six paragraphs for the year 2002-03, 2005-06 and 2006-07.

On the Audit Report 2007-08 (Paragraph 2.4) the PAC had recommended on 26 March 2015 (22<sup>nd</sup> Report) that the Department may immediately recover tax where tax exemptions were claimed/given on the basis of form ‘F’ of doubtful authenticity. Further, on the Audit Report 2009-10 (Paragraph 2.15.2) the PAC had recommended on 4 January 2018 (57<sup>th</sup> Report) that the Department may issue clear instructions on tax on coconut oil so as to avoid confusion and also to recover the tax immediately. However, the Department has not complied (July 2019) with PAC’s recommendation in both the paragraphs.

#### Recommendation:

**The Department should expedite recovery on the cases of earlier years and ensure compliance to the recommendations given by the PAC.**

<sup>2</sup> Other irregularities include observations on claim of excess/inadmissible ITR; non-inclusion of the credit note or discount received in the turnover; non-inclusion of labour component etc.

## **2.5 Preparedness for transition to Goods and Services Tax (GST)**

### **2.5.1 Introduction**

Goods and Services Tax (GST), a unified indirect tax<sup>3</sup> across the nation on goods and services was implemented with effect from 1 July 2017. GST is levied on same taxable event i.e., supply of goods and services (*except alcohol for human consumption and five specified petroleum products*<sup>4</sup>), simultaneously by both Centre (CGST) and the States (SGST)/Union Territories (UTGST). Further, integrated GST (IGST) is levied on inter-state supply of goods or services (including imports) and the centre has exclusive power to levy IGST. Prior to implementation of GST, Value Added Tax (VAT) was leviable on intra-state sale of goods as per Chhattisgarh Value Added Tax Act, 2005 and Central Sales Tax (CST) on sale of goods in the course of inter-state trade or commerce as per CST Act, 1956.

The provisions relating to GST are being regulated by Centre, State and Union Territories on the recommendation of Goods and Services Tax Council (GSTC) which was constituted vide Article 279A of the Constitution of India with representation from Centre and all the States. The State Government notified (June 2017) the Chhattisgarh Goods and Services Tax Act, 2017 and the Chhattisgarh Goods and Services Tax Rules, 2017 and implemented GST with effect from 1 July 2017.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide Information Technology (IT) services. It provides Front-end IT services to taxpayers namely registration, payment of tax and filing of returns. Back-end IT services such as registration approval, taxpayer details viewer, refund processing, Management Information System (MIS) reports etc., are also being provided by GSTN to Model-II<sup>5</sup> states. Chhattisgarh opted to become a Model-II state for GST implementation.

### **2.5.2 Legal/Statutory Preparedness**

The State Government notified (June 2017) the Chhattisgarh Goods and Services Tax Act, 2017 and the Chhattisgarh Goods and Services Tax Rules, 2017. E-way bill<sup>6</sup> system was implemented in the State on inter-state transactions with effect from 01 April 2018 and on intra-state transactions with effect from 01 June 2018. The Chhattisgarh Government/State Tax Department had issued 254 notifications/ circulars/orders relating to GST from June 2017 to March 2019 for facilitating implementation of GST in the State.

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<sup>3</sup> Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD); state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax.

<sup>4</sup> Petroleum products: crude oil, high speed diesel, petrol, aviation turbine fuel and natural gas.

<sup>5</sup> In case of Model-II states both Front-end and Back-end services are provided by GSTN whereas in case of Model-I states only Front-end services are provided by GSTN.

<sup>6</sup> It is a unique document/bill, which is electronically generated for the specific consignment/movement of goods from one place to another, either inter-state or intra-state and of value more than ₹ 50,000 required under the current GST regime.

### 2.5.3 IT preparedness and capacity building efforts

GSTN provides three front-end services to the taxpayers namely registration, payment of tax and filing of returns. As Chhattisgarh opted Model-II for GST implementation, back-end applications like registration approval, taxpayer detail viewer, letter of undertaking processing, refund processing, MIS reports etc., for GST administration were being developed and maintained by GSTN. The access for back-end application was available to State through Multi-Protocol Level Switching connectivity at State Data Centre.

