CHAPTER – II

Revenue Sector

CHAPTER-II

REVENUE SECTOR

2.1 Revenue receipts

2.1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Goa during the year 2018-19, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding four years are mentioned in the **Table 2.1**.

Table 2.1: Details of total revenue receipt of State Government

(₹in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	**Revenue raised by the State Government**					
	▪ Tax revenue	3895.92	3975.37	4261.16	4731.37	4871.36
	▪ Non-tax revenue	2325.63	2431.93	2712.00	3033.27	2873.66
	Total	**6221.55**	**6407.30**	**6973.16**	**7764.64**	**7745.02**
2	**Receipts from the Government of India**					
	▪ Share of net proceeds of divisible Union taxes and duties	900.58	1923.76	2299.20	2544.26	2878.36
	▪ Grants-in-aid	566.56	221.18	292.61	744.62	814.60
	Total	**1467.14**	**2144.94**	**2591.81**	**3288.88**	**3692.96**
3	**Total revenue receipts of the State Government (1 and 2)**	**7688.69**	**8552.24**	**9564.97**	**11053.52**	**11437.98**[1]
4	**Percentage of 1 to 3**	**81**	**75**	**73**	**70**	**68**

(Source: Finance Accounts of the State)

The above table indicates that there was continuous increase in collection of revenue during the last four years. Revenue raised by the State Government during 2018-19 was less by ₹ 19.62 crore when compared to the previous year. The revenue raised by the State Government during the year 2018-19, constituted 68 *per cent* of the total revenue receipts. The balance 32 *per cent* of the receipts during 2018-19 was from the Government of India by way of share of net proceeds of divisible Union taxes and duties and grants-in-aid.

[1] For details, please see Statement No. 14 Detailed accounts of revenue receipt by minor heads in the Finance Accounts of the Government of Goa for the year 2018-19. Figures under the head 0005-Central GST, 0008-Integrated GST, 0020-Corporation tax, 0021-Taxes on income other than corporation tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union excise duties, 0044-Service tax and 0045-Share of net proceeds assigned to State booked in the Finance Accounts-Tax revenue, have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this statement

2.1.2 Tax revenue

The tax revenue raised by the Government of Goa during 2018-19 was ₹ 4,871.36 crore. The details of the tax revenue along with details of preceding four years are given in **Table 2.2**.

Table 2.2: Details of tax revenue receipt of the State Government

(₹ in crore)

Sl. No.	Head of revenue		2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase (+) or decrease (-) in 2018-19 over 2017-18
1	Taxes on sales, trade *etc*.	BE	2303.85	2370.00	2624.35	2582.32	782.58	
		RE	2303.85	2067.34	2245.50	1491.52	782.58	
		Actual	1859.86	2115.69	2438.17	1621.69	1013.53	-37.50
2	SGST	BE	-	-	-	-	3123.62	
		RE	-	-	-	1710.66	3123.62	
		Actual	-	-	-	1463.74	2529.09	72.78
3	Entertainment Tax/Luxury Tax *etc*.[2]	BE	501.34	617.86	848.01	905.62	28.81	
		RE	501.34	689.64	792.78	332.93	28.81	
		Actual	663.96	757.81	822.59	315.98	13.50	-95.73
Sub-total (Actual collection under 1,2 and 3 above)			2523.82	2873.50	3260.76	3401.41	3556.12	
4	Stamp Duty	BE	544.39	549.35	678.49	600.59	612.53	
		RE	544.39	584.46	625.16	600.59	612.53	
		Actual	659.84	524.90	365.11	529.69	432.33	-18.38
5	State Excise	BE	284.81	292.14	348.50	381.77	399.86	
		RE	284.81	293.00	348.50	381.77	399.86	
		Actual	259.91	315.70	316.03	408.44	477.95	17.02
6	Taxes on Goods and Passengers	BE	13.23	13.23	25.00	25.00	25.00	
		RE	13.23	13.24	21.47	25.00	25.00	
		Actual	22.06	22.81	23.65	26.08	25.39	-2.65
7	Land Revenue	BE	253.19	213.37	156.01	61.64	39.59	
		RE	253.19	155.53	182.91	61.64	39.59	
		Actual	25.38	24.51	39.09	42.02	66.62	58.54
8	Other taxes	BE	175.04	230.52	236.00	243.46	260.26	
		RE	175.04	230.54	229.41	243.46	260.26	
		Actual	404.90	213.95	256.51	323.73	312.95	-3.33
	Total	**BE**	**4075.85**	**4286.47**	**4916.36**	**4800.40**	**5272.25**	
		RE	**4075.85**	**4033.75**	**4445.73**	**4847.57**	**5272.25**	
		Actual	**3895.91**	**3975.37**	**4261.16**	**4731.37**	**4871.36**	**2.96**

(Source: Compiled by Audit from Budget Estimates and Finance Accounts)

'Taxes on Sales, Trade *etc.* (except that of petroleum products and liquor), Entertainment tax, Luxury tax, and taxes on entry of goods and medicinal and toilet preparations containing alcohol, opium *etc.,* are subsumed in the GST subsequent upon implementation of GST *w.e.f.* 01 July 2017. During 2018-19 the major share of tax revenue (52 *per cent*) was collected under 'SGST' which recorded an increase of (73 *per cent*) over previous year after its implementation from July 2017.

[2] Taxes on entry of goods and medicinal and toilet preparation containing alcohol, opium *etc.*

2.1.3 Non-tax revenue

The details of the non-tax revenue along with details of preceding four years are given in **Appendix 2.1**. The non-tax revenue raised during 2018-19 was ₹ 2,873.66 crore. Details of non-tax revenue raised by some principal departments of Government of Goa during the period 2014-15 to 2018-19 are indicated in **Table 2.3**.

