

## CHAPTER VI OTHER TAX AND NON-TAX RECEIPTS

### 6.1 Results of audit

Test check of the records of the following departments conducted during the year 2007-08 revealed underassessments and loss of revenue amounting to Rs. 35.63 crore in 136 cases as mentioned below:

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
<b>I</b>	<b>REVENUE DEPARTMENT</b>		
	<b>Commercial Taxes</b>		
	<b>A. Professions Tax</b>		
1.	Non/short levy of tax	22	0.12
	<b>B. Entertainments tax and Betting tax</b>		
1.	Non/short levy of show tax and entertainments tax	7	0.11
2.	Short collection of security deposit	1	0.02
	<b>C. Rural Development cess</b>		
1.	Short levy of cess	1	0.03
	<b>State Excise</b>		
1.	Non-levy of additional licence fee	16	3.25
2.	Non-levy of annual licence fee	29	0.78
3.	Non/short levy of penal interest on belated payment of licence fee/toddy rentals	16	0.08
4.	Other irregularities	18	2.30
<b>II</b>	<b>INDUSTRIES AND COMMERCE DEPARTMENT</b>		
	<b>Mines and Minerals</b>		
1.	Non-remittance of seigniorage fee	7	1.86
2.	Short levy of royalty	6	0.89
3.	Other irregularities	3	4.48
	<b>Director of Sugar and Cane Commissioner</b>		
1.	Non-levy of interest on arrears of purchase tax	1	11.29
2.	Non-levy of penalty	2	5.89
3.	Non-payment of incentive cane price to cane growers by sugar factories	1	0.18

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
<b>III</b>	<b>TRANSPORT DEPARTMENT</b>		
1.	Non-levy and collection of professions tax on vehicles	1	3.60
<b>IV</b>	<b>AGRICULTURE AND CO-OPERATION DEPARTMENT</b>		
1.	Discrepancy between the departmental and treasury figures	1	0.34
<b>V</b>	<b>FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT</b>		
1.	Loss of revenue due to non-observance of general procedure	2	0.39
<b>VI</b>	<b>ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT</b>		
1.	Short demand/collection by M/s GCC Ltd. and non-receipt of teak	2	0.02
	<b>TOTAL</b>	<b>136</b>	<b>35.63</b>

During the year 2007-08, the departments concerned accepted underassessments and other deficiencies of Rs. 18.73 crore in 41 cases, of which 26 cases involving Rs. 18.30 crore were pointed out during the year 2007-08 and the rest in earlier years. An amount of Rs. 1.27 crore in 16 cases was realised during the year.

A few illustrative cases involving Rs. 11.43 crore are mentioned in the following paragraphs.

**A. INDUSTRIES AND COMMERCE DEPARTMENT**

**Director of Sugar and Cane Commissioner**

**6.2 Non-levy of penalty**

Under the Andhra Pradesh Sugarcane (Regulation of Supply and Purchase) Act, 1961, and the rules made thereunder, an occupier of a sugar factory or owner of a *khandasari* sugar unit shall not remove or cause to be removed sugar produced in a factory or *khandasari* unit, until purchase tax on sugarcane due to the Government is paid. In case of default, the owner of factory/*khandasari* unit shall also be liable to pay penalty not exceeding 100 per cent of the tax payable.

Test check of the records of two<sup>1</sup> offices of Assistant Cane Commissioner (ACC) between November 2007 and March 2008 revealed that six sugar factories removed 9,29,775 quintals of sugar produced during the crushing season 2006-07 without payment of purchase tax of Rs. 5.89 crore. However, the department did not levy penalty of Rs. 5.89 crore for removal of sugar without payment of purchase tax.

After the cases were pointed out, the ACC, Anakapalle replied that there were no dues of purchase tax. The reply is not tenable, as the return received by the ACC from the sugar factories revealed that the purchase tax was not paid at the time of lifting sugar and as such penalty was required to be levied. ACC, Bodhan stated in March 2008 that penalty would be levied.

The above matter was referred to the department between February and April 2008 and the Government between April and May 2008; their reply has not been received (November 2008).

**MINES AND MINERALS**

**6.3 Non-remittance of seigniorage fee**

The Industries and Commerce Department ordered<sup>2</sup> that seigniorage fee collected on minerals under the provisions of Mines and Mineral (Regulation and Development) Act, 1957, be credited to the consolidated fund of the State and then transferred to the local bodies separately at the rates prescribed.

Test check of the records of three<sup>3</sup> offices conducted between February and September 2007 revealed that Rs. 59.96 lakh was recovered towards seigniorage fee from the bills of contractors for the years 2000-01 to 2005-06. But the same was not remitted to the Government account by the Miryalaguda and Tandur municipalities and the Executive Engineer, Tribal Welfare (TW), Utnoor.

