

OVERVIEW

This Report contains 14 paragraphs relating to taxes on sales, trade etc., stamp duty and registration fees, taxes on vehicles, mining receipts and forestry and wild life including a paragraph on 'Preparedness for transition to Goods and Services Tax (GST)'. The total financial implication of the Report is ₹ 49.50 crore, out of which ₹ 39.66 crore pertain to observations on short/non-levy of tax, inadmissible exemption on Stamp Duty and Registration Fees, non realisation of motor vehicle tax, short levy of Stamp Duty and Registration Fees etc., and ₹ 9.84 crore pertains to observations of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 16.64 crore and recovered ₹ 0.56 crore.

The departments did not furnish specific replies to audit observations involving ₹ 11.03 crore, which included audit observations on short levy of Stamp Duty and Registration Fees (₹ 1.75 crore), irregular and excess expenditure on treatment of selected area without any plantation work (₹ 4.51 crore) and avoidable expenditure on Assisted Natural Regeneration in an area where the work had already been executed (₹ 3.97 crore).

Some of the major findings are summarised below:

1. General

The total receipts of the State Government amounted to ₹ 59,647.08 crore for 2017-18 against ₹ 53,685.25 crore for 2016-17. The State's own revenue for the year 2017-18 was ₹ 26,235.10 crore (43.98 *per cent* of total receipts); the share of receipts from Government of India was ₹ 33,411.98 crore (56.02 *per cent* of total receipts).

(Paragraph 1.2.1)

Actual receipt was less than Budget Estimates by 1.67 to 72.97 *per cent* under revenue heads viz., Stamps and Registration Fees, Taxes on goods and passengers, Taxes on vehicles and Revenue and Disaster Management while the actual receipts of State Excise was 27.95 *per cent* more than BE due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd. and levy of Countervailing Duty on liquor.

(Paragraph 1.2.2)

Arrears of revenue as on 31 March 2018 from taxes on sales, trade, etc., state excise, taxes and duties on electricity, taxes on vehicles, stamps and registration fees and mining receipts amounted to ₹ 3,545.13 crore, of which ₹ 1,314.56 crore was outstanding for more than five years.

Audit had recommended (Audit Report 2016-17) the Government to create database of outstanding arrears for periodic review and liquidation of arrears but the Government did not follow the recommendation as it was noticed that the Forest and Revenue and Disaster Management Department failed to provide any information related to outstanding arrears and arrears of revenue of above six departments increased from ₹ 2,690.26 crore to ₹ 3,545.13 crore in comparison to previous year.

(Paragraph 1.3)

Analysis of Inspection Reports (IRs) disclosed that 10,592 paragraphs involving potential revenue of as much as ₹ 9,194.44 crore relating to 2,600 IRs issued to the departments during 1994-95 to 2017-18 were outstanding at the end of July 2019. Out of 81 IRs issued during 2017-18, Audit did not receive even the first reply of 49 IRs (60.49 *per cent*) from the heads of offices.

(Paragraph 1.4.1)

Two Audit Committee Meetings (ACMs) were conducted during 2017-18. As against 141 paragraphs discussed, only 52 paragraphs could be settled.

(Paragraph 1.4.3)

Revenue earning departments failed to produce files/records relating to 87 cases to Audit during the period 2017-18, raising red flags. Consequently, Audit is unable to vouchsafe the genuineness of these transactions and likelihood of frauds cannot be ruled out.

(Paragraph 1.4.4)

Based on risk assessment Audit test checked records of 81 units out of 501 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land Revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2017-18. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc., aggregating to ₹ 4,227.27 crore in 22,998 cases were pointed out. The departments concerned accepted underassessment and other deficiencies of ₹ 702.81 crore in 17,162 cases as mentioned in the Inspection Reports and recovered only ₹ 1.93 crore in 446 cases.

(Paragraph 1.6)

2. Commercial Tax

On the Audit Report 2007-08 (Paragraph 2.4) the PAC had recommended in 22nd Report of 26 March 2015 that the department may immediately recover tax in cases where tax exemption 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 (57th 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.