Table 2.3: Details of Non-tax revenue receipt of the State Government

(₹ in crore)

Sl. No.	Heads of revenue		2014-15	2015-16	2016-17	2017-18	2018-19	Percentage increase (+) or decrease (-) in 2018-19 over 2017-18
1	Power	BE	1367.94	1497.17	1687.75	1819.15	1907.65	
		RE	1367.94	1497.17	1687.75	1819.15	1907.65	
		Actual	1321.66	1708.91	1765.80	2119.09	1919.80	-9.40
2	Non-Ferrous Mining and Metallurgical Industries[3]	BE	400.24	742.57	439.28	377.60	327.59	
		RE	400.24	205.11	259.34	377.60	327.59	
		Actual	530.35	216.53	347.63	332.79	34.39	-89.67
3	Other Administrative Services	BE	157.54	163.27	176.47	178.67	161.38	
		RE	157.54	133.10	183.70	179.83	161.38	
		Actual	123.45	108.98	152.52	139.66	450.94	222.88
4	Water Supply and Sanitation	BE	129.89	145.75	162.62	126.05	136.96	
		RE	129.89	145.75	114.59	126.05	136.96	
		Actual	101.89	115.40	119.69	129.80	145.96	12.45

(Source: Finance Accounts of the State and Estimates of Receipts for the concerned years)

2.1.4 Analysis of arrears of revenue

The arrears of revenue pending collections in respect of some principal departments of the State Government as on 31 March 2019 were ₹ 2,836.31 crore of which ₹ 861 crore had been pending for more than five years as detailed in **Table 2.4**.

[3] Includes major minerals such as iron ore, manganese and bauxite; minor minerals such as basalt (Granite), laterite stones, ordinary sand, river pebbles, murrum and laterite boulders

Table 2.4: Arrears of revenue

(₹ in crore)

Sl. No.	Name of the Department	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years	Action taken by the Department
1	Commercial Taxes	1745.92	704.71	The Department intimated that 754 cases involving ₹ 22.16 crore were pending in Revenue Recovery Court (RRC). Further, visits were constantly made by the officers of the Department for recovery of the remaining arrears and the dealers were persuaded to pay the dues and reminders were also issued.
2	Chief Electrical Engineer, Electricity Department	293.72	43.68	The department had referred 8,944 cases involving ₹ 23.13 crore to RRCs. Disconnection notices were issued to consumers against whom electricity charges were outstanding. Notices were issued for payment of the arrears to the heads of various departments against whom arrears were outstanding. Request was also made to Director of Accounts to recover the arrears from the defaulting departments through book adjustments, if they fail to settle the dues. A billing dispute redressal committee had been set up for settlement of disputed cases.
3	Chief Engineer, Public Works Department	217.09	21.38	Arrears of Rent ₹ 2.60 crore:- The Department stated that one case involving ₹ 16.65 lakh was pending in RRC as on 31 March 2019. In the remaining cases complaint had been filed against the absconding defaulters. Arrears of Water Charges ₹ 214.49 crore:- The Department stated that arrears involving ₹ 14.78 crore were pending before RRC as on 31 March 2019. Show cause notices had been issued and disconnection under process.
4	Chief Engineer, Water Resources Department	579.58	91.23	Water tax ₹ 1.85 crore:- The Department stated that beneficiaries who have not paid water taxes have been requested to pay on priority. Raw water charges ₹ 574.74 crore:- Department stated that farmers were contacted for collecting revenue. Hire charges of machinery ₹ 0.33 crore:- Notices have been served on defaulters for effecting recovery. Rent from shops and halls:- The Department stated that notices have been served on defaulters for effecting recovery.
	Total	**2836.31**	**861.00**	

(Source: Information furnished by concerned departments)

The information relating to the cases pending in Courts and with Departmental Appellate Authorities was not furnished by the department. However, it would be seen from the above that 30.36 *per cent* of the arrears have been pending for more than five years. With the passage of time, the chances of their recovery become low. It is recommended that the Government may instruct the concerned departments to make extra efforts for settlement of the arrears.

2.1.5 Pendency of Refund Cases

The details of refund cases pending at the beginning of the year 2018-19, claims received and refunded during the year and the cases pending at the close of the year 2018-19 in respect of Commercial Taxes Department are given in **Table 2.5**.

Table 2.5: Details of pending refund cases

Sl. No.	Particulars	Sales tax/VAT		State Excise	
		No. of cases	Amount (₹ *in crore*)	No. of cases	Amount (₹ *in crore*)
1	Claims outstanding at the beginning of the year	598	147.86	-	-
2	Claims received during the year	628	93.95	7	0.03
3	Claims rejected	1	0.41	-	-
4	Refunds made during the year	529	98.59	7	0.03
5	Balance outstanding at the end of the year	696	142.80	-	-

(Source: furnished by respective departments)

Above table shows that 696 cases of refunds involving ₹ 142.80 crore were outstanding in Commercial Taxes Department as on 31 March 2019. Section 33 (2) of Goa Value Added Tax Act, 2005 provides for payment of interest, at the rate of eight *per cent per annum* for the delay in refunds. It would be prudent on the part of the Department to settle the refund cases expeditiously to save the Government from the interest liability. In the case of State Excise Department, no claims were pending for refund at the end of 31 March 2019.