<sup>1</sup> Anakapalle and Bodhan

<sup>2</sup> G.O.Ms.No.404 Industries and Commerce dated 5 October 1994

<sup>3</sup> Assistant Directors of Mines and Geology (ADMG), Miryalaguda and Tandur and Integrated Tribal Development Agency (ITDA), Utnoor, Adilabad

After the cases were pointed out, the Engineer-in-chief, TW, Hyderabad stated in May 2008 that seigniorage fee would be remitted soon. The reply in respect of the remaining cases has not been received.

The above matter was referred to the Government in May 2008; their reply has not been received (November 2008).

#### **6.4 Short assessment of royalty and cess**

As per Section 9 of the Mines and Mineral (Development and Regulation) Act, 1957, the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rates specified. The rates of royalty and cess to be levied on limestone, other than LD<sup>4</sup> grade are Rs. 45 per MT and Rs. 3 per MT respectively.

Test check of the records of office of the Assistant Director of Mines and Geology (ADMG), Miryalaguda in February 2008 revealed that during 2006-07 a cement company<sup>5</sup> produced 2,69,153 MTs of clinker<sup>6</sup>. Based on the limestone clinker factor<sup>7</sup>, 3,66,855.54 MTs of limestone was required to be consumed in its production. However, the assessing authority assessed the royalty and cess payable on 3,08,768.25 MTs only based on the returns submitted by lessee. This resulted in short assessment of royalty and cess of Rs. 26.58 lakh.

After the case was pointed out, the ADMG, Miryalaguda accepted the audit observation and stated that notices would be issued to the lessee and mineral revenue assessment revised.

The above matter was referred to the department in April 2008 and the Government in May 2008; their reply has not been received (November 2008).

### **B. TRANSPORT, ROADS AND BUILDINGS DEPARTMENT**

#### **Transport Commissioner**

#### **6.5 Non-levy and collection of professions tax**

Under Section 4 of the Andhra Pradesh Tax on Professions, Trades, Callings and Employments Act, 1987, the Government issued orders<sup>8</sup> in May 2006 appointing Regional Transport Officers/Deputy Commissioners/Joint Commissioner as collecting agent for collection of professions tax from the lorry/bus owners at Rs. 750 per vehicle per annum. In response to a clarification sought by some district officers for collection of tax, the Transport Commissioner (TC) in November 2006 directed the district officers not to collect professions tax till a decision regarding filling up of existing

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<sup>4</sup> Louitz Dominitz an italic term used to denote the grade of the limestone. LD grade limestone contains less than one and half *per cent* silica

<sup>5</sup> M/s Anjani Portland Cements Limited

<sup>6</sup> Residue of burnt coal

<sup>7</sup> To produce one metric tonne clinker 1,363 MT of lime stone is required

<sup>8</sup> G.O.Ms.No.610 Revenue (CT-IV) Department dated 30 May 2006

vacancies and providing additional staff required for discharging collection activities was taken by the Government.

During the audit of the office of the TC, Andhra Pradesh in October 2007, it was noticed that professions tax for the year 2006-07 amounting to Rs 3.60 crore from the owners of 47,979 vehicles on road was not levied and collected. Thus, despite the orders of the Government, the Transport Department failed to realise professions tax amounting to Rs. 3.60 crore for the year 2006-07 due to the orders of the TC.

After the case was pointed out, the TC replied that the issue of professions tax is under examination and on receipt of the decision, further action would be taken for its collection.

The above matter was referred to the department in April 2008 and the Government in May 2008; their reply has not been received (November 2008).

## **C. REVENUE DEPARTMENT**

### **State Excise Duties**

#### **6.6 Loss of revenue due to non-levy of additional licence fees**

As per Rule 10 of AP Excise (Grant of licence selling by bar and conditions of licence) Rules, 2005, the enclosures<sup>9</sup> for consumption of liquor, which are not contiguous, shall attract levy of an additional licence fee at 10 *per cent* for each such additional enclosure.

Test check of the records of seven<sup>10</sup> offices of Prohibition and Excise Superintendents (PES) between December 2007 and February 2008 revealed that during the year 2006-07, 10 *per cent* of additional licence fee amounting to Rs. 61.19 lakh was not levied on 42 non-contiguous enclosures. This resulted in loss of revenue of Rs. 61.19 lakh.

After the cases were pointed out, PES, Dhoolpet replied in one case that the bar was having only one additional non-contiguous enclosure for which additional licence fee was already levied. The reply is not tenable as the bar was having five additional non-contiguous enclosures as per the report of the Station House Officer of the Excise Department. PES, Srikakulam replied that additional licence fee is leviable only when the enclosures are separated by any other business not connected with bar. The reply is not tenable as enclosures for consumption of liquor were separated by enclosure utilised for purposes other than the consumption of liquor as such these were non-contiguous and attracted levy of additional fee. The reply in the remaining cases has not been received.