The Department had organized capacity building in five phases during 2016-17. In the initial phase, 10 officers up to the level of Addl. Commissioner were selected on the basis of interest and having computer knowledge as Master trainers to attend 'Special training session on GST laws' at National Academy of Customs, Excise and Narcotics (NACEN), Faridabad. Further, 49 officers/officials attended IT course on 'Training of Master trainers on GST portal' at Infosys, Chennai. Out of 960 working strength, 861 officers/staff were trained by the master trainers as given in **Table 2.2**:

**Table 2.2: Officers/Staff imparted training**

Sl. No.	Designation	Number of participants
1.	Divisional Dy. Commissioner	7
2.	Asst. Commissioner	16
3.	Commercial Tax Officer	53
4.	Asst. Commercial Tax Officer	46
5.	Commercial Tax Inspector	100
6.	Other Staff	639
<b>Total</b>		<b>861</b>

(Source: Information furnished by the Department)

Further, the Department organized more than 1,200 workshops and training programmes to spread awareness of the provisions of the GST to the dealers. The Department started five GST tabs (GST, GST Acts, GST Notification, GST Rules and GST Orders) on Departmental website 'comtax.cg.nic.in'. GST help desk was established in each office and a toll free GST helpline number was also provided to the tax-payers to facilitate in solving their problems/queries.

### 2.5.4 Registration of taxpayers

#### (A) Dealer Migration

The dealers who were registered under the CGVAT Act, 2005 were required to be registered provisionally under Section 139 of the Chhattisgarh GST Act 2017, if they possess a valid PAN number. After verification of all required information and documents by the Department, Registration Certificate under Chhattisgarh GST Act, 2017 was to be issued to all individual dealers.

The target date for migration, set by GoI, of dealers from CGVAT to Chhattisgarh GST was to be completed initially by 30 June 2017. However, in Chhattisgarh the dealer registration began from November 2016 due to certain technical glitches and target was revised on two occasions and finally extended up to 28 February 2019. As on 28 February 2019, the Department could register only 71.24 per cent (86,990 out of 1,22,114) dealers.

The status of provisional registration and final registration of existing registered taxpayers in the Department as on 31 March 2019 is detailed in **Table 2.3:**

**Table 2.3: Status of Dealer Registration**

Total number of registered dealers under Pre-GST laws with valid PAN	Total number of provisional ID received from GSTN (percentage w.r.t. column 1)	Number of dealers primary enrolled (percentage w.r.t. column 1)	Number of dealers allocated to State (percentage w.r.t. column 1)	Complete enrollment done (percentage w.r.t. column 1)	Active migrated taxpayers after cancellation at Circle level (percentage w.r.t. column 1)
1,22,114	1,10,033 (90.11 per cent)	1,07,773 (88.26 per cent)	91,547 (74.97 per cent)	86,990 (71.24 per cent)	74,148 (60.72 per cent)

(Source: Information furnished by the State Tax Department)

The table above indicates that around 29 per cent dealers were not yet registered under the GST.

• **Allocation of taxpayers between Centre and State**

As on 31 March 2019, there were 1,07,773 tax paying dealers under GST in Chhattisgarh. The allocation of tax payers between the Centre and Chhattisgarh was to be done as per circular dated 20 September 2017, issued by the GST Council.

The criteria laid down by the GST Council for allocation of tax payers were as follows:

- i) Of the total number of taxpayers with turnover below ₹ 1.50 crore, all the administrative control over 90 per cent of the taxpayers shall vest with the State tax administration and 10 per cent with the Central tax administration;
- ii) In respect of the taxpayers with turnover above ₹ 1.50 crore, all the administrative control shall be divided equally in the ratio of 50 per cent each for the Central and the State tax administration; and
- iii) The division of taxpayers in each State shall be done by computer at the State level based on stratified random sampling and could also take into account the geographical location and type of the taxpayers, as may be mutually agreed.

Accordingly, a Committee consisting of the representatives of the central GST and the state GST allocated the tax payers among themselves during 16 November 2017 to 01 March 2019 in six phases. The State Tax Department was allotted jurisdiction of 91,547 existing registered taxpayers as given in **Table 2.4:**

**Table 2.4: Allocation of existing registered taxpayers**

	Existing registered taxpayers		Total
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	
<b>State</b>	6,769	84,778	91,547
<b>Centre</b>	6,765	9,461	16,226
<b>Total</b>	13,534	94,239	1,07,773

(Source: Information furnished by the State Tax Department)

**(B) Registration of new taxpayers**

As per Rule 9 of Chhattisgarh GST Rules, 2017 registration of new dealers under GST was to be completed within three working days of receipt of application. The status of new registration of dealers under GST as on 31 March 2019 is given in **Table 2.5**:

**Table 2.5: Registration of new taxpayers**

Applications received up to 31 March 2019	Number of applications rejected	Number of applications approved	Number of applications pending for registration
86,179	9,937	75,770 (87.92 per cent)	472

(Source: Information furnished by the State Tax Department)

The above table indicates that 11.53 per cent of applications were rejected on various grounds.