2.1.6 Response of the Government/Departments towards Audit

The Accountant General, Goa (AG) conducts periodical inspection of the Government/Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed by Inspection Reports (IRs) which incorporate irregularities detected during the inspection and not settled on the spot. The IRs are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The Heads of the offices/the Government are required to promptly respond to the observations contained in the IRs and rectify the defects and omissions. They have to report compliance through initial reply to the Accountant General within four weeks from the date of issue of the IRs. Serious financial irregularities are reported to the Heads of the Department and the Government.

Analysis of IRs issued up to December 2018 disclosed that 933 observations involving ₹ 717.56 crore relating to 218 IRs remained outstanding at the end of June 2019. The figures as on June 2019 along with the corresponding figures for the preceding two years are given in the **Table 2.6**.

Table 2.6: Details of pending Inspection Reports

	June 2017	June 2018	June 2019
Number of IRs pending for settlement	151	212	218
Number of outstanding audit observations	578	906	933
Amount of revenue involved (₹ *in crore*)	401.62	557.62	717.56

(Source: Compiled from Audit records)

2.1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2019 are mentioned in the **Table 2.7**.

Table 2.7: Department-wise details of pending Inspection Reports

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved *(₹in crore)*
1	Finance	Commercial Taxes	104	490	461.24
2	Excise	State excise	15	50	5.25
3	Revenue	Land revenue	29	93	1.3
4	Transport	Taxes on motor vehicles	38	149	69.63
5	Registration	Stamp duty and registration fee	31	138	179.08
6	Mines and Geology	Non-ferrous mining and metallurgical industries	1	13	1.06
Total			**218**	**933**	**717.56**

(Source: Compiled from Audit records)

Audit did not receive the first replies from the heads of offices within four weeks from the date of issue of the IRs in respect of 22 IRs issued up to December 2018. This indicated that the heads of offices/departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

2.1.7 Response of the departments to the draft audit paragraphs

Six paragraphs were sent to the Secretaries of the respective departments in July 2019. Reply in respect of these paragraphs have not been received from the Government (March 2020).

2.1.8 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units. The risk analysis was done considering their revenue position, past trends of the audit observations and other parameters specified in Compliance Audit Guidelines. The annual plan is prepared on the basis of critical issues in Government revenues and tax administration. Audit also considers budget speech, revenue during the past five years, features of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2018-19, 30 units were planned and audited for revenue sector.

2.1.9 Results of Audit and coverage of this chapter

During the year 2018-19 we test checked the records of 30 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles, Goods and Passengers tax, Stamp Duty and Registration and other Departmental offices.

The test check showed under-assessment/short-levy/loss of revenue aggregating ₹ 73.80 crore in 86 cases. During the year, the departments concerned have recovered cases of under assessment and other deficiencies amounting to ₹ 26 lakh involved in 15 cases.

The details of assessments, registrations, licenses issued and other activities undertaken by five major revenue collection departments of the State and the extent of audit and coverage are as discussed below:

Commercial Taxes Department

There are eight auditable units in the Commercial Taxes Department; Audit selected four units for test check wherein 11,188 assessments were finalised during the year 2018-19. Audit test checked 809 assessments (7.23 *per cent*) during the year 2018-19 and noticed 47 cases (5.81 *per cent* of audited sample) of non/short levy of tax/interest, irregular allowance of Input Tax Credit, grant of incorrect tax exemption benefits, acceptance of defective declaration forms, application of incorrect rates by misclassifying goods and non-observance of provisions of Acts/Rules *etc.,* involving ₹ 55.90 crore.

Revenue Department

There are 22 auditable units in the Department, of which no units were selected for test check during the year 2018-19.

Excise Department

There are 12 auditable units in the Excise Department. Out of this one unit with 245 licensees was selected for test check during the year 2018-19. Audit test checked records of 30 licenses. During test check audit noticed two cases of delay in disposal of confiscated liquor goods and non-levy of excise duty on old stock lying idle in bonded warehouse, involving ₹ 19 lakh.

Transport Department

There are 12 auditable units in the Transport Department. Total 26,445 vehicles were registered during 2018-19. We audited entire cases of vehicles registered with 100 *per cent* test check. During test check we noticed nine cases of short levy of road tax, compounding of offences booked and short collection of revenue, short levy of Infrastructure Development Cess, loss of revenue due to registration of commercial vehicle in the name of Individuals, arrears of revenue *etc*., involving ₹ 3.95 crore.

Registration Department

There are 14 auditable units in the Registration Department. Total 23,668 instruments were registered during 2018-19. Total nine units were audited during 2018-19 out which 723 instruments were selected for test check. During the course of audit we noticed 28 cases of irregularity, short realisation of stamp duty and registration fees, splitting of transaction resulting in short levy of stamp duty, wasteful expenditure on account of rent paid, safeguard of public properties from unauthorised transfers, loss of revenue due to short deposit of amount into Government account, loss of revenue due to non-fixation of guidelines for minimum true market value *etc*. involving ₹ 13.76 crore.

COMMERCIAL TAXES DEPARTMENT

2.2 Non/Short levy of interest

Assessing Authority did not levy or short levied interest of ₹ 2.14 crore in respect of 14 dealers for delayed payment of taxes.

As per Section 25 (4) (a) of Goa Valued Added Tax (GVAT) Act, 2005, whenever the tax is due and the return or revised return has been furnished without payment thereof shall be paid forthwith along with interest on defaulted amount @ 12 *per cent* per annum upto 31/05/2013. The rate was increased to 18 *per cent* per annum with effect from 01/06/2013. Further, as per Section 9(2B) of Central Sales Tax (CST) Act, 1956 read with Section 25(4) (a) of GVAT Act, 2005 interest as applicable to GVAT Act shall be levied on the defaulted amount under CST.

