

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 2019-20, 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 receipts of State Government

(₹ in crore)

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Revenue raised by the State Government					
	▪ Tax revenue	3975.37	4261.16	4731.37	4871.36	4700.56
	▪ Non-tax revenue	2431.93	2712.00	3033.27	2873.66	2737.54
	Total	6407.30	6973.16	7764.64	7745.02	7438.10
2	Receipts from the Government of India					
	▪ Share of net proceeds of divisible Union taxes and duties	1923.76	2299.20	2544.26	2878.36	2479.85
	▪ Grants-in-aid	221.18	292.61	744.62	814.60	1379.57
	Total	2144.94	2591.81	3288.88	3692.96	3859.42
3	Total revenue receipts of the State Government (1 and 2)	8552.24	9564.97	11053.52	11437.98	11297.52¹
4	Percentage of 1 to 3	75	73	70	68	66

(Source: Finance Accounts of the State)

The above table indicates that there was continuous increase in collection of revenue between 2015-19, whereas it dropped in 2019-20 by ₹ 306.92 crore. The revenue raised by the State Government during the year 2019-20, constituted 66 per cent of the total revenue receipts. The balance 34 per cent of the receipts during 2019-20 was from the Government of India by way of share of net proceeds of divisible Union taxes, duties and grants-in-aid.

2.1.2 Tax revenue

The tax revenue raised by the Government of Goa during 2019-20 was ₹ 4,700.56 crore. The details of the tax revenue along with details of preceding four years are given in **Table 2.2**.

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 2019-20. 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

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

(₹ in crore)

Sl. No.	Head of revenue		2015-16	2016-17	2017-18	2018-19	2019-20	Percentage increase (+) or decrease (-) in 2019-20 over 2018-19
1	Taxes on sales, trade etc.	BE	2370.00	2624.35	2582.32	782.58	1395.74	
		RE	2067.34	2245.50	1491.52	782.58	1091.32	
		Actual	2115.69	2438.17	1621.69	1013.53	1032.84	1.90
2	SGST	BE	-	-	-	3123.62	2756.89	
		RE	-	-	1710.66	3123.62	2493.01	
		Actual	-	-	1463.74	2529.09	2438.50	(-)3.58
3	Entertainment Tax/Luxury Tax etc. ²	BE	617.86	848.01	905.62	28.81	13.88	
		RE	689.64	792.78	332.93	28.81	17.48	
		Actual	757.81	822.59	315.98	13.50	(-)2.52	(-)118.67
Sub-total (Actual collection under 1,2 and 3 above)			2873.50	3260.76	3401.41	3556.12	3468.82	
4	Stamp Duty & Registration fees ³	BE	549.35	678.49	600.59	612.53	641.30	
		RE	584.46	625.16	600.59	612.53	631.30	
		Actual	524.90	365.11	529.69	432.33	393.37	(-)9.01
5	State Excise ⁴	BE	292.14	348.50	381.77	399.86	475.25	
		RE	293.00	348.50	381.77	399.86	475.25	
		Actual	315.70	316.03	408.44	477.95	491.77	2.89
6	Taxes on Goods and Passengers	BE	13.23	25.00	25.00	25.00	27.50	
		RE	13.24	21.47	25.00	25.00	27.50	
		Actual	22.81	23.65	26.08	25.39	25.02	26.58
7	Land Revenue	BE	213.37	156.01	61.64	39.59	60.17	
		RE	155.53	182.91	61.64	39.59	60.17	
		Actual	24.51	39.09	42.02	66.62	37.11	(-)44.29
8	Other taxes	BE	230.52	236.00	243.46	260.26	385.97	
		RE	230.54	229.41	243.46	260.26	385.97	
		Actual	213.95	256.51	323.73	312.95	284.47	(-)9.10
Total		BE	4286.47	4916.36	4800.40	5272.25	5756.72	
		RE	4033.75	4445.73	4847.57	5272.25	5182.02	
		Actual	3975.37	4261.16	4731.37	4871.36	4700.56	(-)3.50

(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 2019-20 the major share of tax revenue (52 per cent) was collected under 'SGST'.

2.1.2.1 Revenue from GST

Government of Goa implemented Goods and Services Tax (GST) with effect from 01 July 2017. GST is levied on *intra-State* supply of goods or services (except alcohol for human consumption and five⁵ specified petroleum products)

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

³ Due to less receipts under court fees realised in stamps and sale of stamps during the years 2018-19 and 2019-20 tax revenue has declined.

⁴ Excludes medicinal and toilet preparations containing alcohol, opium etc.

⁵ Petroleum crude, motor spirit (petrol), high speed diesel, natural gas and aviation turbine fuel etc.

and its components are shared by the Central GST (CGST) and the State GST (SGST). Further, Integrated GST (IGST) is levied and collected by the Central Government on *inter-State* supply of goods and services. The IGST so collected is apportioned between the Centre and the concerned State where the goods and services are consumed.

Table 2.3: Details of budgeted and actual receipt of GST

(₹ in crore)

Year	Budget Estimates (BE)	Revised Estimates (RE)	Actuals
	SGST/UTGST	SGST/UTGST	SGST/UTGST
2017-18	0.00	1710.66	918.46
2018-19	3123.62	3123.62	1420.95 ⁶
2019-20	1601.16	1601.16	1526.17

(Source: Details furnished by the SGST Department)

The overall GST revenue of the State Government increased by ₹ 105.22 crore (7.2 per cent) in 2019-20 over the preceding year 2018-19.

2.1.2.2 GST Registrations

The category-wise registrations under GST have been given in **Table 2.4**.

Table 2.4: Details of GST registrations during the year 2019-20

Category of Registrant	No. of Registrants	Percentage of total
Normal taxpayers	36033	86
Composition taxpayers	5246	12
Tax Deductors at Source	634	2
Tax Collectors at Source	107	0
Input Service Distributors	78	0
Others (Casual, NRTP, OIDAR)	18	0
Total Registrants	42116	

(Source: Data furnished by State Tax Department)

The total registrations under GST as on 31 March 2020 were 42,116 of which normal taxpayers accounted for 86 per cent and composition taxpayers were 12 per cent. Of the total registrants, 20,569 were migrated from pre-GST regime, accounting for around 49 per cent, while balance were new registrations.

2.1.2.3 GST Return filing pattern

Filing of GSTR 1 and 3B

The monthly return filing trends of GSTR-1 and GSTR-3B during the year 2019-20 as compiled from the summary reports shared by State Commercial Tax Department have been depicted in **Table 2.5**.

⁶ Budget Estimate and Revised Estimate for the year 2018-19 are inclusive of IGST share whereas actuals shown above is the proceeds of SGST exclusively.

Table 2.5: Return filing trends of GSTR 1 and 3B

(Figures in numbers)

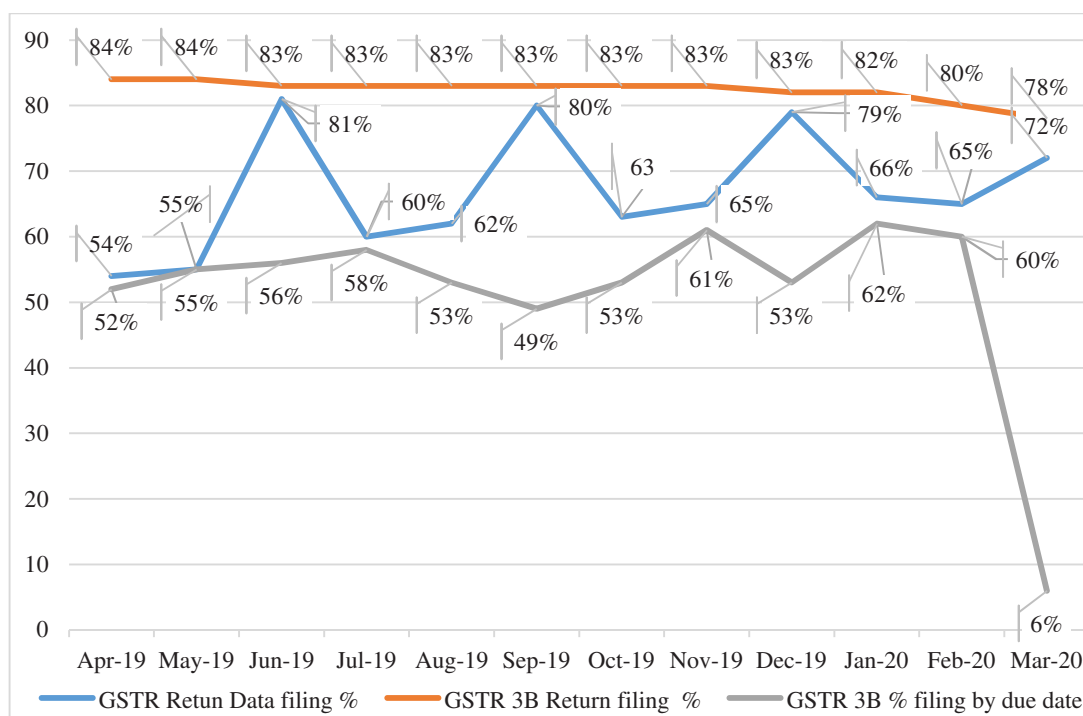
Return Type	GSTR 1			GSTR 3B				
	Months	Due for filing	Returns filed	Return filing per cent	Due for filing	Returns filed as on 28 Feb 2019	Return filing per cent	Returns filed by due date
April 2019	21309	11423	54	33353	27922	84	17206	52
May 2019	20779	11441	55	33480	28008	84	18371	55
June 2019	33757	27258	81	33757	28096	83	18735	56
July 2019	19308	11550	60	34090	28248	83	19770	58
Aug 2019	18815	11582	62	34201	28306	83	18287	53
Sep 2019	34397	27515	80	34397	28424	83	16764	49
Oct 2019	18492	11678	63	34642	28618	83	18296	53
Nov 2019	18104	11724	65	34765	28711	83	21249	61
Dec 2019	35044	27553	79	35044	28869	82	18472	53
Jan 2020	17705	11616	66	35365	28860	82	21905	62
Feb 2020	17648	11505	65	35756	28733	80	21313	60
Mar 2020	36052	26097	72	36052	28211	78	2018	06

(Source: Data furnished by Commercial Tax Department)

The filing of GSTR-3B for April 2019 was 84 per cent while the filing percentage for March 2020 was only 78 per cent. It was noticed that 52 per cent taxpayers filed their GSTR-3B returns within the due date and 31 per cent returns were filed after due date. The monthly achievement of filing of GSTR-3B on due dates, ranged from 06 per cent to 62 per cent during the year 2019-20.

The trend of return filing pattern is depicted in **Chart 2.1**.

Chart 2.1: Filing pattern of GSTR 1 and 3B on monthly basis



The filing percentages of GSTR 1 returns were less when compared to the corresponding percentages of filing of GSTR 3B returns during 2019-20.

Filing of GSTR 4

The total number of composition taxpayers for the year 2019-20 was 4,633 who were to file return in GSTR 4 till 2018-19. The return format is replaced with CMP 08 during the year 2019-20. The details of return filing pattern of CMP 08 are given in **Table 2.6**.

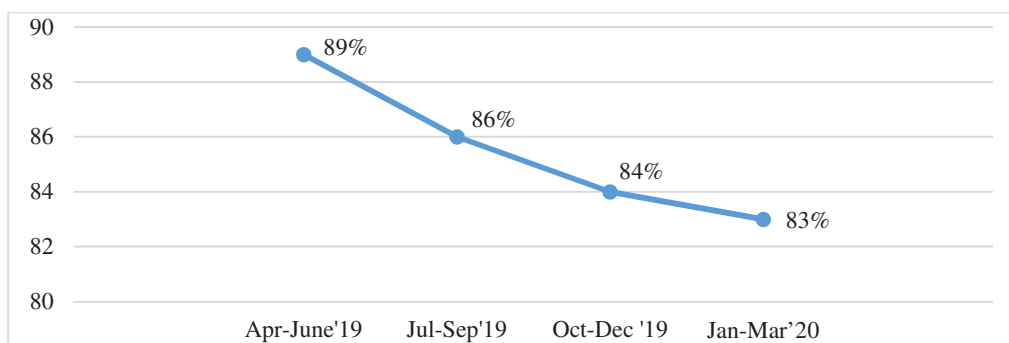
Table 2.6: Details of return filing of number of return CMP 08 during the year 2019-20

Months	Due for filing	Number of returns filed	Percentage of tax payers filed return
Apr-June 2019	Not furnished	4128	89.10
Jul-Sep 2019		4005	86.45
Oct-Dec 2019		3899	84.16
Jan-Mar 2020		3840	82.88

(Source: Data furnished by Commercial Tax Department)

The trends of quarterly return filing of CMP 08 during 2019-20 are given in **Chart 2.2**.

Chart 2.2: Filing of GSTR 4



(Source: Data furnished by Commercial Tax Department)

Filing of GSTR 6 as on March 2020

GSTR-6 is filed by Input Service Distributor (ISD) giving the details of input tax credit received and distributed. The details of filing GSTR 6, as compiled from the summary reports shared by Commercial Tax Department is depicted in **Table 2.7**.