Regarding pendency of 472 applications, the Government replied (July 2019) that these were new applications which were disposed off within three working days.

**2.5.5 Audit findings**

Audit noticed irregularities relating to transitional credit and refund as detailed below:

**2.5.5.1 Transitional credit**

As per Section 140 of Chhattisgarh GST Act, 2017 read with Rule 117 of Chhattisgarh GST Rules, 2017, the registered taxpayers were:

- entitled to carry forward and claim un-availed amount of Input Tax Rebate (ITR) of the pre-GST regime (1<sup>st</sup> quarter of 2017-18) as Input Tax Credit (ITC) in the GST regime;
- entitled to claim un-availed ITR in respect of capital goods not carried forward in the VAT returns; and
- entitled to take transitional credit of VAT in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on which credit was not claimed in pre-GST regime and the taxpayers are eligible for ITC on such inputs.

The registered taxpayers were required to file a return in prescribed form TRAN-1<sup>7</sup>. However, the taxpayers shall not be eligible to claim transitional credit under GST unless they furnish quarterly returns required under the pre-GST law for the period of six months (January to June 2017) immediately preceding 1 July 2017.

Scrutiny of transitional credit data revealed that 3,335 taxpayers claimed transitional credit amounting to ₹ 285.13 crore as SGST. Out of 3,335 transitional credit cases, the Department verified 222 transitional credit cases

<sup>7</sup> TRAN-1 should be filed by every person having Input Tax Credit on closing stock and migrated to GST from VAT, Service Tax or Central Excise. The balance of closing stock held as on 1 July 2017 has to be disclosed in TRAN-1 to claim ITC on the old stock in the GST regime.

in all circles. In seven selected circles, Audit scrutinised 58 cases which were scrutinised by the Department and no irregularities were noticed. In remaining 709 cases in these circles, Audit test checked 166 cases (23 per cent) which were not verified by the Department, Audit found irregularities as indicated in **Table 2.6** and succeeding paragraphs.

**Table 2.6: Scrutiny of Transitional credit**

<b>Total No. of Transitional credit cases: 3,335</b>		
<b>No. of transitional credit cases in seven selected circles<sup>8</sup>: 767</b>		
	<b>Department verified</b>	<b>Department did not verify</b>
No. of cases in seven selected circles	58 cases	709 cases
Cases scrutinised by Audit	58 cases (100 per cent)	166 cases (23 per cent)
Result of Audit	No irregularities were noticed.	Irregularities in 45 cases (27 per cent) with money value of ₹ 5.30 crore were noticed.

Details of irregularities noticed (*Appendix 2.1*) are as under:

- 17 taxpayers had no credit balance (zero) in the first quarterly returns of 2017-18, but incorrectly claimed and received ITC amounting to ₹ 1.59 crore;
- Eight taxpayers claimed ITC of ₹ 34.21 lakh in excess of ITR carried forward in 1<sup>st</sup> quarter of 2017-18; and
- Four taxpayers claimed credit of ₹ 77.19 lakh against negative balance in VAT returns.
- 15 taxpayers had not submitted quarterly returns for last six months (either 4<sup>th</sup> quarter of 2016-17 or 1<sup>st</sup> quarter of 2017-18) but irregularly claimed ITC of ₹ 2.40 crore.
- One taxpayer who was not registered in VAT, Central Excise and Service Tax during pre-GST regime, irregularly carried forward ITC of ₹ 19.60 lakh through TRAN-I.

Above deviations were due to the following reasons:

- Non-migration of legacy data from VAT to GST system by the Department and GSTN leading to glaring mismatch of data on transitional credit balance which facilitated manipulation by various dealers to claim irregular transitional credit.
- The Department did not cross verify all the transitional credit cases with VAT details though it was one time important exercise.

The Government replied (July 2019) that show cause notices were issued to 41 dealers, demand notices were issued to three dealers and in one case the dealer had submitted Annual Return of 2016-17 and 1<sup>st</sup> quarterly return of 2017-18.