Scrutiny of records (October 2018 to January 2019) of three[4] Commercial Tax Offices (CTO) revealed that the CTOs did not levy interest/short levied interest under Section 25(4)(a) of the GVAT Act in respect of 14 dealers[5] assessed during the year 2017-18. Details of non/short levy of interest in respect of these 14 dealers for a total amount of ₹ 2.14 crore as applicable under the provisions of the Act are shown below:

Name of CTO (1)	TIN No./RC No. (2)	A.Y. (3)	Net Tax Due (4)	Delay[6] (5)	Interest to be levied (6) {(4)*(5)*18 % p.a/12}	Interest levied (7)	Non/Short levy of interest (8) (6-7)
Panaji	P/CST/10657	14-15	17402502	36 months	9397351	NIL	9397351
	P/CST/5164	14-15	437688	35 months	229786	NIL	229786
	30350102914	14-15	1108245	34 months	565205	398968	166237
	30250102678	14-15	4683621	34 months	2388646	1686104	702542
	P/CST/5139	14-15	529432	34 months	270010	NIL	270010
	30110100718	15-16	304518	21 months	95923	42950	52973
	30590100648	13-14	863415	37 months	479195	127751	351444
	30860102003	13-14	352391	38 months	200863	2082	198781
Margao	M/CST/6503	14-15	3087835	34 months	1574795	NIL	1574795
	M/CST/5484	13-14	2267953	38 months	1292733	NIL	1292733
Vasco	30741202437	09-10	3765601	87 months	4198644[7]	NIL	4198644
	B/CST/2151	14-15	4931654	36 months	2663093	NIL	2663093
	V/CST/2303	13-14	497719	37 months	276234	NIL	276234
	30571204713	13-14	1096243	(9 to 323) days[8]	24108	14689	9419
Total					**23656586**	**2272544**	**21384042**

This resulted in non/short levy of interest of ₹ 2.14 crore.

[4] Panaji, Margao and Vasco

[5] Four cases of non-payment of tax along with returns, 10 cases of short payment of tax due to disallowance of ITC {(1), understatement of turnover (6) disallowance of concessional rate of tax (2) and delay in payment of tax (1)}

[6] Delay has been calculated for the A.Y. 2009-10, 2013-14, 2014-15 and 2015-16 from 01/04/2010, 01/04/14, 01/04/15 and 01/04/16 respectively till date of assessment

[7] Interest leviable = ₹ 37,65,601 X 12% X 38 months/12 and ₹ 37,65,601 X 18% X 49 months/12= ₹ 14,30,928 and ₹ 27,67,716 = ₹ 41,98,644

[8] Delay has been calculated as per due date of payment of taxes from September 2013 to March 2014

On being reported (May 2019), Department stated (June 2019) that in respect of two[9] cases re-assessment was conducted and demand of interest had been raised. Re-assessment notices were issued in respect of six[10] cases and outcome of re-assessments would be intimated. Assessments in two[11] cases would be reviewed. Department stated (July 2019) that the short levied interest of ₹ 9,419 was paid (March 2019) in respect of one[12] case. In remaining two[13] cases, interest was not levied since the dealers had not collected any tax and dues had arisen due to non-submission of form C and Form F.

Reply in respect of three[14] cases is not tenable since charging of interest under Section 25(4) of GVAT Act and Section 9(2B) of CST Act is mandatory and Assessing Authority did not have any discretion in the matter. The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

2.3 Irregular grant of exemption

Exemption of luxury tax of ₹ 1.45 crore was granted to seven hoteliers in two Luxury Tax Offices in violation of prescribed conditions.

Under the provisions of Section 21 of the Goa Tax on Luxuries Act (GTLA), 1988, Government of Goa issued notification (March 2013), exempting luxury tax in excess of 40 paise in a rupee for luxuries provided in a hotel during the months from June to September every year with effect from 01 April 2013, subject to conditions that (i) the hotelier holds a valid registration certificate, (ii) files the returns within the prescribed time, (iii) pays all taxes within the time prescribed under the Act and (iv) should not be in arrears of tax or other dues. As per notification (March 2016), luxury tax in excess of 75 paise in a rupee shall be exempt for luxuries provided in a hotel during the months from June to September every year with effect from 01 April 2016 subject to above mentioned prescribed conditions. Further as per Sub-section 2 of Section 21 of GTLA, 1988, where a hotelier has availed of exemption of luxury tax and any of the conditions subject to which such exemption was granted are not complied with, for any reason whatsoever, then such hotelier shall be liable to pay luxury tax on the luxury provided in a hotel at the normal rates.

Scrutiny of assessment records of two[15] luxury tax offices revealed (March 2018 to January 2019) that though the payment of tax was delayed by five[16] hoteliers and there were undisputed arrears in respect of two[17] hoteliers Luxury Tax Offices (LTO) allowed the luxury tax exemptions while finalising the assessments (between December 2017 and November 2018) for the years 2013-14, 2014-15 and 2016-17. This resulted in short levy of luxury tax of ₹ 1.45 crore by irregular grant of exemption as detailed below:

---

[9] RC No. P/CST/10657 and P/CST/5164

[10] TIN No. 30350102914, 30250102678, 30110100718, 30590100648 and 30860102003 and RC No. P/CST/5139