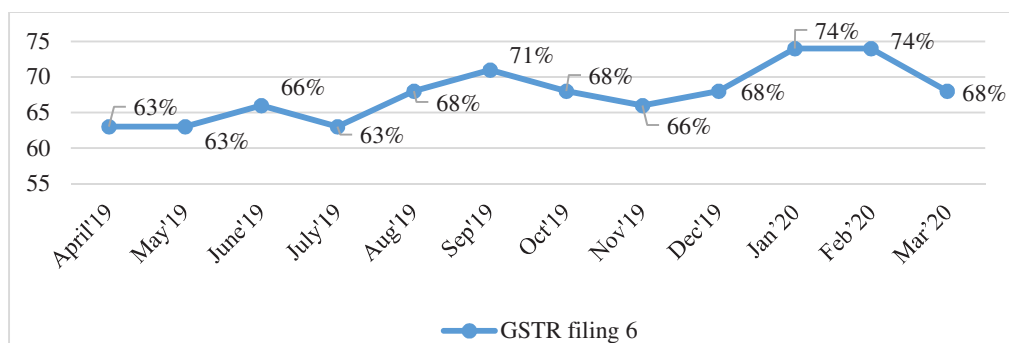
Table 2.7: The details of filing GSTR 6

Months	Number of returns due for filing	Number of returns filed	Return filing per cent
April 2019	Information not furnished	24	63
May 2019		24	63
June 2019		25	66
July 2019		24	63
Aug 2019		26	68
Sep 2019		27	71
Oct 2019		26	68
Nov 2019		25	66
Dec 2019		26	68
Jan 2020		28	74
Feb 2020		28	74
Mar 2020		26	68

(Source: Data furnished by Commercial Tax Department)

Returns filed for GSTR 6 taxpayers range from 63 per cent (April 2019) to 74 per cent (February 2020). The trend of return filing is depicted in **Chart 2.3**.

Chart 2.3: Filing of GSTR 6



(Source: Data furnished by Commercial Tax Department)

Note: The total number of GSTR 6 taxpayers for the year 2019-20 was 38, hence, the percentage is calculated as (return filed/38) x100.

2.1.2.4 Integrated Goods and Services Tax

The IGST apportioned to the State as per Section 17 of IGST Act, 2017 and that apportioned provisionally/*ad-hoc* basis to the State during the last three year period 2017-20 were as shown in **Table 2.8**.

Table 2.8: The details of IGST

(₹ in crore)			
IGST Component	2017-18	2018-19	2019-20 (Provisional)
IGST apportioned to the State as per Section 17 of IGST Act, 2017	450.29	753.65	880.41
IGST provisionally/ <i>ad-hoc</i> apportioned to the State/UT	95.00	354.49	73.60

(Source: Data furnished by Commercial Tax Department)

IGST apportioned to the State for the year 2018-19 was ₹ 753.65 crore whereas provisional share for 2019-20 was ₹ 880.41 crore which shows an increase of 16.80 per cent over the previous year. The provisionally/*ad-hoc* apportionment of IGST to the State for the year 2018-19 was ₹ 354.49 crore whereas for the year 2019-20 the apportionment was ₹ 73.60 crore.

2.1.2.5 Analysis of Bi-monthly Compensation received during 2019-20

Table 2.9: Details of compensation due and received

(₹ in crore)			
Month	Provisional Compensation due	Provisional Compensation received	Shortfall(+)/surplus (-)
April-May	173.98	135.00	38.98
June-July	204.85	244.00	39.15
August-September	252.27	252.00	0.27
October-November	234.35	234.00	0.35
December-January	73.56	-	73.56
February-March	193.40	228.00	(-)34.60

(Source: Data furnished by Commercial Tax Department)

It could be seen from the above table that when compared to the provisional compensation due the compensation received were less during the first five bi-monthly period of the year 2019-20. During the bi-monthly period of February and March there was surplus of ₹ 34.60 crore.

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 2019-20 was ₹ 2,737.54 crore. Details of non-tax revenue raised by some principal departments of Government of Goa during the period 2015-16 to 2019-20 are indicated in **Table 2.10**.

Table 2.10: Details of Non-tax revenue receipts of the State Government

(₹ in crore)

Sl. No.	Heads of revenue		2015-16	2016-17	2017-18	2018-19	2019-20	Percentage increase (+) or decrease (-) in 2019-20 over 2018-19
1	Power	BE	1497.17	1687.75	1819.15	1907.65	2244.16	
		RE	1497.17	1687.75	1819.15	1907.65	2244.16	
		Actual	1708.91	1765.80	2119.09	1919.80	1960.52	2.12
2	Non-Ferrous Mining and Metallurgical Industries ⁷	BE	742.57	439.28	377.60	327.59	60.64	
		RE	205.11	259.34	377.60	327.59	60.64	
		Actual	216.53	347.63	332.79	34.39	08.78	(-74.77)
3	Other Administrative Services	BE	163.27	176.47	178.67	161.38	310.25	
		RE	133.10	183.70	179.83	161.38	310.25	
		Actual	108.98	152.52	139.66	450.94	260.25	(-42.29)
4	Water Supply and Sanitation	BE	145.75	162.62	126.05	136.96	154.73	
		RE	145.75	114.59	126.05	136.96	154.73	
		Actual	115.40	119.69	129.80	145.96	147.66	1.16

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

There was a steep decline in revenue from non-ferrous mining and metallurgical industries in 2018-19 and 2019-20 due to less receipts under Mineral Concession Fees, Rent and Royalties, Royalty Deed Rent, Surface Rent Application Fees *etc.* and other receipts.

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 2020 were ₹ 4,007.31 crore of which ₹ 894.68 crore had been pending for more than five years as detailed in **Table 2.11**.

⁷ 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 2.11: Arrears of revenue

(₹ in crore)

Sl. No.	Name of the Department	Amount outstanding as on 31 March 2020	Amount outstanding for more than five years	Action taken by the Department
1	Commercial Taxes Department	1882.28	778.90	The Department intimated that 749 cases involving ₹ 27.50 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	Electricity Department	439.50	16.80	The Department had referred 9,438 cases involving ₹ 33.13 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. The Department had introduced One Time Settlement scheme from 01 December 2020 in order to enable prompt recovery of outstanding dues by waiver of Delay Payment Charges.
3	Public Works Department	136.87	16.08	The Department stated that arrears involving ₹ 14.16 crore were pending before RRC as on 31 March 2020. Show cause notices had been issued and disconnection under process. Information regarding arrears of Rent, HRA & License fee are not furnished by the Department.
4	Water Resources Department	1548.66	82.90	Water tax ₹ 29.38 crore: The Department stated that beneficiaries who have not paid water taxes have been requested to pay on priority. Raw water charges ₹ 1,516.24 crore: Department stated that farmers were contacted personally for collecting revenue and reminder letter sent to PWD. Hire charges of machinery ₹ 0.33 crore: Department stated that the cases are referred to the Government to waive-off the same. Rent from shops and halls: The Department stated that notices have been served on defaulters for effecting payment.
Total		4007.31	894.68	

(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 departments. However, it would be seen from the above that 22.33 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 2019-20, claims received and refunded during the year and the cases pending at the close of the year 2019-20 in respect of Commercial Taxes Department are given in **Table 2.12**.

Table 2.12: 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	696	142.80	-	-
2	Claims received during the year	590	80.81	-	-
3	Claims rejected	1	0.01	-	-
4	Refunds made during the year	522	90.67	-	-
5	Balance outstanding at the end of the year	763	132.93	-	-

(Source: Information furnished by respective departments)

Above table shows that 763 cases of refunds involving ₹ 132.93 crore were outstanding in Commercial Taxes Department as on 31 March 2020. 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 2020.

2.1.6 Response of the Government/Departments towards Audit

The office of 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 2019 disclosed that 1,049 observations involving ₹ 3,469.17 crore relating to 232 IRs remained outstanding at the end of June 2020. Out of these, 232 observations from 94 IRs were outstanding for more than five years. The figures as on June 2020 along with the corresponding figures for the preceding two years are given in the **Table 2.13**.

Table 2.13: Details of pending Inspection Reports

	June 2018	June 2019	June 2020
Number of IRs pending for settlement	212	218	232
Number of outstanding audit observations	906	933	1049
Amount of revenue involved (₹ in crore)	557.62	717.56	3469.17

(Source: Compiled from Audit records)

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2020 are mentioned in the **Table 2.14**.

Table 2.14: 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	102	470	401.51
2	Excise	State excise	15	47	5.13
3	Revenue	Land revenue	32	136	9.69
4	Transport	Taxes on motor vehicles	43	205	68.94
5	Stamps and Registration	Stamp duty and registration fee	38	168	180.81
6	Mines and Geology	Non-ferrous mining and metallurgical industries	02	23	2803.09
Total			232	1049	3469.17

(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 24 IRs issued up to December 2019. There was increase in pendency of the IRs by 6.42 *per cent* as compared to previous year. 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

One Performance Audit and 10 paragraphs were sent to the Secretaries of the respective departments during September-December 2020. Reply in respect of these paragraphs have not been received from the Government (June 2021).

2.1.8 Audit planning

The auditable units 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 audit plan is prepared on the basis of critical issues in Government revenues and tax administration. Audit also considered budget speech, revenue during the pasts five years, features of the tax administration, audit coverage and its impact during past five years *etc.*

During the year 2019-20, 76⁸ units were planned of which 58 units were audited along with 12 Apex units, audit of the remaining 6 units was suspended due to COVID pandemic.

2.1.9 Results of audit and coverage of this chapter

During the year 2019-20, Audit test checked the records of 58 units of Sales Tax/Value Added Tax, State Excise, Motor Vehicles Tax, Goods and Passengers Tax, Stamp Duty and Registration and other Departmental offices.

⁸ 76 units = 12 Apex Units + 64 units

The test check showed under-assessment/short-levy/loss of revenue aggregating ₹ 134.96 crore in 111 cases. During the year, the departments concerned have recovered cases of under assessment and other deficiencies amounting to ₹ 60 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 all the eight units for test check wherein 11,017 assessments were finalised during the year 2019-20. Audit test checked 827 assessments (7.50 per cent) during the year 2019-20 and noticed 44 cases (5.32 per cent of audited sample) of non/short levy of tax/interest/penalty, irregular allowance of input tax credit, grant of incorrect tax exemption benefits *etc.* involving ₹ 70.45 crore.

Revenue Department

There are 25⁹ auditable units in the Department, of which seven were selected for test check during 2019-20. Audit noticed 20 cases of arrears of land tax, irregularities in regularisation of unauthorised construction, pending revenue recovery cases, lapses/short collection of mutation fee/conversion fee *etc.* involving ₹ 9.01 crore.

Excise Department

There are 12 auditable units in the Excise Department of which no units were selected for test check for the year 2019-20. A Performance Audit on 'Levy and Collection of State Excise Revenue' was conducted during the year 2019-20 to assess the effectiveness in enforcement of the provisions of the Acts and Rules in levy and collection of State Excise Revenue.

Transport Department

There are 17 auditable units in the Transport Department. Total 57,817 vehicles were registered during 2019-20. Audit noticed 20 cases of short levy of road tax, non-implementation of the revised tax rates due to delay in updating of online system, non-recovery of fee for authorisation certificates issued for tourist permit, short levy of fee for special number, non-collection of renewal fee from authorised testing station involving ₹ 1.33 crore.

Registration Department

There are 15 auditable units in the Registration and Stamp Department of which 10 units were audited during 2019-20. Total 19,378 instruments were registered during 2019-20 out which 495 instruments were selected for test check. Audit noticed 27 cases of short realisation of stamp duty and registration fees, splitting of transaction resulting in short levy of stamp duty, short levy of stamp duty and registration fee due to incorrect calculation in lease deeds/non-consideration of market value/understatement of consideration *etc.* involving ₹ 54.16 crore.

This Chapter contains one Performance Audit and ten paragraphs involving financial effect of ₹ 160.48 crore.

⁹ 25 Units= 03 new additional units included in Audit Plan 2019-20 (Addl. Collector III, Mapusa, Dy. Collector SDM, Dharbandora & Mamlatdar, Dharbandora)

EXCISE DEPARTMENT

2.2 Performance Audit on Levy and Collection of the State Excise Revenue

Executive Summary

State excise revenue is one of the main sources of revenue for the Government of Goa. State excise revenue mainly comprises of excise duty collected from the manufacturing units, license and surcharge charged on wholesale and retail sale of liquor. A Performance Audit on levy and collection of the State excise revenue was taken up to assess the system for levy and collection of the State excise revenue.