<sup>8</sup> Circle-2, Durg; Circle-2, Jagdalpur; Circle-1, Korba; Circle-Manendragarh; Circle-1, 5 and 8, Raipur



Reply of the Government indicates that due to non-migration of legacy data from VAT to GST and non-verification of relevant records by departmental officials before accepting admissibility of transitional credit led to avoidable revenue loss.

**Recommendation:**

**The Department should examine all the transitional credit cases and take appropriate action to recover revenue while making the final assessment of the dealers concerned.**

**2.5.5.2 Refund under GST**

Section 54 read with Section 56 of Chhattisgarh GST Act, 2017 provides for refund of the balance amount in the electronic cash ledger or unutilised ITC at the end of particular tax period. Further, the payment of refund is to be provided to the dealer within 60 days from the date of receipt of application. Otherwise, the Government has the liability to pay interest to the tax payers at the rate of six *per cent* per annum in such cases.

As per information furnished by the Department, refunds in 1,620 cases amounting to ₹ 168.62 crore were allowed. Audit examined all 321 cases in seven GST circles involving refund of ₹ 3.59 crore and noticed in 130 cases that the Department refunded ₹ 29.30 lakh with a delay ranging from five to 471 days. In no case interest was paid to the applicants by the Department.

**2.5.6 Conclusion**

The Government has taken adequate steps in its preparedness for GST implementation with reference to enactment of Act, rules and capacity building though certain grey areas continue to exist as pointed out earlier.

**Value Added Tax**

**2.6 Short levy of tax**

**Application of lower rate of VAT resulted in short levy of tax of ₹ 3.26 crore and penalty of ₹ 6.51 crore.**

The Chhattisgarh Value Added Tax Act (CGVAT Act) 2005 provides that tax is to be levied as prescribed in the schedule appended to it.

Audit test check of the assessment records of 2,043 (1,038 self assessed and 1,005 scrutiny) out of 10,138 (5,524 Self assessed and 4,614 scrutiny) cases i.e. 20.15 *per cent* of total cases in seven<sup>9</sup> units revealed that in 12 cases (three self assessed and nine scrutiny) of 11 dealers i.e. 0.59 *per cent* of test checked cases, incorrect rate of tax of zero and five *per cent* was applied against applicable rate of five and 12.5/14 *per cent*. The Assessing Authorities (AAs) failed to detect the incorrect application of rates on the goods even in assessed cases and levied no tax or lower rate of tax. However, Audit cross-checked the documents (sale/purchase details) enclosed with the returns and found that

<sup>9</sup> AC-4, Raipur; CTO-4, Raipur; CTO-2, Durg; CTO-5, Raipur; CTO-9, Raipur; CTO-3, Durg and AC-5, Raipur

these goods<sup>10</sup> were taxable at the rate of five or 12.5/14 *per cent*. This resulted in short levy of tax of ₹ 3.26 crore and penalty of ₹ 6.51 crore.

Audit further noticed that the Department was using CGCOMTAX IT system for assessment and levy of VAT, however, the system did not have provision for coding of each commodity/goods along with rate of tax to be fed by the dealers. In absence of such system to verify the rates applied on the commodity/goods by the dealers, non-detection of the same by the AAs occurred year after year resulting in short levy/payment of tax.

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 4.29 crore has been raised in seven cases and ₹ 18.60 lakh has been recovered in three cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 3.5 of the Audit Report for the year ended 31 March 2017 where Audit had recommended that the Department should examine the failure of AAs from a vigilance angle and take appropriate action. However, these irregularities still persist and remained undetected till audit was conducted.

## Central Sales Tax

### 2.7 Concessional rate of tax allowed under Central Sales Tax (CST) Act without declaration forms

**The AAs allowed the concessional rate of tax without ensuring submission of declaration Form 'C' resulting in short levy of CST amounting to ₹ 6.40 crore.**

CST Act, 1956 provides for levy of tax at the rate of two *per cent* of turnover or tax rate applicable in the concerned State whichever is lower with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'. In the absence of Form 'C', the dealer is liable to pay tax at the rates prescribed in the CGVAT Act, 2005 for that commodity.