[11] RC No M/CST/6503 and M/CST/5484

[12] TIN No. 30571204713

[13] RC No. B/CST/2151 and V/CST/2303

[14] TIN No. 30741202437, B/CST/2151 and V/CST/2303

[15] LTO Panaji, LTO Margao

[16] RC No. MRG/GTL/6, PNJ/GTL/144, PNJ/GTL/43, PNJ/GTL/217 and PNJ/GTL/197

[17] RC No. PNJ/GTL/31 and MRG/GTL/204

R.C.No. (1)	A.Y. and month of finalistion of assessment (2)	Violations in the conditions of the notification (3)	Taxable Turnover (4)	Normal Rate of Tax in *per cent* (5)	Rate of Tax levied in *per cent* (6)	Rate of excess exemption allowed in *per cent* (7)	Amount of excess exemption allowed (*in ₹*) (8)
Luxury Tax Office, Panaji							
MRG/GTL/6	2013-14 finalised in December 2017	(iii) Delay in remittance upto 250 days	203033	5	2	3	6091
			25721252	8	3.2	4.8	1234620
			37413237	12	4.8	7.2	2693753
PNJ/GTL/144	2014-15 finalised in September 2018	(iii) Delay in remittance upto 28 days	8038720	8	3.2	4.8	385859
PNJ/GTL/43	2014-15 finalised in May 2018	(iii) Delay in remittance of tax upto 14 days	2870672	5	2	3	86120
PNJ/GTL/217	2013-14 finalised in February 2018	(iii) Delay in remittance of tax upto 43 days	5101867	5	2	3	153056
			4121717	8	3.2	4.8	197842
			302283	12	4.8	7.2	21764
PNJ/GTL/197	2013-14 finalised in February 2018	(iii) Delay in remittance of tax upto 250 days	78897246	12	4.8	7.2	5680602
PNJ/GTL/31	2013-14 finalised in December 2017	(iii) & (iv) Tax for 2011-13 was paid in December 2016	1348573	5	2	3	40457
			23078725	8	3.2	4.8	1107779
			3961215	12	4.8	7.2	285207
Luxury Tax Office, Margao							
MRG/GTL/204	2016-17 finalised in November 2018	(iv) There were outstanding assessed dues for the assessment year 2011-12	1711644	3	2.25	0.75	12837
			85899198	12	9	3	2576976
Total amount of excess exemption allowed							**14482963**

Further, we observed that Luxury Tax Office, Panaji while finalising the assessments of five[18] hoteliers levied interest for delays in payment of taxes. It indicated that the office, was aware of facts that the tax payment was delayed by these hoteliers despite that the exemption was allowed in violation of Sub-section 2 of Section 21 of GTLA.

[18] RC Nos MRG/GTL/6, PNJ/GTL/144, PNJ/GTL/43, PNJ/GTL/217 and PNJ/GTL/197

In respect of the hoteliers (MRG/GTL/6, PNJ/GTL/217,197, PNJ/GTL/144, PNJ/GTL/43 and PNJ/GTL/31), the Department have issued re-assessment/ review notice to the concerned hoteliers.

In respect of hotelier (MRG/GTL/204), the department stated (July 2019) that the outstanding dues of ₹ 29,250 for the period 2011-12 at the time of assessment on 02/11/2018 for the period 2016-17 was assessed dues and not outstanding dues and the hotelier has paid full tax amount for the year 2011-12.

As per the demand notice issued to the hotelier, the due date for payment of assessed dues of ₹ 29,250 for the period 2011-12 was on 11/05/2016. However, the hotelier paid the dues only on 29/11/2018 with a delay of 30 months. The assessment for the period 2016-17 was done on 02/11/2018 which was before the due date of payment of assessed dues for the year 2011-12. Hence, it is evident that the hotelier had the outstanding dues of ₹ 29,250 at the time of assessment for the year 2016-17 and was not eligible for claiming exemption.

2.4 Irregular allowance of Input Tax Credit of ₹ 1.10 crore

Irregular allowance of Input Tax Credit against Entry Tax paid after the tax period resulted in excess refund by ₹ 1.10 crore.

As per Section 9 of the Goa Value added Tax (GVAT) Act 2005, a registered dealer is eligible to claim Input Tax Credit (ITC) against Entry Tax paid under Goa Tax on Entry of Goods Act, 2000, subject to certain conditions. One of the conditions for allowing ITC was that the tax should have been paid during the tax period. In view of above mentioned provision, it is evident that the allowable extent of Input Tax Credit against VAT liability is restricted to the amount of tax paid during the tax period and the credit on account of tax paid after due time cannot be adjusted.

While assessing dealer 'A' for the year 2012-13, the Commercial Tax Department, Mapusa ward allowed ITC of ₹ 6.17 crore, in May 2016, as against the amount[19] of ₹ 6.65 crore (₹ 1.08 crore against purchases plus ₹ 5.57 crore against Entry Tax paid) claimed by the dealer. Of the amount ₹ 6.17 crore allowed, ₹ 97.77 lakh was against purchases and ₹ 5.19 crore was against Entry Tax paid. After adjusting the total output tax dues of ₹ 20.86 lakh (₹ 4.67 lakh towards VAT and ₹ 16.19 lakh towards CST), an amount of ₹ 5.96 crore was refundable as per the assessment order.

Audit found that out of the Entry Tax amount of ₹ 5.19 crore allowed as ITC, only ₹ 4.09 crore was paid into Government account during the tax period 2012-13 under the Goa Tax on Entry of Goods Act, 2000 and the balance ₹ 1.10 crore allowed was paid in January, 2014 *i.e.*, after the relevant tax period (2012-13). As the Assessing Authority should have considered only the Entry Tax amount ₹ 4.09 crore paid during the relevant tax period of 2012-13 for allowing ITC for VAT liability, the ITC ₹ 1.10 crore allowed, against Entry Tax paid after the relevant tax period, was irregular. As such, the refundable amount as per the assessment order was in excess by ₹ 1.10 crore.