The Government has not determined norms for minimum quantity of yield of malt spirit from the use of raw material and standards for allowable wastage during production of malt spirit were not fixed. Norms for drawal of samples of IMFL manufactured by distilleries in the State were also not set. Audit of five selected excise stations revealed that the Department lacks internal control at the primary level of function for grant and renewal of licenses. Existing internal control mechanism was not being enforced by the excise inspectors resulting in short levy of excise revenue amounting to ₹ 7.59 crore in the five selected excise stations during 2014-15 to 2019-20. Non-submission of export verification certificate by the manufacturing units on export of liquor were not acted upon for more than five years.

2.2.1 Introduction

The Commissioner of Excise has been empowered to administer the levy and collection of the State excise revenue. State excise revenue is collected at two points; one at the point of manufacture of liquor in manufacturing units through levy of excise duty and other at the level of taluka excise stations for granting permission for wholesale and retail sale of liquor through levy of license fees, additional fees, occasional fees, surcharge *etc.* The manufacturing units are manned by Superintendents of Excise/Excise Inspectors deployed for overall supervision of units and the taluka excise stations are in charge of Excise Inspectors deployed in the respective taluka stations.

State excise revenue (₹ 491.79 crore) constituted 10.46 *per cent* of the tax revenue (₹ 4,700.56 crore) raised by the State Government in 2019-20 and is one of the major sources of revenue for the State. The main sources of revenue for the taluka excise stations is through collection of yearly renewal license fees from wholesaler/retailers and grant of new liquor licenses. Besides, surcharge from hotels for operation of casinos, licensees operating on weekly closure day, additional time license fee, occasional license fee, fines, sales proceeds *etc.* are also collected. At the manufacturing units excise duty is levied on manufacture of liquor for local dispatch based on the Maximum Retail Price (MRP) of the liquor. Export fee is levied for export of liquor out of the State by the manufacturing units. In addition to local excise duty and export fee, library cess and health surcharge *etc.* are also levied.

There are 12,003 licensees¹⁰ operating wholesale and retail outlets in the State of Goa and 52 manufacturing units under the jurisdiction of 11 excise stations. The performance audit on levy and collection of the State excise revenue was taken up to assess the system for levy and collection of the excise revenue.

2.2.2 Trend of Revenue Collection

The tax revenue raised by the State Excise Department as a part of the total tax revenue of the State Government during the period from 2014-15 to 2019-20 were as shown below in **Table 2.15**.

Table 2.15: Trend of Excise Revenue Collection

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	Tax revenue	3895.92	3975.37	4261.16	4731.37	4871.36	4700.56
2	State Excise Revenue ¹¹	268.00	319.52	320.90	410.00	477.98	491.79
3	Percentage of increase from previous year	13.67	19.22	0.43	27.77	16.58	2.89
4	Percentage of (2) to (1)	6.88	8.04	7.53	8.67	9.81	10.46

(Source: State Finance Accounts)

It can be seen from the above table that during the years 2014-15, 2015-16, 2017-18 and 2018-19 the excise revenue increased gradually over previous year, however, during the year 2016-17 the increase was negligible. The reasons for negligible increase in the excise revenue during the year 2016-17 though called for were not provided by the Department. The percentage of excise revenue to the total tax revenue increased marginally from 6.88 *per cent* in 2014-15 to 10.46 *per cent* in 2019-20.

2.2.3 Organisational set-up

The Secretary, Finance to the Government of Goa is in-charge of the State Excise Department which is headed by the Commissioner. The Commissioner of Excise (CE) is assisted by one Additional Commissioner, two Assistant Commissioners, Superintendents of Excise along with Excise Inspectors, Sub-Inspectors, Excise Guards and Assistant Excise Guards besides other administrative staff. The Department has 11 excise stations¹², seven¹³ check posts and 52 inspectorates at manufacturing units. The organogram of the Department is provided in **Appendix 2.2**.

2.2.4 Audit objectives

The performance audit on levy and collection of the State Excise Revenue was conducted:

- to ascertain the adequacy of Goa Excise Policy in safeguarding revenue;
- to assess the effectiveness in enforcement of the provisions of the Acts and Rules in levy and collection of excise revenue;

¹⁰ The main categories of licensees are licenses for retail sale of liquor in packed bottles; retail sale of liquor for consumption (Hotelier/Bars & Restaurants) and Wholesalers

¹¹ Includes medicinal and toilet preparations containing alcohol, opium *etc.*

¹² Bardez, Bicholim, Valpoi, Pernem, Tiswadi, Margao, Ponda, Vasco, Quepem, Sanguem and Canacona

¹³ Patradevi, Naibag, Kiranpani, Dodamarg, Keri, Mollem and Pollem

- to assess the effectiveness of internal control mechanism of the Department in safeguarding the State Excise Revenue.

2.2.5 Audit Criteria

Audit observations are benchmarked against the provisions of following Acts/Rules:

- The Goa Excise Duty Act, 1964;
- The Goa, Daman and Diu (Excise Duty) Rules, 1964; and
- Notifications, circulars, orders issued by the Department and Governments of the neighbouring States.

2.2.6 Scope and Audit Methodology

Performance Audit commenced with an entry conference in May 2019 with the Secretary (Finance). Records of the office of Commissioner of Excise, selected Taluka excise stations, manufacturing units and excise check posts covering the period from 2014-15 to 2019-20 were test checked between May 2019 and September 2019. Exit conference was held in May 2020 with the Commissioner of Excise. The replies received from the Department at various levels have been incorporated at appropriate places in this report.

Out of 71¹⁴ units for sample selection, two¹⁵ excise stations from North Goa, three¹⁶ excise stations from South Goa, 22 manufacturing units and three¹⁷ check posts were selected on the basis of simple random sampling for test check. In addition, records at the Commissionerate were also audited.

AUDIT FINDINGS

Audit findings have been broadly classified under headings: lacunae in Goa Excise Policy/Act/Rules; non-enforcement of existing controls and lack of internal control mechanism as discussed in the succeeding paragraphs.

2.2.7 Lacunae in Goa Excise Policy/Act/Rules

The policy for minimum production and allowable wastage on production of malt spirit was not framed by the Government of Goa as detailed in succeeding paragraphs.

2.2.7.1 Absence of standards for minimum production and wastage on malt spirit

The raw material used for production of malt spirit is *barley malt* (brew) which goes through the process of grinding/milling, mashing, fermentation and distillation to produce Fresh Malt Spirit (FMS). The FMS obtained after distillation is then stored in the wooden cask to mature for period ranging between 12 months and 96 months. After maturation at the time of disgorging (emptying from the wooden casks) the malt spirit, the units claim wastages as a maturation loss for storage of FMS in casks.

¹⁴ One head office, 11 excise stations (five in North, Goa and six in South, Goa), 52 inspectorates at manufacturing units and seven check posts

¹⁵ Tiswadi and Bardez excise stations

¹⁶ Ponda; Salcete and Mormugao excise stations

¹⁷ Dodamarg; Keri and Mollem

Rule 47(A) of the Goa Daman and Diu Excise Duty (GDDED) Rules, 1964 stipulates that the production or yield of all type of spirits, beer, wines, liquors as the case may be, from the raw material used in Distillery/Brewery/Winery or manufactory licensed under the Act or the Rules made thereunder shall not be less than the quantity specified by the Government by notification in the official gazette from time to time.

Audit noted that the Government of Maharashtra has fixed standard for allowable wastage of 0.5 *per cent* per month as a maturation loss. Similarly, the Government of Karnataka has fixed maturation loss of five *per cent* per six months upto 24 months; four *per cent* per six months from 30 to 42 months; three *per cent* per six months from 48 to 66 months and two *per cent* per six months from 72 to 84 months. However, the Government of Goa has neither notified the minimum production of FMS out of a specific quantity of barley malt, nor fixed the allowed loss (wastage) of malt spirit stored in the wooden casks for maturation, despite enabling provisions in Rules.

Out of 20 test checked units two units¹⁸ manufacture malt spirit, the production of FMS during the period 2014-20 by the unit “A” was 19.76 lakh litre and unit “B” was 42.05 lakh litre.

In absence of Government notification, the excise officials of both the units stated that no register of batches of brew consumed by the units are maintained. The quantity of FMS self-assessed and disclosed by the units as produced from the batch of brew was accepted by the excise official in-charge of units for excise purposes without any consideration of the minimum quantity required to be produced. Although there is no provision for allowance of maturation loss on malt spirit, the unit “A” claimed wastage of 10.86 lakh litre of malt spirit during the period 2014-20 on account of maturation loss for storage of FMS in wooden casks. The unit exports the matured malt spirit for which excise duty of ₹ 10 per Bulk Litre (BL) is leviable. Thus, excise duty amounting to ₹ 108.60¹⁹ lakh was leviable for dispatch of 10.86 lakh litre of malt spirit for which wastage has been claimed.

The excise inspector-in-charge of unit “B” stated that records of wastages on maturation loss of malt spirit claimed by the units were not available. The matured malt spirit produced by the unit is consumed in-house for manufacture of IMFL products on which excise duty ranging between ₹ 1,080 per bulk litre and ₹ 2,000 per bulk litre is leviable.

Government prescribed standard for minimum production of spirit and permissible wastage are key controls for effective supervision of distilleries by the Excise Department. Absence of such key controls is fraught with the risk of excess/short accountal of liquor and wastages remaining undetected by the Department which in turn would result in leakage of Government revenue.

After being pointed out by Audit, the Government has notified (June 2021) the allowable wastage of 0.5 *per cent* per month on the quantity of malt spirit kept for maturation in the wooden vats.

¹⁸ Unit A: United Spirits Limited (License No: M (M&G)/Spirit/1), Bethora, Ponda & Unit B: John Distilleries (License No. M/Malt Spirit/03), Cuncolim, Salcete

¹⁹ Excise duty at the rate of ₹10 per bulk litre

Recommendation 1: The Government may notify standards for minimum production of malt spirit from the raw material used as stipulated in Rule 47 (A) of GDDDED Rules, 1964.

2.2.8 Non-enforcement of existing control mechanism

In order to enforce the rules and notifications the Department established taluka excise stations under the control of excise inspectors. The Department also posted superintendents of excise and excise inspectors in every manufacturing units. Audit observed that enforcement mechanism was deficient resulting in short recovery of excise duty, license fees and other dues as detailed in the following paragraphs.

2.2.8.1 Departmental inaction against non-renewal of licenses

Under Rule 91 of the Goa Daman and Diu (Excise Duty) (GDDDED) Rules, 1964 licenses for sale other than occasional license shall be granted for a period not exceeding three financial years. The application for renewal shall be made to the Commissioner within 15 days before the expiry of license. The excise inspector shall within eight days from the expiry of the license issue notices in the form prescribed by the Commissioner to those licensed vendors who have not submitted their application for renewal within the time prescribed. If the licensed vendor who has been served with a notice fails to apply for renewal within eight days of service of such a notice, the license shall automatically stand cancelled. The Department grants license for a period of one financial year and the license is to be renewed every year.

Audit found 1,275 licensees out of 9,188 licensees in the five selected excise stations had not renewed their licenses for the periods ranging from 2014-15 to 2019-20. The year wise details of licenses to be renewed in these 1,275 cases of non-renewal are as detailed in **Table 2.16**.

Table 2.16: Year-wise details of non-renewal

Name of Excise Station	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Tiswadi	08	13	26	42	50	53
Bardez	03	08	23	112	241	491
Ponda	06	11	15	59	70	127
Salcete	00	00	04	155	240	465
Mormugao	00	03	05	41	73	139
Total	17	35	73	409	674	1275

(Source: Information furnished by the excise stations)

An amount of ₹ 3.31 crore is leviable in the above cases of non-renewal of licenses. It can be seen from the above table that significant numbers of licensees have not renewed their licenses for the period ranging between 2014-15 and 2019-20. Although Rule 91 of GDDDED Rules, 1964 stipulates that the excise inspector shall within eight days from the expiry of the license issue notices to the licensees, audit observed that notices were sent only in 418 cases²⁰ whereas notices for non-renewal has not been sent in the remaining 857 cases. Out of 418 notices issued 74 cases have been renewed.

²⁰ Bardez Station (152 notices); Ponda Station (60 notices); Tiswadi Station (9 notices); Salcete Station (98 notices) and Mormugao Station (99 notices)

Audit sought for clarifications/records as to whether verification of the licensed premises is being carried out by the taluka excise inspectors as empowered under Section 23 of the Goa Excise Duty Act, 1964 to ensure non-operation of licensed premises in the above cases of non-renewal of licenses.

The excise inspectors stated (July/October/December 2019) that no specific verification of the licensed premises was carried out, however, routine verification of such premises was carried out to ensure illegal sale of liquor. The verification reports of the inspection carried out by the excise inspectors was not found on record.

After being pointed out by Audit, the Department renewed 250 licenses out of 1,275 for period ranging between 2016-17 and 2019-20 and recovered ₹ 40.51 lakh between June 2019 and September 2020 as detailed in **Table 2.17**.

