

## CHAPTER VII

### REVENUE RECEIPTS

#### GENERAL

#### 7.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2003-04, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding three years are given below:

Sl. No.	Particulars	(In crore of rupees)			
		2000-01 (November 2000 to March 2001)	2001-02	2002-03	2003-04
I.	Revenue raised by the State Government				
(a)	Tax revenue	749.69	1,993.13 <sup>77</sup>	2,327.44	2,588.25
(b)	Non-tax revenue	288.23	722.38	956.56	1,124.41
	Total	1,037.92	2,715.51	3,284.00	3,712.66
II.	Receipts from the Government of India				
(a)	State's share of divisible Union taxes	509.94	1,175.80 <sup>77</sup>	1,349.90	1,569.70
(b)	Grants-in-aid	335.06	484.39 <sup>77</sup>	783.40	676.96
	Total	845.00	1660.19 <sup>77</sup>	2,133.30	2,246.66
III.	Total receipts of the State (I + II)	1,882.92	4,375.70 <sup>77</sup>	5,417.30	5,959.32
IV	Percentage of I to III	55	62	61	62

<sup>77</sup>

*The figures are at variance as compared to Audit Report 2001-02 due to readjustment of revenue receipts between revenue raised by the State Government and receipts from the Government of India – 'State's share of divisible union taxes'*

**7.1.1** The details of tax revenue raised during the year 2003-04 alongwith the figures for the preceding three years are given below:

Sl. No.	Head of revenue	(In crore of rupees)				Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
		2000-01 (November 2000 to March 2001)	2001-02	2002-03	2003-04	
1.	(a) Commercial Tax	353.60	563.91	768.08	989.23	(+) 28.79
	(b) Central Sales Tax	--	376.19	334.35	309.39	(-) 7.47
2.	State Excise	122.64	313.61	361.73	402.35	(+) 11.23
3.	Stamps and Registration Fees	62.37	121.35	148.10	170.87	(+) 15.37
4.	Taxes and Duties on Electricity	79.76	226.06	244.33	268.36	(+) 9.84
5.	Taxes on vehicles	35.21	124.88	157.81	167.07	(+) 5.87
6.	Taxes on goods and passengers	60.97	196.27	251.55	230.08	(-) 8.53
7.	Other taxes on income and expenditure-tax on professions, trades, callings and employment's including Hotel Receipts Tax	28.56	47.62*	42.41	42.96	(+) 1.30
8.	Other taxes and duties on commodities and services	2.77	6.67*	6.52	4.13*	(-) 36.66
9.	Land Revenue	3.81	16.57	12.56	3.81	(-) 69.66
10.	Taxes on Agricultural Income	--	--	--	--	--
	Total	749.69	1,993.13*	2,327.44	2,588.25	(+) 11.21

(\*) The figures are at variance as compared to audit report 2001-02 due to readjustment of revenue receipts between revenue raised by the state government and receipts from the Government of India – 'state's share of divisible union taxes'.

The reasons for variations were called for from the departments, their replies were awaited (December 2004).

**7.1.2** The details of the major non-tax revenue raised during the year 2003-04 alongwith the figures for the preceding three years are given below:

Sl.No..	Head of revenue	(In crore of rupees)				Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
		2000-01 (November 2000 to March 2001)	2001-02	2002-03	2003-04	
1.	Interest Receipts	3.47	49.12	95.65	122.46	(+) 28.03
2.	Other non Tax Receipts	19.54	48.42	77.26	86.38	(+) 11.80
3.	Forestry and Wild Life	45.77	98.19	105.84	140.94	(+) 33.16
4.	Non-ferrous Mining and Metallurgical Industries	199.19	454.04	538.14	629.68	(+) 17.01
5.	Miscellaneous General services (including	0.71	6.04	1.99	67.47	(+) 3290*

	lottery receipts)					
6.	Major and Medium Irrigation	10.38	38.20	53.73	44.85	(-) 16.53
7.	Medical and Public Health	0.17	3.28	2.40	2.43	(+) 1.25
8.	Co-operation	2.72	3.58	3.99	4.14	(+) 3.76
9..	Public works	1.89	6.95	10.03	8.56	(-) 14.66*
10.	Police	0.90	2.70	2.59	6.80	(+) 162.55
11.	Other administrative Services	3.49	11.86	64.94	10.70	(-) 83.52*
	Total	288.23	722.38	956.56	1124.41	(+) 17.54