[19] Excluding ITC of ₹ 9.97 crore carried over from previous year

The Department replied (July 2019) that the Assessing Authority considered the entry tax paid in cash for the assessment year which are paid before finalising the assessment. The dealer has paid entry tax of ₹ 1.10 crore for the year 2012-13 in the month of January 2014 and is correctly allowed as per the provision of the Act.

The reply is not tenable as only tax paid during tax period is allowable as ITC under Section 9(1) of ibid. The allowance of ITC for the tax paid during the subsequent tax period was not supported by any provision of GVAT Act.

2.5 Irregular grant of exemptions under NPV scheme

Commercial Tax Offices at Margao and Panaji allowed NPV exemption of ₹ 3.78 crore to two dealers during the period not covered under NPV Scheme.

The goods manufactured by newly established small/medium/large scale industrial units set up upto March 2002 in Goa were exempt from Goa Sales Tax under entry No. 68 and 85 of the Second Schedule to the Goa Sales Tax Act, 1964 and were also exempt from Central Sales Tax (CST) by notifications issued under Section 8(5) of the CST Act, 1957 for the allowed specified period from the date of the first sale.

To continue the benefit under Goa Value Added Tax (GVAT) Act 2005, GVAT Deferment cum Net Present Value Compulsory Payment Scheme, 2005 (NPV scheme) was introduced for the balance unexpired exemption period from 01 April 2005. The scheme provided that the dealer shall apply in Form I under the scheme within 30 days from the appointed day *i.e.,* 01 April 2005. Under the scheme, the eligible unit can charge from consumers applicable rate of tax on sale of manufactured goods under VAT and CST and deposit 25 *per cent* of its tax liability and retain 75 *per cent* or opt for NPV scheme under VAT and continue to claim exemption for CST subject to production of form 'C'. The eligible unit shall exercise fresh option either to continue with the exemption subject to production of form 'C' or to opt for the benefit under NPV scheme. Additional period of benefit for two years was granted to dealers whose benefit expired after 31/03/2010 vide notification dated 22/04/2010. Extensions were further granted vide notifications dated 05/12/2012 and 26/06/2014.

Test check (October 2018 to January 2019) of assessment records of two[20] Commercial Tax Offices (CTO), revealed irregularities in grant of NPV benefits of ₹ 3.78 crore to two dealers as mentioned below:

(i) A dealer registered in CTO, Margao was initially eligible for NPV benefit for the period from 09/05/2005 to 05/05/2010 vide order dated 22/08/2005. The benefit was again granted to the dealer for second time for three years from 06/12/2012 to 05/12/2015 under notification dated 05/12/2012 which was further extended for one year from 06/12/2015 to 05/12/2016 vide order dated 27/11/2015. The dealer neither applied for the extension of NPV benefits under notification dated 22/04/2010 for the intervening period from 06/05/2010 to 05/12/2012 nor the department granted the exemption. Hence, the dealer was not eligible for NPV benefits for the period from 06/05/2010 to 05/12/2012.

[20] Margao and Panaji

However, department allowed NPV benefit amounting to ₹ 13.46 lakh for the period from 2010-11 to 2012-13 to the dealer as detailed below:

(Amount in ₹)

Return period	NPV eligibility period	NPV benefit granted/ availed	Eligible NPV benefits	Irregular NPV benefit granted/claimed
2010-11	01/04/2010 to 05/05/2010	508861	84810	424051
2011-12	Not eligible for NPV	686824	NIL	686824
2012-13	06/12/2012 to 31/03/2013	353240	117747	235493
	Total	**1548925**	**202557**	**1346368**

Department failed to verify the eligibility of NPV to the dealer while scrutinising the returns for the year 2011-12 and did not calculate the NPV benefits correctly for the year 2010-11 and 2012-13. The allowance of NPV benefits to dealer during the period not covered under NPV resulted in short levy of VAT of ₹ 13 lakh.

(ii) A dealer registered in CTO, Panaji was authorised to avail the benefit of tax exemption under NPV Scheme till 25/06/2015 vide order No. P/NPV/ACCT/15-16/27736 dated 24/12/2015. Application filed by the dealer for further extension of NPV benefits for further period of one year *i.e.* from 26/06/2015 to 25/06/2016 was rejected by the Department vide order No. P/ACCT/NPV/30460102611/274 dated 28/03/2016 due to non-filing of application within the prescribed time limit. Hence, the dealer was not eligible for NPV benefits after 25/06/2015.

However, CTO, Panaji, allowed NPV benefit amounting to ₹ 3.65 crore to the dealer for the period beyond 25/06/2015 as detailed below:

(Amount in ₹)

Return period	NPV eligibility period	NPV benefit granted/ availed		Eligible NPV benefits		Irregular NPV benefit granted/claimed	
		VAT	CST	VAT	CST	VAT	CST
2015-16	01/04/2015 to 25/06/2015	4776978	11974648	2080847	4962616	2696131	7012032
2016-17	Not eligible for NPV	11271803	15563973	NIL	NIL	11271803	15563973
Total		**16048781**	**27538621**	**2080847**	**4962616**	**13967934**	**22576005**

Allowance of NPV benefit by Commercial Tax Office, Panaji despite rejection of extension of NPV benefit by the Department, shows negligence.