Table 2.17: Year-wise details of renewal and amount recovered

Name of Excise Station	2016-17		2017-18		2018-19		2019-20	
	No. of licenses renewed	Amount recovered (₹)	No. of licenses renewed	Amount recovered (₹)	No. of licenses renewed	Amount recovered (₹)	No. of licenses renewed	Amount recovered (₹)
Tiswadi	00	00	02	10240	03	24360	08	174860
Bardez	01	7560	04	25900	10	108420	70	1049560
Ponda	01	5760	21	90960	24	148140	47	366500
Salcete	00	00	19	108330	25	208480	95	1157840
Mormugao	02	24060	04	32680	06	54840	29	452320
Total	04	37380	50	268110	68	544240	249	3201080

(Source: Recovery figures furnished by the excise stations)

As can be seen from the above table, the Department renewed licenses for the period ranging between 2016-17 and 2019-20. However, cases pertaining to the period from 2014-15 to 2015-16 have not been renewed. Further, the Department has renewed only 19.61 *per cent* (i.e. 250 of 1,275 licenses) of non-renewal cases pointed out by Audit. The renewal of 250 licenses after audit observation indicates that the license premises were being operated by the licensees without renewal of licenses. The status of the remaining 1,025 cases of non-renewal for which license fee amounting to ₹ 2.91 crore is recoverable could not be ascertained in audit due to non-availability of verification records with the respective excise stations.

The Commissioner stated (May 2020) that the Department had cancelled about 180 number of licenses and instructions were issued to excise inspectors to propose for cancellation of non-renewal cases after following due procedure.

2.2.8.2 Short-levy of additional fee from hotels having casinos

As per instructions contained in Sr. No. 7(b)(b) of the Government of Goa Notification No. 1/1/2008-Fin (R&C) (A) dated 23/04/2008, additional license fee of ₹ One lakh was to be levied separately for retail sale of Foreign Liquor (FL) from hotels having casino license issued by the Government irrespective of any category.

Further, Rule 122 of Goa Daman and Diu (Excise Duty) Rules, 1964 empowers the Department to levy additional amount equivalent to two *per cent* of such license fee for each month of delay on grounds of non-payment of any annual license fee in prescribed time.

During audit scrutiny (July 2017, November 2017 and February 2018) of records it was observed that in four out of the five selected excise stations additional license fee of ₹ One lakh as stipulated in the notification *ibid* were not levied from nine licensees having casinos license for retail sale of FL during the period from 2008- 09 to 2015-16. This resulted in short levy of additional license fee amounting to ₹ 1.22 crore including interest as detailed in **Table 2.18**.

Table 2.18: Details of short levy of additional fee from hotels having casinos

(₹ in lakh)

Name of Excise Stations	License No.	Period of short levy	Additional fee leviable	Interest under Rule 122
Tiswadi	FL/12	2008-09 to 2012-13	5.00	8.80
Bardez	FL/21	2008-09 to 2014-15	7.00	11.06
	FL/81	2008-09 to 2015-16	8.00	11.68
	FL/85	2009-10 to 2014-15	6.00	8.76
	FL/113	2011-12 to 2014-15	4.00	4.88
Salcete	FL/17	2009-10 to 2014-15	6.00	9.24
	FL/08	2009-10 to 2012-13	4.00	7.12
	FL/11	2009-10 to 2011-12	3.00	5.70
Mormugao	FL/01	2010-11 to 2014-15	5.00	6.40
Total			48.00	73.64

(Source: Records of license fees levied by the excise stations)

The Commissioner stated (May 2020) that directions would be issued to the excise inspector of stations to be more vigilant in recovering Government dues.

An amount of ₹ 24.12 lakh²¹ from four licensees have been recovered by Salcete, Mormugao and Tiswadi excise stations. Out of the above four cases of recovery, interest was recovered by only Salcete excise station from one licensee whereas from remaining three licensees only short levied amount was recovered without interest. In respect of remaining five licensees recovery is yet to be affected.

2.2.8.3 Non-levy of excise duty for failure to submit export verification certificate

Under Rule 13 (1) of the GDDed Rules, 1964 the Commissioner of Excise grants permit for export of liquor manufactured in the State. Rule 13 (2) further stipulates that with a reasonable time fixed by the Commissioner and specified in the bond or permit, as the case may be, the exporter shall produce before the Assistant Excise Commissioner, a copy of the import permit endorsed with a certificate signed by the appropriate Excise Officer of State or Union Territory into which the import is made certifying the due arrival of the liquor at its destination.

Accordingly, Commissioner had issued a circular dated 9 May 2008 directing the party to submit the Export Verification Certificate (EVC) within 10 days of consignment reaching the destination or within 10 days of expiry of the permits. In case the party failed to produce the EVC within the stipulated time no further permit should be issued for export and duty leviable on local sales should be collected from them.

²¹ Salcete (₹ 17.12 lakh); Mormugao (₹ Five lakh); Tiswadi (₹ Two lakh)

During scrutiny (June-September 2019) of records of the 20 selected manufacturing units Audit found that three units had not submitted 99 EVCs for period ranging between 13 days and 2,026 days. The excise inspector-in-charge of the unit should have levied excise duty amounting to ₹ 94.53 lakh (as detailed in **Table 2.19**) besides health surcharge amounting to ₹ 1.89 lakh²² for non-submission of EVC within stipulated period.

Table 2.19: Details of non-submission of EVCs by the units

Name of distillery	No. of EVC involved	Quantity of liquor involved in BL	Period of non-submission of EVC from date of dispatch ²³	Excise Duty leviable (@ ₹ 25 per BL)
		Months of dispatch		
Unit A ²⁴	23	115161	535 to 734 days	2879025
		September 2018 to March 2019		
Unit B ²⁵	71	237195	13 to 2026 days	5929875
		February 2015 to August 2020		
Unit C ²⁶	05	25745	22 to 804 days	643625
		July 2018 to August 2020		
Total	99			9452525

(Source: Information furnished by the excise inspectors of manufacturing units)

The Commissioner of Excise stated (May2020) that the Department has decided to stop issuing permits/NOCs to units having more than 10 pending EVCs and only after receipt of undertaking from the units that they will submit the same within specific days the permits/NOCs are issued. Audit noticed that the Commissioner was silent about recovery of duty pointed out by Audit for past failures to submit EVCs.

2.2.8.4 Short levy of excise duty due to incorrect consideration of lower MRP slab for levy of excise duty

According to the Government Notification No.1/1/2008-Fin (R&C), dated 10 November 2008 read with Circular dated 25 November 2008, all the volumes of packages of FL/IMFL and wine whether they are below 750 ml or above, have to be individually converted to the volume of 750 ml for determination of the “MRP slab”. The highest MRP arrived at, after calculating the same *vis-à-vis* each volume, should be considered for the levy of excise duty.

During scrutiny of MRP of the liquor product recorded in the labels by the 20 test checked manufacturing units Audit found that in two units the excise inspector had incorrectly determined the MRP for levy of excise duty resulting in short levy of excise duty to the tune of ₹ 17.84 lakh (as detailed in **Table 2.20**) besides health surcharge amounting to ₹ 0.36 lakh.

²² Health surcharge @ two per cent of excise duty i.e., two per cent x ₹ 94,52,525 = ₹ 1,89,051

²³ Calculated upto 23/09/2020

²⁴ Unit A: Sun Moon Inc., License number M/IMFL/92-93/22 Madkaim, Ponda

²⁵ Unit B: Gemini Distilleries Pvt. Ltd, License number M/IMFL/106 Sancoale Ind. Estate, Zuarinagar

²⁶ Unit C: Vinayaka Liquor Pvt. Ltd., License number M/IMFL/105 Kundaim, Ponda

Table 2.20: Details of short levy of duty due to incorrect determination of MRP

(Amount in ₹)

Name of licensee	Year	MRP (₹)		MRP after converting to 750 ml		Quantity dispatched in BL	Duty leviable on highest MRP	Duty levied	Short levied duty
		Volume	of packaging (ml)						
Unit A ²⁷	2017-18	₹ 80	₹ 550	1000	590	4296.60	1138599 ²⁸	386694 ²⁹	751905
		60 ml	700 ml						
	2018-19	₹ 80	₹ 550	1000	590	3037.80	911340 ³⁰	318969 ³¹	592371
		60 ml	700 ml						
Unit B ³²	2019-20	₹ 25	₹ 100	104	100	10989.00	714285 ³³	274725 ³⁴	439560
		180 ml	750 ml						
Total							2764224	980388	1783836

(Source: Records maintained at manufacturing units)

The Commissioner stated that the directions have been issued to the excise inspectors to issue notices to both the units for the short-levied excise duty.

Audit noticed that the Commissioner was silent about recovery of duty pointed out by Audit, for past failures to submit EVCs.

2.2.8.5 Non-levy of surcharge for keeping the retail outlets selling foreign liquor open on weekly closure day

Under Sub-rule (5) of Rule 99 of GDDDED Rules, 1964 the vendors shall keep their licensed premises closed for sale of liquor one day every week at their choice as approved by the Department. However, the Government may allow licensed premises to be kept open on weekly closure day on payment of surcharge as notified by the Government. As per notifications issued by the Government a surcharge of 100 per cent of license fee of the Indian Made Foreign Liquor (IMFL)/and/or Country Liquor (CL)/and/or Foreign Liquor (FL) in addition to the license fee for all the licenses were to be levied for keeping the licensed premises open on the weekly closure day.

The Department grants permission for two licenses *i.e.* one for retail sale of IMFL/CL license and other for retail sale of FL in packed bottles (*i.e.* retail vendors). Accordingly, the licensees can apply for one of the above licenses or both the licenses. During Audit scrutiny (between November 2017 and June 2019) of the records of surcharge levied and collected from licensees having both the licenses³⁵ in the five selected excise stations, Audit found that in three excise stations the excise inspectors levied surcharge only on IMFL/CL license and did not levy surcharge on FL license. As per the notification *ibid* separate surcharge for sale on weekly closure day was to be levied on both the licenses. Therefore, in addition to normal license fee surcharge amounting to ₹ 13.12 lakh

²⁷ Global Spirits and Foods (License number M/IMFL/139), Tiswadi Taluka

²⁸ Duty calculated at the rate of ₹ 265 per bulk litre

²⁹ Duty calculated at the rate of ₹ 90 per bulk litre

³⁰ Duty calculated at the rate of ₹ 300 per bulk litre

³¹ Duty calculated at the rate of ₹ 105 per bulk litre

³² Superking Distillery (License number M/IMFL/101), Tiswadi Taluka

³³ Duty calculated at the rate of ₹ 65 per bulk litre

³⁴ Duty calculated at the rate of ₹ 25 per bulk litre

³⁵ License for retail sale of IMFL/CL and FL

on 110 retail vendors with FL license was leviable for keeping the licensed premises open on weekly closure days as detailed in **Table 2.21**.

Table 2.21: Details of non-levy of surcharge of license fee on FL retailers

Name of the Excise Station	Total number of FL Retailers in packed bottles	Percentage of licensees test checked	Number of licensees test checked	No. of cases detected for non-levy of surcharge on FL Retailers	Total amount involved for non-levy of surcharge amount (in ₹)
Tiswadi	98	15	15	03	64000
Bardez	355	100	355	101	1212000
Ponda	13	100	13	06	36000
Total	466	215	383	110	1312000

(Source: Records maintained at the Excise stations)

The Commissioner stated (September 2019) that an amount of ₹11.88 lakh have been recovered from 99 licensees and recovery for the remaining was under process. The Department has effected recovery of ₹ 12.24 lakh³⁶ from 105³⁷ licensees till date (September 2021).

Audit acknowledges the action taken to recover amounts pointed out by Audit. However, the Commissioner was silent about whether an exercise was carried out to determine similar non-levy in units not covered by Audit and control mechanism put in place to avoid recurrence of such lapses in future.

2.2.8.6 Non-recovery of fine towards compounding of offence

Under Sub-section (1) of Section 39A of the Goa Excise Duty Act, 1964 the Commissioner is empowered to compound the offence booked under this Act or Rules made thereunder. Further, under Sub-section (3) on payment of such sum by the offender no further proceeding shall be commenced against such person.

During the period 2014-20, the Commissioner compounded 635³⁸ cases of offences in five selected excise stations. The compounded cases are forwarded by the head office to the respective taluka excise stations directing the offences to be compounded and fine recovered within 10 days and in cases of non-payment of fine by the offenders the case papers are to be sent back to the head office for enabling them to file the same in the Court of Law. Scrutiny of the records of the compounded cases revealed that in three excise stations the excise inspectors has not recovered the compounded amount of ₹ 1.93 lakh in 50 cases³⁹. In seven⁴⁰ out of 50 cases, notices for recovery of fine were not sent to the offenders by the excise inspectors and in remaining 43 cases, instances of non-payment of fine by the offenders was not reported back to headquarters. In the remaining 585 cases compounded amount have been found to be recovered.

The Commissioner stated (May 2020) that directions had been issued to the excise inspectors to recover fine towards compounding of offences failing which recovery proceedings would be initiated against the defaulters.