(\*) *There was abnormal increase in revenue under the head Miscellaneous, General Services, whereas there was abnormal decrease under the head Other Administrative Services and Public Works. Reasons for variations though called for from the departments were awaited (December 2004).*

## 7.2 Variations between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sl.No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or Shortfall (-)	Percentage variation
(A)	Tax Revenue				
1.	Taxes on sales, trade etc.	1267.75	1298.62	(+)30.87	(+) 2.44
2.	State Excise	429.01	402.35	(-)26.66	(-) 6.21
3.	Taxes and Duties on Electricity	252.67	268.36	(+)15.69	(+) 6.21
4.	Taxes on good and passengers	270.25	230.08	(-) 40.17	(-) 14.86
5.	Taxes on vehicles	150.00	167.07	(+) 17.07	(+) 14.86
6.	Stamp Duty and Registration Fees	200.00	170.87	(-)29.13	(-) 14.57
7.	Land Revenue	11.52	3.81	(-) 7.71	(-) 66.93
8.	Other Taxes and Duties on Commodities and Services	10.33	4.13	(-) 6.20	(-) 60.02
9.	Other Taxes on Income and Expenditure	60.00	42.33	(-) 17.67	(-) 29.45
10.	Hotel receipts Tax	1.25	0.63	(-) 0.62	(-) 49.60
	Total	2652.77	2588.25	(-) 64.52	(-) 2.43
(B)	Non-Tax Revenue				
1.	Forestry and Wildlife	116.77	140.94	(+) 24.17	(+) 20.70
2.	Non-ferrous Mining and Metallurgical Industries	709.00	629.68	(-) 79.32	(-) 11.19
3.	Interest Receipts	69.48	122.46	(+) 52.98	(+) 76.25
4.	Major Medium and Minor Irrigation	98.44	55.01	(-) 43.43	(-) 44.12
5.	Water Supply and Sanitation	2.10	5.22	(+) 3.12	(+) 148.57

6.	Others	118.83	171.10	(-) 52.27	(+) 43.99
	Total	1114.62	1124.41	(+) 9.79	(+) 00.88

The reasons for variations in respect of other heads though called for had not been received from the concerned departments (December 2004).

### 7.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2001-02, 2002-03 and 2003-04 alongwith the relevant all India average percentage of expenditure on collection for 2002-03 were as follows:  
(In crore of rupees)

Sl. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2002-03
1.	Commercial Tax	2001-02	940.09	10.44	1.11	
		2002-03	1102.43	11.60	1.05	1.18
		2003-04	1298.62	15.90	1.22	
2.	Taxes on Vehicles	2001-02	124.88	3.61	2.89	
		2002-03	157.81	3.94	2.50	2.86
		2003-04	167.07	4.18	2.50	
3.	State Excise	2001-02	313.61	39.71	12.66	
		2002-03	361.73	22.94	6.34	2.92
		2003-04	402.35	19.12	4.75	

The cost of collection for State Excise revenue was higher than the All India average percentage for the year 2002-03.

### 7.4 Collection of Commercial Tax per assessee

Year	No. of assessees	Commercial Tax Revenue (In crore of rupees)	Revenue/Assessee
2001-02	42,581	940.10	0.022
2002-03	44,644	1,102.43	0.025
2003-04	48,233	1,298.62	0.027

### 7.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.130.12 crore of which Rs.58.44 crore were outstanding for more than five years as detailed in the following table:

(In crore of rupees)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004
1.	Commercial Tax	96.57	52.03
2.	Taxes on Vehicles	4.06	4.06

3.	State Excise	20.25	2.16
4.	Stamps & Registration Fees	1.51	0.19
5.	Taxes and Duties on Electricity	7.73	--
		130.12	58.44

## 7.6 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-04, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year are given below:-

Name of Tax	Opening Balance	New cases due for assessment during 2003-04	Total assessment due	Cases disposed of during 2003-04	Balance at the end of the year	Percentage of Column 5 to 3
1.	2.	3.	4.	5.	6.	7.
Commercial Tax	37,723	62,493	1,00,216	58,640	41,576	93.83
Professional Tax	25,466	19,520	44,986	23,830	21,156	122.08
Entry Tax	15,965	30,427	46,392	28,654	17,738	94.17
Luxury Tax	112	90	202	100	102	111.11
<b>Total</b>	<b>79,266</b>	<b>1,12,530</b>	<b>1,91,796</b>	<b>1,11,224</b>	<b>80,572</b>	<b>98.84</b>

The percentage of disposal of cases during the year was less than new cases due for assessment during the year. It would be necessary for the departments to draw up time bound plan for completing the assessment pending for finalisation.