The two cases were reported (May 2019) to the department who replied (June 2019) that re-assessment would be conducted in these cases.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

REVENUE DEPARTMENT

2.6 Loss of revenue due to non-raising of demand for short paid conversion fee

Non-raising of demand against short paid conversion fee and fine as per provisions of the Government policy resulted in loss of revenue ₹ 31.09 crore.

The Government of Goa observed that large areas of land outside mining leases were unauthorisedly used for dumping the mining rejects or like material by the mine operators. As this was, in effect, unauthorised conversion of land use in violation of the provisions of the Land Revenue Code, 1968, the Government formulated (September 2013) a policy to grant temporary conversion for use of such lands by charging one-time conversion fee, publicised vide notification No.16/7/2008-RD(Part-III) dated 03/09/2013. The salient features of the policy, inter-alia, included:

- Levy of conversion fee at the rate of ₹ 100 per sq. mtr.
- Fine at the rate of ₹ 20 per sq. mtr. for unauthorised use of land for dumping.
- The charges so imposed shall be on the entire plot, and not for the specific area of the plot where the dump is stacked. For this purpose, the entire property surveyed under a particular survey number shall be considered as the plot area.
- The mine owners were required to apply for the land use conversion and pay the conversion fee and fine on self-assessment basis.
- Any discrepancy observed in the self-assessment for the total levy of charges was to be paid by the applicant within 30 days from the intimation received from the designated Officer/Collector, along with interest of 15 *per cent* over the total sum payable from the date of application till the final payment was made.

It was observed during audit (October 2018) that conversion fees paid vide 64 challans amounting to ₹ 240.04 crore was received on self-assessment basis between October 2013 to March 2014. Out of these 64 payments, we test checked seven[21] cases (11 *per cent*) relating to three mine owners to ascertain the correctness of conversion fee paid by the mine owners. The area for which conversion fee paid was cross checked with the area depicted in the land records (Form I and XIV) maintained by the Government. On cross-verification it was revealed that in six[22] out of seven cases test checked, area

[21] Five cases of 'B' and Co. Ltd, one case of 'A' and one case of 'C'

[22] Four cases of 'B' and Co. Ltd, one case of 'A' and one case of 'C'

mentioned in the self-assessment reports were only for the part of the plot area under respective survey numbers of the plots (79 plots) resulting in short payment of conversion fee and fine. While accepting the conversion fee based on the self-assessment basis, the office of the Collector, North Goa did not verify the actual plot area covered under the respective survey number utilised for dumping. This resulted in short levy of conversion fee including fine amounting to ₹ 31.09 crore as shown below:

(₹ in lakh)

Name of mine owner	Number of plots in various survey numbers	Actual area as per the survey number in sq. mtr.	Area self-assessed by the mine owners in sq. mtr.	Conversion fee plus fine paid	Conversion fee leviable @ ₹ 100 per sq. mtr.	Fine @ 20 *per cent* of conversion fee	Total amount payable (Conversion fee plus fine 20 *per cent*)	Amount short paid
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
'A'	42	1236975	370102	444.12	1236.98	247.39	1484.37	1040.25
'B' and Co. Ltd.	22	676700	380100	380.10	676.70	135.34	812.04	431.94
'B' and Co. Ltd.	12	2582441	1264616	1517.54	2582.44	516.49	3098.93	1581.39
'C'	3	50800	4626	5.55	50.80	10.16	60.96	55.41
Total	**79**	**4546916**	**2019444**	**2347.31**	**4546.92**	**909.38**	**5456.30**	**3108.99**

It is recommended that the conversion fee levied/collected in the remaining 57 cases should be verified by the department in the interest of safeguarding Government revenue.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

DEPARTMENT OF REGISTRATION

2.7 Loss of revenue

The Government of Goa did not fix minimum rates for built up area. The Department registered Deeds of Sale on a property without ascertaining the true market value of the property. Based on the sales registered in the same village during the period the minimum revenue forgone was to the tune of ₹ 8.95 crore.

Government levies stamp duty and registration fees for registering documents relating to sale of land and buildings under the Indian Stamp Act, 1988 and Indian Registration Act, 1908 at prescribed rates on the market value of the land/buildings under sale.

In order to protect revenues/deter undervaluation of property, State Governments like Maharashtra and Karnataka have prescribed a minimum value for land and also for buildings (built up area) depending upon location. In case the sale value is below this prescribed minimum value, the stamp duty and registration fees have to be paid for the minimum value fixed by the State.

Rules[23] require that the properties in Goa to be divided into groups, sub-groups or classes taking into account the type of land, types of construction, location and situational advantages or disadvantages of property. The State of Goa has fixed the minimum value of land, the same has not yet been done for buildings (built up area). This lacuna along with lack of due diligence in following provisions of rules by registering authorities caused loss of revenue to the State as described below:

The Civil Registrar-cum-Sub Registrar Office at Margao (CRSR office) registered (14 December 2015) six sale deeds relating to sale of a five star luxury resort/hotel[24] situated at Cavelossim, Salcete. The property of the resort/hotel consist of a total area of 2,41,333 Sq. mtr. including built-up area of 40,245 Sq. mtr. and the value declared in the sale deeds was totaling ₹ 86.44 crore. The built up area included an area of 37,208 Sq. mtr. in a single sale deed (MGO-BK1-05505-2015 with declared value of ₹ 55.90 crore) and an area of 3,037 Sq. mtr. which was a part (total area 7,175 Sq. mtr.) of another sale deed (MGO-BK1-05509-2015 with declared value of ₹ 5.62 crore). The rate of built up area on first building was ₹ 15,024 per Sq. mtr. and on the second building works out to ₹ 16,070[25] per Sq. mtr.