³⁶ Bardez (₹ 11.88 lakh), Ponda (₹ 0.36 lakh)

³⁷ 99 from Bardez and six from Ponda

³⁸ Bardez (192), Salcete (225), Ponda (61), Mormugao (70) and Tiswadi (87)

³⁹ Salcete (10), Tiswadi (five), Bardez (35)

⁴⁰ Salcete (five) and Bardez (two)

Recommendation 2: The Commissioner may initiate action against functioning of retail/wholesale outlets without valid licenses, levy surcharge on retail outlets having foreign liquor license, ensure submission of EVCs by the units and monitor the progress of recoveries pointed out by Audit.

2.2.9 Lack of Internal Control Mechanism

Internal controls are laid down in rules and regulations to minimise the risk of errors and irregularities in implementation and operation of various notifications intended to raise the revenue of the State. The scrutiny of selected units in the Excise Department revealed lack of key controls which resulted in ineffective supervision and loss of revenue as discussed in the following paragraphs.

2.2.9.1 Lack of Internal control mechanism in identification of correct category of hotels for levy of license fees

Under Section 13 (A) of the Goa Excise Duty (GED) Act, 1964 the Government may levy such fee as may be prescribed in consideration of grant of license under the Act. In exercise of the powers conferred by Section 13 (A) of the GED Act, 1964 the Government of Goa levies license fees on hotels for retail sale of liquor based on the “Category⁴¹” of the hotel classified by the Department of Tourism (DoT), Government of Goa (GoG) and “Star” status classified by the Ministry of Tourism, Government of India (GoI). Besides, there are normal hoteliers without any category for which comparatively lower license fee is levied than hotels classified by the GoG and GoI under various categories.

Audit obtained data regarding “Categorisation of hotels” from the website of DoT, GoG and the “Star” status of the hotel from the website of the Ministry of Tourism, GoI. Audit compared the data with the information regarding A, B and C category hotels identified under the five selected taluka excise stations for levy of license fees. The number of hotels categorised as A, B and C by the Excise Department *vis-à-vis* the Department of Tourism are as detailed in **Table 2.22**.

Table 2.22: Number of category hotels identified by Excise Department *vis-à-vis* Department of Tourism (DoT)

Name of Taluka Excise Station	No. of A Category Hotels		No. of B Category Hotels		No. of C Category Hotels	
	As per (DoT)	As identified by Excise Station	As per (DoT)	As identified by Excise Station	As per (DoT)	As identified by Excise Station
Tiswadi	15	13	32	16	83	29
Bardez	36	32	153	98	404	58
Ponda	Nil	Nil	02	01	15	10
Salcete	23	21	46	38	130	50
Mormugao	07	05	13	07	31	13
Total	81	71	246	160	663	160

(Source: Database obtained from Website of Department of Tourism, GoG and information furnished by the Excise Department)

It can be seen from the above table that “A”, “B” and “C” category hotels identified by the five excise stations for levy of license fees were lower than the number of hotels registered with the DoT under the respective category. In this

⁴¹ Category “A”; Category “B” and Category “C”

scenario there was a risk of higher category hotels being treated under lower categories and consequent short levy of license fees. To ascertain the risk of incorrect categorisation of hotels for levy of license fees Audit selected 100 *per cent* (81) “A” category hotels, 50 *per cent* (124) “B” category hotels and 10 *per cent* (66) “C” category hotels⁴² registered with the DoT for cross-verification of excise license fees levied/collected from these hoteliers by the respective excise stations.

During cross-verification (June-September 2019) we found 20 cases where the license fees on category hotels were being levied at rates applicable to the normal hoteliers resulting in short levy of license fee amounting to ₹ 55.21 lakh and interest to the tune of ₹ 33.96 lakh as detailed in **Appendix 2.3**.

The primary function of taluka excise stations is grant/renewal of licenses for retail sale of liquor and levy of appropriate license fee. They are expected to be vigilant while accepting the categorisation mentioned by the hoteliers in their application for granting of licenses by comparing it with categorisation done by the GoG and GoI. The excise stations failed to verify the correctness of facts before categorising the hotels which resulted in short levy of license fees. There is need for the Department to place internal controls for identification of correct category of hotels to avoid recurrence of such lapses and plug the leakage of revenue.

The Commissioner stated (May 2020) that internal controls would be put in place and directions would be issued to inspectors of excise stations to be more vigilant in recovering Government dues.

An amount of ₹ 6.69 lakh⁴³ from three licensees have been recovered by the excise stations of Bardez, Salcete and Mormugao. In respect of the remaining 17 cases recovery is pending.

The cases pointed out by Audit is illustrative and based on test check of 165 cases in selected five taluka excise stations. These excise stations did not produce files relating to remaining 106 cases to Audit.

2.2.9.2 Absence of Departmental norms for sample testing of liquor manufactured

Rule 49 of the Goa Daman and Diu (Excise Duty) Rules, 1964 stipulates that the excise staff, from time to time, as directed by the Commissioner shall draw the samples of the excisable articles manufactured by the distillery, brewery or winery and shall dispatch such samples duly sealed to the Public Health Laboratory (PHL) for testing to ensure that they conform to the specification and do not contain any noxious materials.

Audit observed that no directions have been issued by the Commissioner on extent of samples required to be drawn and sent to PHL for testing. During scrutiny (June-September 2019) of the records of 20 test checked units Audit found that out of 16,220 batches of liquor manufactured during the period 2014-20, 1,656 samples of the batches were sent to PHL for testing as detailed in **Table 2.23**.

⁴² Files of 10 “A” category hotels (12 *per cent*), 57 “B” category hotels (46 *per cent*) and 39 “C” category hotels (59 *per cent*) were not produced for audit scrutiny

⁴³ Bardez (₹ 2.12 lakh), Mormugao (₹ 3.18 lakh), Salcete (₹ 1.39 lakh)

Table 2.23: Number of samples sent vis-à-vis the number of batches manufactured

Year	Number of batches of liquor manufactured	Number of samples of the batches manufactured sent to PHA for testing	Percentage of sample sent vis-à-vis the batches manufactured
2014-15	2251	211	9.37
2015-16	2458	294	11.96
2016-17	2438	273	11.19
2017-18	2780	282	10.14
2018-19	3549	241	6.79
2019-20	2744	355	12.94
Total	16220	1656	

(Source: Information furnished by the excise inspectors of manufacturing units)

As per the standard calculation adopted by the manufacturing units for minimum production of IMFL products from the use of Extra Neutral Alcohol⁴⁴ (ENA: Raw material for manufacture of IMFL), the quantity of final blend of liquor manufactured depends on the alcoholic strength of final blend manufactured.

If the actual alcoholic strength of IMFL manufactured is lower than the strength disclosed in the label the quantity of final blend produced would increase proportionately. In such cases the Department should ensure that the additional quantities produced are accounted and duty paid.

Thus, drawal of sufficient samples, testing all the samples and recording of all the test results before dispatch of liquor manufactured by the distilleries is a key control issue for monitoring the quality as well as the quantity of liquor manufactured. The Department needs to strengthen its testing mechanism thereby safeguarding the interest of Government revenue and public health.

After being pointed out by the Audit the Commissioner of Excise issued circular (May 2020) directing the excise official deployed in the manufacturing units to draw samples of every batch of liquor manufactured and dispatch to Public Health Laboratory for obtaining analysis report.

Recommendation 3: The Commissioner may place adequate control mechanism to ensure correct categorisation of hotels and norms set for sample testing are strictly adhered to by the manufacturing units.

2.2.9.3 Inadequate and ineffective supervision of distilleries

The Manual of the Excise Department has set norms for surprise inspections to be carried out at the distilleries, breweries and wineries. However, norms for number of inspections, inspecting authority and mode of reporting *etc.* have not been set in the departmental manual. During test check of the records of selected 20 manufacturing units audit found that inspections from the head office have not been conducted in eight units during the period 2014-20. The details of inspections carried out in respect of 12 units during the period 2014-20 were as detailed in **Table 2.24**.

⁴⁴ Minimum Production of Blend of IMFL = $\frac{\text{Volume of ENA used} \times \text{Strength of ENA}}{\text{Required Strength of liquor}}$

Table 2.24: Details of inspections carried out by head office in 12 units

Year	No. of Units inspected	Number of inspections carried out
2014-15	01	02
2015-16	01	01
2016-17	01	02
2017-18	02	03
2018-19	09	10
2019-20	08	17

(Source: Information furnished by the excise inspectors of manufacturing units)

It can be seen from the above table that during the period from 2014-15 to 2017-18 only one or two units were inspected by the head office and the number of inspections carried out were insignificant. The number of units and total inspections carried out have marginally increased during the period from 2018-19 to 2019-20.

During physical verification of the stock along with the excise inspector-in-charge of 20 units visited, Audit found in one distillery viz. Vinayak Distilleries (License No.M/IMFL/105), Ponda a shortage of 2,498.37 bulk litres of the blend of liquor *vis-à-vis* the closing balance recorded in the blend/bottling register and an excess of 250.14 litres of ENA in the alcohol storage tanks *vis-à-vis* the closing balance recorded in the alcohol register maintained by the excise inspector-in-charge.

Excise duty amounting to ₹ 0.62 lakh⁴⁵ was leviable for dispatch of 2,498.37 bulk litres of the blend of liquor found short. Further, excess of 250.14 litres of ENA than that recorded in the alcohol register in the distillery needs detailed investigation.

The matter of shortage of blend of liquor and excess of ENA found during physical verification was reported (September 2019) to the Commissioner for comments and comments are awaited.

The shortage/excess found in the test checked unit inspected by Audit emphasised the need to strengthen the periodic inspections in quantity and quality (number of inspections and its effectiveness).

2.2.9.4 Lack of departmental norms for timely disposal of confiscated liquor

Under Section 37 of the Goa Excise Duty Act, 1964 when any offence has been committed the articles used for commission of offence is confiscated and the articles confiscated vests with the Government. Further, under Rule 106 of GDDDED Rules, 1964 the confiscated articles shall be sold by public auction and the proceeds of sale credited to the Government. The Government publishes notice for auction in the official gazette and the confiscated liquor are auctioned by the auction committee⁴⁶ against the offset price approved by the Commissioner of Excise.

In the five selected excise stations test checked, Audit found that liquor valuing ₹ 72.07 lakh confiscated during the period 2014-20 were lying with the excise

⁴⁵ The M.R.P of the product is ₹ 100 per 750 ML, for which excise duty amounting to ₹ 25 per bulk litre is leviable *i.e.* ₹ 25 x 2,498.37 = ₹ 62,459.25

⁴⁶ Auction Committee comprises of Assistant Commissioner of Excise; Superintendent of Excise and Excise Inspector/Staff of the respective taluka excise stations

stations for want of auction though the cases have been disposed off by the Commissioner. The year-wise details of the liquor confiscated are as shown in **Table 2.25**.

Table 2.25: Year-wise details of confiscated liquor lying with the excise stations

Name of Taluka Excise Station	Year-wise value of the confiscated liquor lying with the excise stations for want of disposal through auction						Total Sale value of liquor (in ₹)
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	
Tiswadi	22529	23596	31263	72174	37153	6828	193543
Bardez	269466	15599	1681950	7000	Nil	Nil	1974015
Ponda	Nil	Nil	89053	45216	7425	70517	212211
Salcete	277255	627140	553086	471242	750114	1002717	3681554
Mormugao	505470	14305	152050	97514	177027	199099	1145465
Total	1074720	680640	2507402	693146	971719	1279161	7206788

(Source: Information furnished by the excise stations)

Rule 106 of GDDDED Rules provides for auction of confiscated articles. However, the norms for timely disposal of liquor has not been stipulated. In absence of norms for timely disposal of liquor the confiscated liquor valuing ₹ 72.07 lakh is lying with the excise stations for period ranging between one and six years. Confiscated liquor lying with the excise stations for such long period is fraught with the risk of misuse and misappropriation and also loss due to degradation. This further resulted in blockage of excise revenue to the extent of sale proceeds receivable from auction.

The Commissioner stated (May 2020) that the auction of confiscated liquor had been partly done in respect of Sattari, Canacona and Pernem talukas. The reasons for non-disposal of confiscated liquor pointed out by Audit have not been furnished.

2.2.9.5 Short-levy of license fee from organisers of music festivals

Under Rule 92 of the GDDDED, Rules 1964 occasional license fee for retail sale of liquor is granted for stalls in connection with public entertainment of a temporary nature and such other public gatherings. The license is issued by the excise inspector in whose jurisdiction the stalls are established on payment of the respective fee. The rate of fee notified by the Government during the period 2017-18 and 2018-19 for grant of occasional license were as detailed in **Table 2.26**.