## 7.7 Evasion of tax

The details of cases of evasion of tax detected by the Commercial Tax and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the Departments are given below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2003	Cases detected during 2003-04	<b>Total</b>	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised	No. of cases pending finalisation as on 31 March 2004
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					No. of cases	Amount of demand (in lakh of rupees)	
1.	Commercial Tax	20	17	37	16	13.18	21
2.	State Excise	17	03	20	03	1.37	17

## 7.8 Refunds

The number of refund cases pending at the beginning of the year 2003-04, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-04, as reported by the Departments are given below:

(In crore of rupees)

Sl. No.		Commercial Tax		State Excise	
		No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	208	1.27	05	00.05
2.	Claims received during the year	2,644	9.27	29	00.76
3.	Refunds made during the year	2,586	9.21	21	00.52
4.	Balance outstanding at the end of the year	266	1.33	13	00.29

## 7.9 Results of audit

Test-check of records of Commercial Tax, Land Revenue, State Excise, Motor Vehicle Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and other Non-Tax Receipts conducted during the year 2003-04 revealed under assessment/short-levy/loss of revenue amounting to Rs.100.52 crore in 377 cases of inspection reports. During the course of audit the departments accepted under-assessment of Rs.51.24 crore in 127 cases pointed out in 2003-04. No replies were received in rest of the cases.


This report contains 23 paragraphs including one review relating to non-levy/short-levy of taxes, duties, interest and penalties etc. involving Rs.46.72 crore. The Department/Government accepted audit observations involving Rs.12.40 crore of which Rs.0.15 crore had been recovered upto December 2004. No reply has been received in the other cases.

## 7.10 Response of the departments to draft audit paragraphs

The draft audit review and paragraphs proposed for inclusion in the report of the Comptroller and Auditor General of India are forwarded by the Audit Office to the head of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks.

The fact of non-receipt of replies from Departments are invariably indicated at the end of each paragraph included in Audit Report.

Twenty three paragraphs included in this report were sent to the Heads of departments concerned by name (between May 2004 and October 2004). The Heads of the departments did not send replies despite issue of the reminders (January 2005).



## PERFORMANCE APPRAISALS

## AUDIT REVIEWS

## TAX REVENUE

## COMMERCIAL TAX

### 7.11 Exemption/deferment of Commercial Tax to new industries

#### 7.11.1 Highlights

- **Incorrect deduction and non-adjustment of Rs.17.36 crore against exemption limit.**

(Paragraph 7.11.8)

- **Commercial tax of Rs.55.40 lakh was not recovered from units which closed down business before stipulated period.**

(Paragraph 7.11.9)

- **Loss of revenue of Rs.86.11 lakh due to issue of incorrect exemption certificates.**

(Paragraph 7.11 11)

- **Loss of revenue of Rs.4.18 crore due to incorrect grant of exemption.**

(Paragraph 7.11. 12)

#### 7.11.2 Introduction

To promote the industrial and socio-economic growth of the State by attracting capital investment and providing additional employment, the erstwhile Government of Madhya Pradesh introduced a scheme for exemption/deferment of tax (Sales tax/purchase tax) to new industrial units as established on or after 1 April 1981.

The scheme was later on amended in 1986, 1992 and 1994 for exemption from tax on raw material and manufactured goods. In addition to the above there are schemes granting exemption to industries with capital investments in fixed



assets of Rs.100 crore or more and in industries like cement, vegetable ghee, paints, colours, tiles etc. Exemption is also available for Integrated Steel Plants with capital investments in fixed assets of Rs.1000 crore or more, New Hotels, Non-Conventional Power generating units, NRIs and 100 *per cent* Export Oriented Units, units having capital investments of Rs.10 crores or more and Fly Ash Bricks Units.