During test check of 1,583 (923 self assessed and 660 scrutiny) out of 7,278 (3,225 Self assessed and 4,053 scrutiny) cases i.e. 21.75 *per cent* of total cases in eight<sup>11</sup> units, Audit noticed that 34 self assessed cases of 32 dealers i.e. 2.15 *per cent* of test checked cases, Form 'C' valuing ₹ 195.81 crore were not furnished in support of interstate sales. In the absence of form 'C', the dealers were liable to pay tax at the rate of four/five or 14 *per cent*. The AAs should have levied tax as per rules on the interstate transactions without Form 'C'. However, all the dealers availed concessional rate of one/two *per cent* of tax under CST Act resulting in short realisation of tax amounting to ₹ 6.40 crore. Thus, the AAs failed to check the completeness of the statutory returns submitted by the dealers which was required to be done as per the departmental circular (November 2012).

<sup>10</sup> Iron pellets, panel boards, digital camera, Aluminum composite panel sheet, DTH set-up box, tyre oil, Skimmed milk Powder, Mowrah cake and toast

<sup>11</sup> AC-3, Raipur; CTO-9, Raipur; AC-1, Circle-9, Raipur; CTO-8, Raipur; DC, Raipur; CTO-1, Raigarh; AC-3, Durg and AC-4, Raipur

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 36.16 lakh has been raised in 15 cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 4.7 of the Audit Report for the year ended 31 March 2016. Though such omissions of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

## **2.8 Exemption of tax allowed in transit sales under Central Sales Tax (CST) Act without statutory forms**

**The AAs allowed exemption of tax to the tune of ₹ 2.31 crore without submission of statutory Forms 'E-I and C'.**

CST Act, 1956 provides for exemption of tax in respect of transit sale. For claiming exemption, dealers are required to furnish Form 'E-I/II' and Form 'C' in support of such sale. In the absence of E-I/II/C forms, the tax on these goods is leviable at the rates as prescribed in the CGVAT Act, 2005 and CST Act, 1956. Further, CST Act, 1956 provides for levy of tax at the rate of two *per cent* with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'.

During test check of 694 (404 self assessed and 290 scrutiny) out of 3,045 (2,328 self assessed and 717 scrutiny) cases i.e. 22.79 *per cent* of total cases in three<sup>12</sup> units, Audit found that in six self assessed cases of five dealers i.e. 0.86 *per cent* of test checked cases, 'E1' and 'C' forms of ₹ 85.09 crore were not furnished in support of transit sales under CST Act, 1956 but had claimed exemptions from payment of tax on the above transactions. In absence of statutory forms, the dealers were liable to pay tax at the rate of four/five or 14 *per cent*. However, the AAs without verifying the completeness of statutory returns allowed exemption of tax which resulted in short realisation of tax amounting to ₹ 2.31 crore. Thus, the AAs failed to check the completeness of the statutory returns submitted by the dealers, which was required to be done as per the departmental circular (November 2012).

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 1.76 crore has been raised in four cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 4.8 of the Audit Report for the year ended 31 March 2016. Though such omissions on the part of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

## **Entry Tax**

### **2.9 Entry tax short realised due to incorrect application of rates**

**Short realisation of ₹ 6.45 crore of Entry Tax (ET) on application of incorrect rate on entry of goods from outside local area.**

<sup>12</sup> CTO-8, Raipur; AC-1, Circle-9, Div-2, Raipur and AC-5, Raipur

Chhattisgarh Entry Tax (CGET) Act, 1976 provides that a dealer is liable to pay Entry Tax (ET) as specified in the schedules appended to it.

During test check of 1,320 (715 Self assessed and 605 scrutiny) out of 3,225(1,678 self assessed and 1,547 scrutiny) cases i.e. 40.93 *per cent* of total cases in seven units<sup>13</sup>, Audit noticed that in 12 (three self assessed and nine scrutiny) cases of eight dealers i.e. 0.91 *per cent* of test checked cases, the AAs did not apply correct rates of entry tax while assessing/filing the cases/returns. The Assessing Authorities (AAs) failed to detect the incorrect application of rates on the goods even in assessed cases and levied no tax or lower rate of tax.

These cases indicate that while assessing/filing the cases/returns, the AAs/dealers did not apply the correct rates of ET as prescribed in the Schedules and Notifications. This resulted in short realisation of ET of ₹ 6.45 crore.

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 10.00 crore (₹ 5.66 crore pertains to audit observations) has been raised in seven cases. Further progress of other cases are awaited (July 2019).

Similar observation previously featured as para 4.9 of the Audit Report for the year ended 31 March 2016. Though such omissions on the part of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

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<sup>13</sup> AC-9, Raipur; AC-3, Raipur; AC-2, Durg; DC, Durg; AC, Korba; AC-5, Raipur and AC-4, Raipur