Table 2.26: Rate of fee for occasional fee notified by the Government

Upto 100 guests	₹ 5000 per day
100 guests to 500 guests	₹ 10,000 per day
501 guests to 1000 guests	₹ 50,000 per day
1001 guests to 5000 guests	₹ 1,00,000 per day
The above license fee shall cover only one point ⁴⁷ and for every additional point, 50 per cent of license fee will be charged	
Above 5000 guests	₹ 6,00,000 per day
The above license fee shall cover upto six points and for every additional point above six points, an additional fee of ₹ 1,00,000 for additional point shall be charged	

⁴⁷ Point refers to liquor selling stalls/outlets

As can be seen from the **Table 2.26** that the license fee leviable is based on the guest attendance per day in the public gathering. The excise inspector of excise station, Bardez had granted occasional license for organising music festivals namely “Timeout 72” for three days in 2017-18 and “Sunburn Klassique” for two days in 2018-19. In both the music festivals the excise inspector levied license fees considering guest attendance below 5000 per day as disclosed by the licensees. Verification of actual guest attendance per day was not carried out by the Excise Department.

Audit called for the information of guest attendance per day in the music festivals from State Goods and Service Tax Department (SGST) which collects GST on tickets sold. As per the information furnished by the SGST Department guest attendance per day in both the music festivals were significantly more than 5,000. This resulted in short levy of license fee amounting to ₹ 15 lakh as detailed in **Table 2.27**.

Table 2.27: Details of short levy of license fees

(Amount in lakh)

Name of music event	Number of days license granted by Excise department	Number of guest attendance per day considered for levy of license fees	License fee levied	Number of guest attendance per day as per SGST department	License fee leviable	Short levy of license fee
Timeout 72	3 (27 th to 29 th December 2017)	Below 5000	12.00	10000	21.00	9.00
		Below 5000		15000		
		Below 5000		32000		
Sunburn Klassique	2 (23 rd to 24 th February 2019)	Below 5000	6.00	10000	12.00	6.00
		Below 5000		15000		
Total Short levy						15.00

(Source: Information regarding guest attendance provided by the SGST department)

Thus, non-verification of the actual guest attendance for granting the occasional license during music festivals by the Department resulted in short levy of license fee amounting to ₹ 15 lakh.

The Commissioner stated (May 2020) that the directions had been issued to the excise inspectors to obtain the details from Commercial Taxes Department to recover the dues.

The possibility of recovery of ₹ 15 lakh short levied from the parties who had organised the music festivals viz. “Timeout 72 Music Festival” and “Sunburn Klassique” is remote as the parties had applied for only occasional license and is not a regular licensee.

Recommendation 4: The Commissioner may put in place controls for periodic inspection of distilleries and set norms for timely disposal of confiscated liquor.

2.2.10 Conclusion

The standards for minimum production of malt spirit from the use of raw material and allowable wastage on storage of malt spirit was not framed by the Government. The allowable wastage has been framed by the Government, however, norms for minimum production of malt spirit is yet to be framed. The standard for minimum production needs to be framed to regulate production of malt spirit. Audit of five selected taluka excise stations and 20 distilleries revealed lack of key controls and non-enforcement of existing control

mechanisms by the Department resulting in short levy of excise revenue amounting to ₹ 7.59 crore. Out of ₹ 7.59 crore pointed out by Audit the Department have recovered ₹ 83.56 lakh. Audit of manufacturing units revealed absence of key controls such as Government standards for minimum production and wastages on Malt spirit and norms for testing samples of IMFL manufactured.

COMMERCIAL TAXES DEPARTMENT

2.3 Non/Short levy of interest ₹ 47.92 lakh

Assessing Authority did not levy or short levied interest of ₹47.92 lakh for delayed payment of taxes.

As per Section 25 (4) (a) of Goa Valued Added Tax (GVAT) Act, 2005, wherever a dealer has not filed any return and tax is due as per the books of the dealer, or as assessed or re-assessed under the provisions of the Act, then such dealer shall be liable to pay interest on defaulted amount @ 12 per cent per annum up to 31/05/2013. The rate was increased to 18 per cent per annum with effect from 01/06/2013 vide notification No 4/5/2005/Fin(R&C) (107) dated 29/05/2013. 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 (September 2019 to January 2020) of two⁴⁸ Commercial Tax Offices (CTOs) revealed that a total of 5,011 dealers were assessed during the three year period 2016-19. Audit conducted a test check of 145 assessments in these CTOs and found that the CTOs did not levy interest/short levied interest under Section 25 (4) (a) of the GVAT Act in respect of 11 dealers⁴⁹ assessed during the year 2016-19. Details of non/short levy of interest in respect of these 11 dealers for a total amount of ₹ 47.92 lakh as applicable under the provisions of the Act are shown in **Table 2.28**.

Table 2.28: Details of non/short levy of interest

(Amount in ₹)

Name of CTO	TIN No./RC No.	Period of assessment	Date of Assessment	Net Tax Due	Delay in months	Interest ⁵⁰ to be levied	Interest levied	Non/Short levy of interest
Curchorem	C/CST/417	2014-15	31/03/2018	413118	35	216887 ⁵¹	204493	12394
	30861301602	2014-15	26/03/2018	126081	34	64301	NIL	64301
	30871301645	2014-15	26/03/2018	253084	34	128053	NIL	129073
	C/CST/1178	2013-14	25/04/2017	158583	35	83256	NIL	83256
	30491301757	2013-14	18/05/2018	41675	48	30006	11326	18680
	30201301674	2013-14	29/05/2017	133675	37	74190	61824	12366
	30041301471	2012-13	23/04/2016	45500920 ⁵²	01	455009	20475414	3185064
					34	23205469		
	30671301755	2011-12	12/12/2018	45375	13	5899	9529	41291
					66	44921		

⁴⁸ Bicholim and Curchorem

⁴⁹ Five cases of non-payment of tax alongwith returns and six cases of short payment of tax

⁵⁰ Interest calculated @ 12 per cent per annum for period of assessment upto 31/05/2013 and @ 18 per cent per annum from 01/06/2013 onwards

⁵¹ Interest leviable = ₹ 2,16,887 x 18 per cent x 35 months/12 and so on for other cases

⁵² Interest calculated @ 12 per cent upto 31/05/2013 and @ 18 per cent from 01/06/2013 onwards

	30781301355	2010-11	02/08/2017	550631	25	137658	49500	501131
					50	412973		
		2011-12	02/08/2017	726525	13	94448	140600	498742
					50	544894		
Bicholim	30770401831	2012-13	12/05/2016	439906	02	8798	NIL	8798
					35	230950	NIL	230950
	30110402097	2014-15	14/12/2016	24011	20	7203	1254	5949
Total						26698005	21668888	4791995

The non-levy or short-levy of interest was reported (May 2020) to the Commissioner of Commercial Taxes who stated (May/June 2020) that demand notice for recovery of short levied interest have been issued to all 11 dealers.

The Department further stated (October 2021) that interest recovery from two dealers had been made and action to recover the interest in respect of remaining nine dealers was being taken.

The matter was referred to the Government in September 2020, however, it did not offer its comments (November 2021).

2.4 Irregular grant of tax exemption of ₹ 2.32 crore under NPV scheme

Commercial Tax Office at Margao, Panaji and Ponda allowed NPV exemption to three dealers for ineligible period and to one dealer not entitled under the NPV scheme

The goods manufactured by newly established small/medium/large scale industrial units set up upto 31/03/2002 were exempt from Goa Sales tax for periods ranging from five years to fifteen⁵³ years under Entry No. 68 and 85 of the Second Schedule of the Goa Sales Tax Act, 1964. These goods were also exempt from Central Sales Tax (CST) by notifications issued under Section 8(5) of the CST Act, 1956 for the allowed specified period from the date of the first sale.

On introduction of Goa Value Added Tax Act, 2005 (GVAT) the above exemption was allowed to continue for the unexpired period⁵⁴ of Tax benefit vide Notification dated 31/03/2005 by introduction of GVAT Deferment cum Net Present Value Compulsory Payment Scheme, 2005 (NPV scheme). Under this scheme, the eligible units had two options:

- i) Charge from consumers applicable rate of tax on sale of manufactured goods under GVAT Act and CST Act and deposit in Government treasury 25 per cent of the tax liability payable and retain the balance amount of 75 per cent.
- ii) Exercise option only for local tax under GVAT Act and continue to claim exemption from CST subject to production of C declaration forms as before.

Additional period of benefit for two years was granted to dealers whose benefit expired after 31/03/2010 vide notification dated 22/04/2010. Further extensions of one year each were granted under notifications dated 05/12/2012 and 26/06/2014. One of the condition for extension of additional period in all three

⁵³ Fifteen years for SSI under Entry No. 68, 10 years for MSI and five years for LSI under Entry No. 85

⁵⁴ Unexpired period is the period computed from 31/03/2005 i.e. from the introduction of NPV scheme

notifications *ibid* was that the industrial units which had been declared by the Central Government to be of highly polluting nature and to whom the tax exemption had been extended by the Government under special order shall not be entitled to the benefit of additional period of tax exemption.

Test check (November 2019 to March 2020) of assessment records of three⁵⁵ Commercial Tax Offices (CTOs), out of Seven CTOs audited, revealed irregularities in grant of NPV benefits of ₹ 2.31 crore in case of four dealers as mentioned below.

(Amount in ₹)

Sl. No.	Name of CTO	TIN No./R.C No.	Period of Assessment	Ineligible NPV period	Irregular NPV benefit granted	Interest calculated on irregular NPV
1	Margao	30211103643	2014-15	April-June 2014	7819749	5278330 ⁵⁶
2	Panaji	30310102936	2014-15	January-March 2014	2649215	1430576 ⁵⁷
3	Ponda	30210200767	2013-14	January-March 2014	1230013	701107 ⁵⁸
			2014-15	April-June 2014	868634	573298 ⁵⁹
4	Ponda	30610201032 ⁶⁰	2012-13	October 2012 to March 2013	384060	213153 ⁶¹
			2013-14	April 2013 to March 2014	788424	425749 ⁶²
			2014-15	April - August 2014	491837	309857 ⁶³
			Total		14231932	8932070

First three dealers⁶⁴ were not eligible for some part of the years 2013-14 and 2014-15 and the tax benefit was allowed for the non-covered NPV period during assessments. In fourth case⁶⁵, the unit was dealing in paint industry declared as high polluting industry rendering the dealer ineligible for the benefit of additional period of tax exemption. The unit was subsequently denied (29/02/2016) grant of additional NPV benefit under notification 05/12/2012 and 26/06/2014 by Department itself on the basis of unit being high polluting industry. Hence, the grant of additional NPV benefit under notification dated 22/04/2010 for the period 28/08/2012 to 27/08/2014 was also incorrect.

The four cases were reported (May 2020) to the Commissioner of Commercial Taxes who stated (January 2021) that re-assessment notices have been issued in the first three cases. In respect of fourth case the benefit under NPV Scheme has been revoked (February 2021).

⁵⁵ Margao, Panaji and Ponda

⁵⁶ Interest calculated at the rate of 18 *per cent* per annum for 45 months (from July 2014 to March 2018 *i.e.* upto month of Assessment)

⁵⁷ Interest calculated for 36 months (April 2015 to March 2018)

⁵⁸ Interest calculated for 38 months (April 2014 to May 2017)

⁵⁹ Interest calculated for 44 months (July 2014 to February 2018)

⁶⁰ Dealer is dealing in high polluting industry thereby not entitled for NPV tax exemption benefit

⁶¹ Interest calculated for 37 months (April 2013 to April 2016)

⁶² Interest calculated for 36 months (April 2014 to March 2017)

⁶³ Interest calculated for 42 months (September 2014 to February 2018)

⁶⁴ TIN (30211103643) was not eligible for period 30/01/2014 to 25/06/2014, TIN (30210200767) was not eligible for the period 06/12/2013 to 25/06/2014, TIN (30310102936) was not eligible for the period 23/01/2014 to 25/06/2014 and the benefit was disallowed by AA for the period 23/01/2014 to 31/03/2014 at the time of assessment for the year 2013-14

⁶⁵ TIN (30610201032) was ineligible for NPV benefits for extended periods after 27/08/2012

The matter was referred to the Government in September 2020; however, it did not offer its comments (November 2021).

2.5 Irregular allowance of Input Tax Credit

Assessing Authority allowed input tax credit of ₹2.79 crore on purchase of goods for which ITC is not admissible under the provisions of GVAT Act.

As per Section 9 (1) of the Goa Value added Tax (GVAT) Act 2005, Input Tax Credit (ITC) either partially or wholly shall be allowed for the tax paid during the tax period in respect of goods including capital goods purchased and/or taken on hire or leased to him within Goa, other than those specified in Schedule 'G'. The goods ores and minerals other than minor mineral is specified as one of the item under Schedule G for which ITC is not admissible.

During scrutiny (February 2020) of assessment records⁶⁶ of Commercial Tax Office, Mapusa, Audit found a case where the dealer (TIN: 30560308196) purchased mineral iron ore during the period 2014-17 for which ITC benefit amounting to ₹ 2.79 crore was allowed by the Assessing Authority as under.

(₹ in lakh)			
Particulars	2014-15	2015-16	2016-17
GTO	2685.04	2327.99	6128.35
TTO under CST	1819.53	2327.99	5821.66
TTO under GVAT	865.50	Nil	306.69
Tax @ 5 per cent	43.27	Nil	15.33
Penalty	0.27	0.27	2.55
Tax paid	Nil	Nil	Nil
ITC claimed/allowed	85.58	85.22	108.35

As the mineral iron ore is specified in Schedule G of GVAT Act, the Assessing Authority should have disallowed ITC claimed for purchase of "Iron Ore" during the period 2014-17 at the time of assessment (between March 2018 and December 2019).