Audit scrutiny (August 2018) revealed that:

- As per information available in the office of the CRSR, two properties relating to built-up area were registered in the same village during January 2014 to July 2015 at the rates ranged from ₹ 39,848 to ₹ 58,729 per Sq. mtr. The rates declared by the executants in case of the resort/hotel was lower by ₹ 23,778 to ₹ 24,824 per Sq. mtr. as compared to the lowest rate (₹ 39,848) at which above two properties were valued. However, CRSR office accepted (14/12/2015) the declared value (for levy of stamp duty and registration fee) mentioned in these two sale deeds and released the documents to the party after registration. Given the difference in the rates of built up areas the CRSR office could have referred[26] the documents to the Collector's office for determination of market value of the property before releasing the documents, but this was not done.
- On the instructions of Finance Department, the office of the State Registrar sought (23/02/2016) information of the sale of property of the resort/hotel from CRSR office, Margao. Upon this the CRSR office referred (01/03/2016) copies of the sale deeds to the office of the Collector, South Goa stating that the property in the instrument was

[23] As per Rule 4(2) of the Goa Stamp (Determination of True Market Value of Property) Rules, 2003

[24] The resort/hotel is having 160 double rooms and 46 suites. Gross turnover of the resort/hotel was ₹ 50.33 crore and luxury tax of ₹ 4.63 crore was paid during the year 2015-16

[25] Assuming the land was valued at the average rate of land as prescribed by the Government *i.e.*, Area of land = 6,163 Sq. mtr. (7,175 Sq. mtr. -1,012 Sq. mtr.), value of land as per average rates = ₹ 0.74 crore (6,163 Sq. mtr. X ₹1,200), Total valuation of property (land and built-up area) = ₹ 5.62 crore. Value of built-up area = ₹ 4.88 crore (₹ 5.62 crore - ₹ 0.74 crore), average rate of built-up area = ₹ 4.88 crore/3,037 Sq. mtr. = ₹ 16,070 per Sq. mtr.

[26] According to Section 47A of the Act 1968 if the registering authority has reason to believe that the market value of the property has not been truly set forth in the instrument, he may after registering the instrument, refer the same to the office of the Collector for determination of the market value of such property and duty payable thereon

undervalued as the area sold was in a settlement area and it was a five-star hotel. He accepted that the original Deed of Sale had been collected by the parties due to oversight of his office.

- After a period of 15 months from the receipt of reference from the CRSR the office of the Additional Collector II, South Goa returned (June 2017) the sale deeds to CRSR office stating that the CRSR office has not informed or demanded the parties to pay the differential stamp duty and registration fee as per Rule[27]. CRSR office re-submitted the sale deeds after four months (October 2017) to the office of the Additional Collector stating that the purchaser had not come to sign the deed of declaration for payment of differential amount. Additional Collector's office again returned (October 2017) the matter to CRSR office for obtaining deed of declaration. The CRSR office did not take any action for 10 months and on being pointed out by Audit in August 2018, he referred back the matter to Collector's office to ascertain the true market value of the property. The matter is pending with collector's office (November 2019).

The release of registered deed documents to the parties by the CRSR office resulted in department losing the opportunity of recovering the differential amount of stamp duty and registration fee. Further delay of 14 months in processing the case by the CRSR office and 31 months delay in fixing the true market value of property by the office of the Collector, resulted in non-recovery of Government revenue for over three and half years (till November 2019). Based on the minimum of the sale value of the properties registered by the CRSR office during the same period in the village short recovery of Stamp duty and Registration fee works out to ₹ 8.95 crore as detailed below:

(₹ in crore)

Built up area as per the deeds (in Sq. mtr.)	**Value considered by CRSR office**	**Stamp duty paid @5%** {(2) x 5%}	**Reg. fee paid @4%** {(2) x 4%}	**Value as per minimum value of the three sale deeds registered in the same village** {(1) x ₹ 39848}	**Stamp duty @5% on amount shown in Col.5** {(5) x5%}	**Reg. fee @4% on amount shown in Col.5** {(5) x 4%}	**Short levy of Stamp duty** {(6) – (3)}	**Short levy of Reg. fee** {(7) – (4)}
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
37208	55.90	2.80	2.24	148.27	7.41	5.93	4.61	3.69
3037	4.88[28]	0.24	0.20	12.10	0.61	0.48	0.37	0.28
Total							**4.98**	**3.97**

The Department replied (September 2019) that the Government has not fixed true market value for constructed premises. The two deeds were referred to the office of the Collector in August 2018 and the matter is pending with Collector's office.

---

27 As per provisos under Rule 4(6) of the Goa Stamp (Determination of True Market Value of Property) Rules, 2003, Registering Officer, may allow fixation of adhesive stamps only when the parties agree to pay the differential amount

28 Area of land=6,163 Sq. mtr. (7,175 Sq. mtr. -1,012 Sq. mtr.), value of land as per average rates = ₹ 73,95,600 (6,163X ₹1,200), Total valuation of property (land and built-up area) = ₹ 5,62,00,000. Value of built-up area= ₹ 4,88,04,400 (₹ 5,62,00,000- ₹ 73,95,600)

Reply of the Department is not tenable as the CRSR office did not do the necessary due diligence to determine whether there was undervaluation and released the documents to the parties. From the records of that office (and also as accepted later by the CRSR office) there is a prima facie case of undervaluation. Further, the office of the Addl. Collector has also not initiated any concrete action on the case under powers available to him.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

It is recommended that the Government may fix the minimum value for built-up area to avoid loss of revenue.