Audit recommends that the department should ensure compliance to recommendations given by the PAC.

(Paragraph 2.4)

Scrutiny of transitional credit cases in seven selected circles out of total 30 circles revealed that the dealers were allowed Input Tax Credit of ₹ 2.70 crore in excess of Input Tax Rebate shown in their VAT returns, 15 taxpayers had not submitted quarterly returns for last six months but irregularly claimed ITC of ₹ 2.40 crore and 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.

(Paragraph 2.5.5.1)

The AAs applied lower rate of VAT in 12 cases resulting in short levy of tax of ₹ 3.26 crore. Besides penalty of ₹ 6.51 crore was also leviable.

(Paragraph 2.6)

The AAs allowed the concessional rate of tax under CST without ensuring submission of declaration form 'C' by 32 dealers in 34 cases resulting in short levy of CST amounting to ₹ 6.40 crore.

(Paragraph 2.7)

The AAs allowed exemption of tax in transit sales under CST Act without statutory forms EI and C by five dealers in six cases resulting in short levy of tax amounting to ₹ 2.31 crore.

(Paragraph 2.8)

The AAs applied incorrect rate of Entry Tax on entry of goods from outside local area by eight dealers in 12 cases resulting in short realisation of entry tax amounting to ₹ 6.45 crore.

(Paragraph 2.9)

3. Stamp Duty and Registration Fees

Sub Registrar, Janjgir did not initiate any action after withdrawal of notifications of exemption to recover Stamp Duty and Registration Fees resulting in inadmissible exemption of Stamp Duty and Registration Fees including interest amounting to ₹ 1.11 crore.

(Paragraph 3.5)

4. Taxes on vehicles

Five Regional Transport Officers (RTOs)/Additional RTOs (ARTOs)/ District Transport Officers (DTOs) failed to ensure timely payment of Motor Vehicle Tax by vehicle owners, resulting in outstanding tax of ₹ 2.60 crore and penalty of ₹ 2.84 crore from 1,138 vehicle owners.

(Paragraph 4.5)

5. Non-Tax Receipts

A. Forestry and Wild Life (Receipts)

The department did not develop any system for reconciliation of figures of quantity of minerals extracted and transported from forest areas with the Mineral Resources department, resulting in short realisation of revenue of ₹ 42.88 lakh.

(Paragraph 5.5)

B. Mining Receipts

Deputy Director Mining Administration, Raipur considered the entire lease period instead of considering the average production for the period of production as mentioned in the Mining Plan which led to incorrect calculation of average annual royalty consequent upon which Stamp Duty and Registration Fees of ₹ 0.76 crore was short levied.

(Paragraph 5.11)

District Mining Officer, Kawardha instead of considering price of aluminium at the time of execution (March 2017) of lease deed considered the price applicable at the time when the lessee had applied (October 2016) for extension of lease which resulted in incorrect calculation of average annual royalty due to which Stamp Duty and Registration Fees of ₹ 0.99 crore was short levied.

(Paragraph 5.12)

6. Forestry and Wild Life (Expenditure)

Two Divisional Forest Officers selected ineligible sites for Compensatory Afforestation work, which resulted in irregular expenditure of ₹ 3.73 crore on treatment of selected area without any plantation work and excess expenditure of ₹ 0.79 crore on plantation of fewer plants than the norms set by Additional Principal Chief Conservator of Forest (State CAMPA).

(Paragraph 6.2)

Divisional Forest Officer, Kondagaon (South) incurred avoidable expenditure of ₹ 3.97 crore on Assisted Natural Regeneration in an area where the work had already been executed.

(Paragraph 6.3)

Divisional Forest Officer, Surguja incurred avoidable expenditure of ₹ 1.36 crore on plantation in Protection Working Circle under Green India Mission despite the plantation being prohibited according to the Working Plan of the Division.

(Paragraph 6.4)