The allowance of ITC benefit amounting to ₹ 2.79 crore to the dealer during the period of assessment 2014-17 for purchase of goods listed in Schedule G of GVAT Act, 2005 was irregular.

The irregular allowance of ITC was reported (May 2020) to the Commissioner of Commercial Taxes who stated (June 2020) that re-assessment notice to the dealer has been issued.

The matter was referred to the Government in September 2020; however, it did not offer its comments (November 2021).

2.6 Irregular allowance of Input Tax Credit on stock transfer

Assessing Authority allowed irregular Input Tax Credit of ₹4.51 crore to a dealer on transfer of stock.

In exercise of the powers conferred by Sub-section (3) of Section 6 of the GVAT Act, 2005 read with Notification No.4/5/2005-Fin(R&C) (60) dated 09/02/2009, the Government of Goa allows Input Tax Credit (ITC) for Stock transfer in

⁶⁶ Out of total 2,076 assessments (VAT/CST) done, Audit checked 135

excess of the rate of tax specified in Sub-section (1) of Section 8⁶⁷ of the Central Sales Tax Act, 1956 on goods purchased within the State and used in the manufacturing or processing of finished products. Under Sub-rule (2) of Rule 7 of the GVAT Rules, 2005 where a registered dealer makes sale of taxable goods, exempt goods and exempt transaction (stock transfer) in a tax period, he shall make the calculation of input tax credit (ITC) in proportion to such sales.

During scrutiny (March 2020) of assessment records of the Commercial Tax Office, Margao, Audit found a dealer (TIN No: 30341100225 and CST No: M/CST/747) registered as a Wholesaler/Retailer dealing in the business of selling and stock transferring commercial vehicles (Bus) and chassis. The dealer manufactures bus chassis in its plant located in another State and transfers the chassis to its Goa unit for getting its body built vehicle *i.e.* the finished product (Bus) by another dealer (TIN: 30400401016) in the State of Goa. The finished product is then sold/transferred: *intra-State, inter-State*, export and stock transfer by the dealer under its brand name Tata Motors Ltd.

As the dealer is not involved in manufacturing or processing of finished products (Bus), the ITC on stock transfer of goods as per the notification *ibid* was not admissible to the dealer. The ITC of the dealer should have been worked out proportionately as stipulated under Sub-rule (2) of Rule 7 of the GVAT Rules, 2005 *i.e.* ITC on taxable goods and stock transfer should have been allowed/disallowed in proportion to such sales.

However, the Assessing Authority had allowed ITC on stock transfer of finished product (Bus) and chassis amounting to ₹ 4.51 crore (₹ 3.85 crore + ₹ 0.66 crore) for the period 2014-16 at time of assessment (between March 2018 and March 2019) as detailed below.

(₹ in lakh)

2014-15				
Particulars	ITC allowed by the Assessing Authority	ITC admissible as worked out by Audit	Admissible ITC worked out by the Audit	
Total turnover	24994.63	24994.63	ITC claimed by the dealer on five <i>per cent</i> purchase	208.20
<i>Inter-State</i> sale	1440.24	1440.24	ITC claimed by the dealer on 12.5 <i>per cent</i> purchase	396.18
Stock-transfer	21208.80	21208.80 ⁶⁸	Proportionate ITC to be disallowed for stock transfer on five <i>per cent</i> purchases	176.66 (84.85 <i>per cent</i> of ITC claimed)
Balance Taxable turnover (Local Sales)	2345.58	2345.58	Proportionate ITC to be disallowed for stock transfer on 12.5 <i>per cent</i> purchases	336.16 (84.85 <i>per cent</i> of ITC claimed)
Output tax <i>i.e.</i> VAT @ 12.5 <i>per cent</i> on 2345.58	293.19	293.19	Admissible ITC	91.56

⁶⁷ Sub-section (1) of Section 8 of CST Act, 1956 prescribes the rates of tax on sale in the course of *inter-State* trade

⁶⁸ Stock transfer is 84.85 *per cent* of the taxable turnover (₹ 21,208.80/₹ 24,994.63 x 100)

Input Tax Credit	476.06⁶⁹	91.56		
Irregular ITC allowed	384.50			
2015-16				
Total turnover	51266.95	51266.95	ITC claimed by the dealer on five <i>per cent</i> purchase	464.58
Inter-state sales	2117.96	2117.96	ITC claimed by the dealer on 12.5 <i>per cent</i> purchase	0.95
Export Sale	21270.23	21270.23	Proportionate ITC to be disallowed for stock transfer on five <i>per cent</i> purchases	212.03 (45.64 <i>per cent</i> of ITC claimed)
Stock transfer	23397.14	23397.14 ⁷⁰ (45.64 <i>per cent</i>)	Proportionate ITC to be disallowed for stock transfer on 12.5 <i>per cent</i> purchases	0.43 (45.64 <i>per cent</i> of ITC claimed)
Balance Taxable turnover (Local Sales)	4481.60	4481.60	Admissible ITC	252.10
Output tax <i>i.e.</i> VAT @ 12.5 <i>per cent</i> on 4481.60	560.20	560.20		
Interest levied	0.002	0.002		
Total output tax payable	560.20	560.20		
Input Tax Credit	318.56	252.11		
Irregular ITC allowed	66.45			

The irregular allowance of ITC was reported (May 2020) to the Commissioner of Commercial Taxes who stated (June 2020) that re-assessment notice to the dealer has been issued.

The matter was referred to the Government in September 2020, however, it did not offer its comments (November 2021).

2.7 Non-levy of Entry Tax on *inter-State* purchase of raw materials for manufacture of liquor

Assessing authority failed to levy entry tax of ₹ 3.18 crore on *inter-State* purchase of goods used as raw material for liquor manufacturing units not exempted under the Act.

In exercise of the powers conferred by Sub-section (1) of Section 25 of the Goa Tax on Entry of Goods (GTEG) Act, 2000 the Government of Goa vide Notification No. 5/11/2008-Fin (R&C) (12) dated 31/03/2013 provided exemption from payment of entry tax on *inter-State* purchase of raw material into local area for use in the manufacture of intermediate or finished products by the Small Scale Industrial Units. This exemption was available on purchase of raw material for use in respect of goods other than liquor, alcohol, ferroalloys, steel melting, steel and chemical units. The liquor manufacturing units were not eligible for exemption from payment of entry tax vide the notification *ibid*. The

⁶⁹ As per the Assessment order/verification report ITC allowed for the period of assessment 2014-15 and 2015-16 have been worked out by the Department by allowance of ITC on local sales and proportionate allowance of ITC on stock transfer as stipulated in the above notification for manufacturer.

⁷⁰ Stock transfer is 45.64 *per cent* of taxable turnover

rate of entry tax leviable on *inter-State* purchase of spirit, alcohol, malt, hops, essences and additives for manufacture of IMFL, beer, wine *etc.* was five *per cent*.

During test check (November 2019 to March 2020) of assessment records of two⁷¹ Commercial Tax Offices (CTO), Audit found five cases where the entry tax amounting to ₹ 3.18 crore for *inter-State* purchase of raw materials *viz.* extra neutral alcohol, consumables essence, caramel, flavor *etc.* for manufacture of liquor have not been paid by the dealers and the Assessing Authority (AA) also failed to levy entry tax at the time of assessment. The details of entry tax leviable in these five cases are mentioned below.

(₹ in lakh)

Sl. No.	Name of CTO	TIN No./R.C No.	Period of Assessment	Inter-State raw material purchased during the period	Entry tax leviable @ five per cent
1	Margao	30861107990E	2013-14	988.20	49.41
			2014-15	1164.64	58.23
			2015-16	1219.42	60.97
2	Ponda	30100205338E	2013-14	670.36	33.52
			2014-15	919.33	45.97
			2015-16	780.02	39.00
3	Ponda	30920400730E	2013-14	184.97	9.25
			2014-15	127.22	6.36
			2015-16	49.04	2.45
4	Ponda	30550402340E	2014-15	44.20	2.21
			2015-16	197.87	9.89
5	Ponda	30170402937E	2015-16	20.02	1.00
Total					318.26

The non-levy of entry tax on *inter-State* purchase of raw materials as mentioned in above five cases were reported (March/May 2020) to the Commissioner of Commercial Taxes who stated (March/May/June 2020) that re-assessment notices to the dealers have been issued in all five cases.

The Commissioner of Commercial Taxes stated (December 2020) that out of these five cases, one dealer filed an appeal with the Hon'ble High Court of Bombay at Goa which was dismissed subsequently and re-assessment proceedings are in progress in all the above mentioned cases.

The matter was referred to the Government in October 2020; however, it did not offer its comments (November 2021).

2.8 Irregular grant of exemption on payment of Luxury tax

Luxury tax of ₹ 4.14 crore was exempted by the Assessing Authority even though the Assessee did not fulfil criteria of exemption set under the GTLA Act.

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. This is 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

⁷¹ Margao and Ponda

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 118 hoteliers out of 1,178 hoteliers assessed in two⁷² luxury tax offices revealed (January 2019, February/March 2020) that though there were undisputed arrears in respect of three hoteliers (CTO, Margao) and delay in payment of dues by three hoteliers (CTO, Panaji), the Luxury Tax Officer (LTO) allowed the luxury tax exemptions to them while finalising the assessments (between March 2016 and March 2019) for the years 2013-14, 2014-15 and 2016-17. This resulted in short levy of luxury tax amounting to ₹ 4.14 crore as detailed in below:

R.C.No.	Period of assessment/ Month of Assessment	Violations in the conditions of the notification	Taxable Turnover	Normal Rate of Tax in per cent	Rate of Tax levied in per cent	Rate of excess exemption allowed in per cent	Amount of excess exemption allowed (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Luxury Tax Office, Margao							
MRG/GTL/ 20	2013-14 March 2018	(iv) There was outstanding assessed dues for the assessment year 2012-13 assessed on July 2016	160230679	12	4.8	7.2	11536609
	2014-15 June 2018		195236796	12	4.8	7.2	14057050
	2015-16 June 2018		196807544	12	4.8	7.2	14170143
MRG/GTL/ 226	2014-15 Feb 2019	(iv) There was outstanding assessed dues for the assessment year 2011-12 assessed on March 2016	1508410	12	4.8	7.2	108606
MRG/GTL/ 86	2014-15 March 2019	(iv) There was outstanding assessed dues for the assessment year 2012-13 on March 2017	197776	5	2.0	3.0	5933
			2672388	8	3.2	4.8	128275
			191143	12	4.8	7.2	13762
Luxury Tax Office, Panaji							
PNG/GTL/ 217	2014-15 Jan 2019	(iii) Delay in remittance upto 185 days	4071784	8	3.2	4.8	195446
			532500	12	4.8	7.2	38340
	2015-16 Jan 2019		6807470	6	2.4	3.6	245068
			1061222	9	3.6	5.4	57306
	2016-17 Jan 2019		488146	12	4.8	7.2	35147
			9514800	6	4.5	1.5	142722
PNG/GTL/ 181	2015-16 Oct 2018	(iii) Delay in remittance upto 13 months	2643334	9	6.8	2.2	59475
			5700929	6	2.4	3.6	205233
			2802537	9	3.6	5.4	151337
300501087 05L	2014-15 Mar 2019	(iii) Delay in remittance upto 45 days	82463	12	4.8	7.2	5937
			1998708	5	2.0	3.0	59961
			3286174	8	3.2	4.8	157736
			17590	12	4.8	7.2	1266
Total							41375350

⁷² Panaji and Margao

The irregular grant of exemption on payment of luxury tax as mentioned in above six cases were reported (May 2020) to the Commissioner of Commercial Taxes who stated (June 2020) that three hoteliers in respect to LTO, Panaji ward have been re-assessed and demand notices for ₹ 36.51 lakh were issued in June 2020.

The Commissioner further stated (December 2020) that notice of re-assessment was issued in first case, letter of recovery was issued in second case and notice for re-assessment will be issued in third case pertaining to Luxury Tax office Margao.

Similar irregularity in grant of exemption was reported during the audit of these two wards (Panaji and Margao) in past years also. The Commissioner may put in place adequate internal control/internal audit mechanism to eliminate such irregularities in future.

The matter was referred to the Government in October 2020; however, it did not offer its comments (November 2021).

2.9 Non-recovery of mandatory remittance on appeal cases

As per the notification, appeal cases can be admitted only on payment of 10 per cent of the disputed amount. However, scrutiny of appeal cases revealed that 22 appeal cases were admitted without collecting 10 per cent of disputed amount aggregating ₹ 3.13 crore.