<sup>9</sup> "Enclosure" is defined as an area of consumption of liquor, which is contiguous in utility for consumption. If one consumption enclosure is separated from another enclosure by non-contiguity and interposition of areas of different utilities other than consumption of liquor, it attracts additional licence fee

<sup>10</sup> Bhimavaram, Dhoolpet, Eluru, Rajendranagar, Srikakulam, Tenali and Warangal

The matter was referred to the department in April 2008 and the Government in May 2008; their reply has not been received (November 2008).

#### **6.7 Short levy of licence fees**

As per Rule 5 of Andhra Pradesh Distillery Rules, 1970, the licensee for manufacture of Indian made liquor (IML) shall pay annual licence fee on production capacity as fixed by the Commissioner of Prohibition and Excise from time to time. Whenever the production capacity of the unit fixed is fully utilised by the licensee before the completion of the excise year, the licensee shall take special permission for causing additional production above the existing capacity from Commissioner by submitting the requirement. The licensee shall pay the additional licence fee for such additional production.

Test check of the records of office of the Distillery Officer, Malkajgiri, Hyderabad in March 2007 revealed that a unit produced 188.68 lakh proof litres of IML against the permitted quantity of 147.74 lakh proof litres of IML during 2005-06. The additional licence fee payable for additional production of 41 lakh proof litres of IML was not levied. This resulted in short levy of licence fees by Rs. 20 lakh.

The above matter was referred to the department in November 2007 and the Government in April 2008; their reply has not been received (November 2008).

#### **6.8 Non/short collection of annual licence fees**

According to the Excise (Toddy) policy as amended in January 2003<sup>11</sup>, the annual licence fee for each toddy shop shall be Rs. 100 in the case of Tappers Cooperative Society and Rs. 30 in the case of Tree for Tapper<sup>12</sup>.

Test check of the records of eight<sup>13</sup> offices of PESs between April 2007 and February 2008 revealed that the licence fee for 2,277 toddy shops was not/short collected even though the licences were issued for the period from April 2002 to September 2007 resulting in non/short collection of licence fee of Rs. 7.06 lakh.

After the cases were pointed out, the Commissioner of Prohibition and Excise issued instructions in April 2008 to all the Prohibition and Excise Superintendents to collect non/short collection of annual licence fee, as pointed out by Audit.

The matter was referred to the Government in May 2008; their reply has not been received (November 2008).

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<sup>11</sup> G.O.Ms.No.50, Revenue (Ex. II) dept., dated 18 January 2003

<sup>12</sup> Tree for tapper is a scheme under which an individual is licenced to tap toddy from the excise tree

<sup>13</sup> Adilabad, Bhimavaram, Jagtial, Karimnagar, Machilipatnam, Mancherial, Peddapalli and Tenali

**D. ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY  
DEPARTMENT**

**Forests**

**6.9 Short demand of rentals**

The Government conferred monopoly rights on Girijan Co-operative Corporation Limited (Corporation), Visakhapatnam for collection of certain minor forest produce (MFP) from the forest of the State. As per the terms of agreement<sup>14</sup> effective from 1 July 2004, the corporation was to pay rentals at 15 *per cent* of the procurement price of the total quantity of MFP procured subject to minimum rentals equal to the average of the previous three years rentals.

Test check of the records of two<sup>15</sup> divisional forest offices between August and November 2006 revealed that Divisional Forest Officer (DFO), Paloncha demanded minimum rentals of Rs. 22.07 lakh for the period July 2004 to June 2006 instead of Rs. 33.95 lakh being 15 *per cent* of the procurement price resulting in short realisation of Rs. 11.88 lakh. DFO, Kothagudem demanded rentals on 15 *per cent* of procurement value of Rs. 4.47 lakh instead on average rentals of Rs. 10.94 lakh for the period 2005-06. In addition, rentals for the year 2004-05 were computed short by Rs. 1.11 lakh. Thus, incorrect application of rates in the above cases resulted in short realisation of the revenue by Rs. 19.45 lakh.

<sup>14</sup> Agreement concluded between Girijan Cooperative Corporation Limited, Visakhapatnam and the Principal Chief Conservator of Forests, AP, Hyderabad on 5 July 2004

<sup>15</sup> Kothagudem and Paloncha

After the cases were pointed out, Government replied in May 2008 in respect of DFO, Kothagudem that a revised demand for Rs. 7.57 lakh was issued to the Vice-Chairman and Managing Director, Girijan Co-operative Corporation, Visakhapatnam. Reply in the remaining case has not been received (November 2008).

**Hyderabad**

**The**

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