The Government of Goa vide Notification No.7/15/2016-LA dated 12/09/2016 amended Sub-section (4) of Section 35 of the Goa Value Added Tax (GVAT) Act, 2005 wherein it was stipulated that no appeal under Sub-section (2) of GVAT Act, 2005 (delayed filing of appeals) shall be entertained by the Appellate authority unless such appeal is accompanied by a satisfactory proof of payment of whole of the undisputed amount of tax, interest and penalty and 10 per cent of the disputed amount of tax, interest and penalty. The provisions of this amendment was made applicable to all the appeals filed (including timely filed appeals) *w.e.f.* 01/07/2017 *vide* Government Notification No. 8/4/2017-LA dated 30/06/2017.

During Audit (June 2020) of the office of Commissioner of Commercial Taxes, Panaji, Audit found that 151 appeal cases were filed between July 2017 and March 2020 with the Additional Commissioner, North Goa which involved a total disputed amount of ₹ 192.90 crore. Out of 151 appeal cases filed, Audit selected 37 cases involving disputed amount of ₹ 68.36 crore for verification to ascertain remittance of 10 per cent of the disputed amount into Government treasury as stipulated in the notification *ibid*.

Audit verification (June 2020) of files pertaining to these 37 appeal cases revealed that in 22 appeal cases filed, 10 per cent of the disputed amount aggregating ₹ 3.13 crore (**Appendix 2.4**) was not remitted into Government treasury by the dealer. In the remaining 13 cases the assessed dues were 'Nil' as the disputed amount was towards additional Input Tax Credit claimed by the dealer in the appeals filed and in two cases 10 per cent of the disputed amounts have been remitted into Government treasury.

After being pointed out by audit, show cause notices were issued to the dealers for payment of 10 per cent of disputed amount.

Admission of appeal cases by the Department without ensuring remittance of 10 per cent of the disputed amount into Government treasury is irregular and

has resulted in undue benefit aggregating ₹ 3.13 crore to the 22 dealers test checked by Audit.

The Commissioner of State Tax stated (February 2021) that out of 22 cases listed in the para involving 10 per cent of disputed amount of ₹ 3.13 crore, an amount of ₹ 1.63 crore have been recovered in eight cases. The appeal cases will not be admitted in case the dealers fail to pay 10 per cent of the disputed amount.

It is recommended that the Department may initiate appropriate action to ensure remittance of 10 per cent of the disputed amount in the remaining 114 cases to safeguard loss of Government revenue and to strengthen controls to prevent recurrence of such lapses in future.

The matter was referred to the Government in December 2020; however, it did not offer its comments (November 2021).

REGISTRATION DEPARTMENT

2.10 Short levy of Stamp duty and Registration fee

The CRSR office Pernem did not consider the fair market value of land determined by the Collector while executing sale deeds resulting in short levy of stamp duty and registration fee of ₹ 20.63 lakh.

The rates of stamp duty (SD) and registration fee (RF) are prescribed by the Government from time to time under the Indian Stamp Act, 1899 and Registration Act, 1908. The SD and RF are calculated on the Fair Market Value of the property or consideration whichever is higher. As per clause 16 (B) of Section 2 of the Indian Stamp (Goa amendment) Act, 2013, market value is the price such property would have fetched if sold in the open market on the date of execution of such an instrument or the consideration whichever is higher.

As per Section 47 A of the Indian Stamp (Goa amendment) Act, 1968 if the market value of the property has not been truly set forth in the instrument, the registering authority, after registering the instrument, should refer the same to the Collector for determination of the market value of such property and the proper duty payable thereon.

The Government had fixed taluka-wise minimum base value of land vide notification dated 03/01/2013 which is kept in view by the parties for valuation of the land. Since the base value was not revised thereafter, the Civil Registrar and Sub-Registrar (CRSR)⁷³ should take utmost care to consider the market value prevailing on the date of execution of instruments.

During the audit (July 2019) of CRSR, Pernem, Audit test-checked 57 out of 195 conveyance deeds registered during April 2018 to June 2019. In case of a deed executed in June 2013 for sale of land admeasuring 2,000 sq. mtr. in Morjim Village the case was referred to Additional Collector, North Goa for valuation. The Additional Collector after considering the average value of properties sold in the village fixed (February 2019) the market rate of the said property sold in June 2013 at ₹ 4,648 per sq. mtr. for levy of SD. However, it

⁷³ The Registering Authority in the State

was observed that in respect of five deeds⁷⁴ pertaining to Morjim Village (Out of 35 conveyance deeds registered in the village) executed between June 2018 and June 2019 the market value considered by the CRSR for levy of SD ranged between ₹ 2,571 per sq. mtr. and ₹ 4,000 per sq. mtr. Non-consideration of fair market value at the rate of ₹ 4,648 per sq. mtr. as determined by the Collector for execution of sale deeds in these five cases resulted in loss of stamp duty of ₹ 11.61 lakh and registration fees of ₹ 9.02 lakh as shown in **Appendix 2.5**.

On being pointed out by Audit, the CRSR referred (October 2020) the matter to the Collector with a request to recall the documents of all these five cases under Section 47A of the Indian Stamp (Goa amendment) Act, 1968.

The Registration Department (having been computerised) could have placed a control mechanism where system should alert the registering authority if the present deed shows lower value than the fair market value determined in previous sale deed of the same village/locality. Such a mechanism would prevent leakage of Government revenue due to under valuation of property.

The matter was referred to the Government in September 2020; however, it did not offer its comments (November 2021).

DEPARTMENT OF MINES AND GEOLOGY

2.11 Non-levy of royalty and interest on minor mineral ₹ 21.26 lakh

The Directorate of Mines and Geology (DMG) failed to ensure collection of royalty for extraction and sale of sand. This resulted in extraction and sale of sand by 55 permit holders without payment of royalty. Further, the DMG had no information on quantity of sand extracted by another 144 permit holders.

As per Rule 3 of Goa Daman and Diu Minor Minerals Concession Rules (GDDMMCR), 1985, sand extraction can be done by lease holders only after obtaining permit issued by the Directorate of Mines and Geology (DMG). Further, as per Rule 38 of GDDMMCR, 1985, no minor⁷⁵ minerals shall be transported without a transit pass. The rate at which royalty was payable for ordinary sand used for construction purpose was ₹ 41.30 per cubic metre with effect from 10/12/2015, and it was payable in advance before dispatch of the sand. The lease holders were required to obtain transit passes in the form of bound books of 100 passes, for transportation of maximum six cubic metre under each pass. As per condition No. 16 of the permit read with note dated 23/09/2017 of the Department, the permit holders were required to pay advance royalty by obtaining transit pass books worth ₹ 24,780 each from the Directorate. The permit holders were also required to furnish monthly returns about the quantity of sand extracted and transported to the Directorate.

⁷⁴

Registration Number	Name of Seller	Name of Purchaser
PNM-1-100-2019	Rajeev Suresh Samant	N. Preetam Reddy
PNM-1-68-2019	Sameer Bhat	Neelam Jalla
PNM-1-99-2019	Rajeev Suresh Samant	N. Preetam Reddy
PNM-647-2018	Rajendra P. Halarnkar	Konidela Ramcharan Tej and others
PNM-503-2018	Vasudeo Rajendra Deshprabhu and others	Kuldeep Singh Dalaal

⁷⁵ Sand is a minor mineral

Rule 59 of GDDMMC Rules further stipulates that interest at the rate of 24 per cent per annum shall be charged on non-payment of royalty from the permit holder from the 30 day after expiry of due date of payment.

Audit scrutiny (August 2018) of records of the DMG revealed that there are 332 permit holders in existence as on May 2018. Of this 56 permit holders remitted advance royalty by purchase of pass books worth ₹ 13.88 lakh⁷⁶ and remaining 276 permit holders had not purchased pass books indicating these permit holders had not extracted any sand.

On verification of the monthly returns submitted by the permit holders, Audit observed that 55 out of 276 permit holders had reported extraction and sale of sand totaling 16,363 cubic metre. These permit holders had not purchased any pass books by payment of advance royalty of ₹ 13.63 lakh⁷⁷ indicating that these permit holders extracted and sold sand unauthorisedly. Of the remaining 221 permit holders 77 permit holders reported nil extraction and 144 permit holders did not submit monthly returns.

Thus, non-scrutiny of returns submitted by the permit holders and slackness in enforcement and monitoring mechanism by the DMG has resulted in non-collection of royalty of ₹ 13.63 lakh. Besides interest recoverable under Rule 59 worked out to ₹ 7.63 lakh⁷⁸. In respect of 144 permit holders who did not submit monthly returns the DMG had not confirmed that these permit holders had not extracted and sold any sand.

The DMG stated (August 2018) that the show cause notices have been issued to permit holders to obtain details of sand extractions and regular inspections are being carried out to check illegal transportation of sand and minor mineral. The DMG further stated (July 2019) that the process of recovery of advance royalty has been initiated.

The reply is not tenable as the verification of monthly returns alone would have detected non-payment of advance royalty on extraction and transportation of sand by 55 permit holders. Thus, it is evident from the above fact that regular inspections conducted by the DMG was ineffective. Further, though the DMG issued show cause notices in August 2018 it has not furnished the details of amount recovered so far (September 2020).

The matter was referred to the Government in November 2020, however, it did not offer its comments (November 2021).

DEPARTMENT OF FISHERIES

2.12 Non-levy of GST on supply of services

The Directorate of fisheries had to forego levy of GST of ₹26.80 lakh on renting of immovable property, due to delay in registration under GST.

As per Sub-section (2) of Section 22 of Goods and Service Tax (GST) Act⁷⁹, 2017 every person who, on the day immediately preceding the appointed day, is registered or holds a license under an existing law, shall be liable to be registered under this Act with effect from the appointed day (01/07/2017).

⁷⁶ 56 x ₹ 24,780

⁷⁷ 55 x ₹ 24,780 (considering one permit holder purchases minimum one book)

⁷⁸ ₹ 13,62,900 X 24 per cent X 28 months from May 2018 to September 2020 = ₹ 7,63,224

⁷⁹ Central Goods and Service Tax Act, 2017 and State Goods and Service Tax Act, 2017

Under Sub-section (1) of Section 9 of the Act Central/State Goods and Service Tax⁸⁰ shall be levied on all *intra-State* supplies of goods or services or both at such rates as may be notified by the Government and shall be paid by the taxable person. Sub-section (1) and (2) of Section 50 of GST Act, 2017 stipulates that interest at the rate of 18 *per cent* shall be levied on delayed payment of tax.

The Directorate of Fisheries (DoF) provides service of renting its immovable property to a private party⁸¹ on payment of monthly rental fees of ₹ 21.27 lakh. Prior⁸² to implementation of GST the DoF was registered under Central Service Tax and applicable Service tax was credited into Government account for supply of service of renting immovable property.

After implementation of GST *w.e.f.* 01/07/2017, the Directorate of Fisheries (DoF) was liable for registration under GST regime as provided under Sub-section (2) of Section 22 of the GST Act, 2017. However, the DoF failed to register in GST regime *w.e.f.* 01/07/2017 and consequently could not levy GST amounting to ₹ 26.80 lakh on supply of services of renting immovable property⁸³ to the party during the period from June 2017 to January 2018. Besides interest to the tune of ₹ 13.67 lakh for delay in payment of tax under Section 50 of the GST Act was leviable as under.

(Amount in ₹)

Monthly Rental fees collected	Month of Collection	GST leviable @ 18 <i>per cent</i>	Interest to be levied @ 18 <i>per cent</i> / Delay in months
2126645	July 2017	382796	212452 ⁸⁴ (37 months)
2126645	August 2017	382796	206710 (36 months)
2126645	September 2017	382796	200968 (35 months)
2126645	October 2017	382796	195226 (34 months)
2126645	November 2017	382796	189484 (33 months)
2126645	December 2017	382796	183742 (32 months)
2126645	January 2018	382796	178000 (31 months)
Total		2679572	1366582

The Director, DoF stated (October 2019) that GST for the period (July 2017 to January 2018) was not levied on the rent collected as the circular to register under GST was received only on 25/09/2018 and the Department got registered under GST on 17/10/2018.

The reply of the Director, DoF is not tenable as the said circular dated 25/09/2018 contains instructions regarding deduction of TDS by all DDOs/Heads of departments under section 51 of the GST Act. The Directorate of Fisheries was liable to obtain registration *w.e.f.* July 2017 under section 22 of GST Act, 2017 and collect applicable GST for supply of services of renting immovable property to the party since the Directorate was registered under Central Service Tax in pre-GST regime.

After being pointed out (October 2019) by Audit, the Directorate of Fisheries has recovered (December 2019) ₹ 26.80 lakh from the party, however, interest amount is yet to be recovered.

The matter was referred to the Government in September 2020, however, it did not offer its comments (November 2021).

⁸⁰ CGST and SGST

⁸¹ Delta Pleasure Cruise Company Pvt. Ltd.

⁸² Upto 30/06/2017

⁸³ The rate of GST on supply of services for renting immovable property is 18 *per cent*

⁸⁴ Interest calculated for 37 months (August 2017 to August 2020) = (₹ 3,82,796 x 18 *per cent* x 37)/12 = ₹ 2,12,452 and so on for other cases