Two Departments namely Industries Department and Commercial Tax Department are involved in implementation of the schemes.

### **7.11.3 Organisational set-up**

The Industries Department is headed by the Commissioner of Industries with headquarters at Raipur who is assisted by Additional Director, Joint Directors and Deputy Directors. There is a General Manager incharge of each District Industries Centre at District level. Exemptions/deferment certificates of eligibility are issued by Industries Department on the approval of District Level Committee/State Level Committee.

The Commercial Tax Department is headed by the Commissioner of Commercial Tax, Chattisgarh with headquarter at Raipur. He is assisted by two Additional Commissioners and eight Deputy Commissioners, 21 Assistant Commissioners, 50 Commercial Tax Officers and 88 Assistant Commercial Tax Officers.

### **7.11.4 Audit Objectives**

Test-check of the records of 10 Assistant Commissioners and seven Commercial Tax Officers having turnover of Rs.50 lakh and above was made for the period from 1998-99 to 2002-03 between December 2003 and May 2004 with a view to assess:

- (i) Whether the assessing authority have assessed the cases according to Act/Rules and the eligibility certificates issued by the Industries Department.
- (ii) Whether the conditions of eligibility certificate were being fulfilled by the unit and it is being observed at the time of assessment of the cases of the assessee.
- (iii) Whether proper internal control mechanism is in place to check the misuse of exemption/deferment scheme.

### **7.11.5 Targets and Achievements**

It was seen that no targets for establishment of new industrial units, attracting capital investment and generation of additional employment were fixed by the Government.

### 7.11.6 Trend of setting up of Industries

The Madhya Pradesh Industrial Policy and Action Plan, 1994 aimed at accelerating and strengthening industrial development for which exemption/deferment scheme was introduced.

Some principal objectives of the Industrial Policy and Action Plan 1994 were to encourage balanced regional development by giving additional facilities in “No Industry” Development Blocks, entrepreneurship among members of Scheduled Castes, Scheduled Tribes, Other Backward Classes and those below the poverty line, Women entrepreneurship, creation of special facilities, 100 *per cent* Export Oriented Units (EOU), investment by Non-Resident Indians, establishment of industries in thrust sector and in cooperative sector for industrial development.

During the review period the following number of industries were set up in 10 districts out of 16 districts<sup>78</sup>.

Year	No. of Industries
1998-99	39
1999-2000	39
2000-01	33
2001-02	39
2002-03	26
Total	176

Out of the above, the industries established in the various sectors were as under:

Sl. No.	Sector	No. of Industries	District
1.	Women Entrepreneurs	3	(2) Bilaspur +(1) Raipur
2.	Scheduled Castes, Scheduled Tribes and Backward classes	2	Raipur
3.	Export Oriented Units	1	Raipur
4.	Thrust Sector <sup>79</sup>	49	Raipur

The above position reflects that during five years only two industries were established by Scheduled Castes/Tribes/Backward classes although Chhattisgarh State is mainly populated by these groups of people.

### 7.11.7 System and procedure for grant of Commercial tax exemption and deferment to new industries

The Department of Commerce and Industries, Government of Chhattisgarh formulates the schemes of exemption/deferment of tax to new industries. To

<sup>78</sup> Bilaspur, Dantewada, Dhamtari, Janjgir, Jashpur, Kabirdham, Kanker, Korla, Raipur, and Surguja

<sup>79</sup> Thrust Sector includes industries like automobile, sport goods, readymade garments, Agro based, mineral resources, life saving drugs, food processing, silk and leather, telecommunication etc.

avail of the benefit a unit has to apply to General Manager, District Trade and Industries Centre who issues eligibility certificate for grant of exemption/deferment of tax to the applicant of small scale industry and forward the application of medium or large scale industry to the Commissioner of Commerce and Industries for issue of such certificate.

The position of eligibility certificates (excluding Durg Dn.) issued by Industries Department during the period from 1998-99 to 2002-03 were as follows:

Year	Opening Balance	No. of applications received	Total	Disposal		Balance
				Issued	Rejected	
1998-99	--	64	64	31	2	31
1999-2000	31	36	67	34	2	31
2000-2001	31	35	66	29	4	33
2001-2002	33	30	63	34	3	26
2002-2003	26	19	45	10	2	33

**Certificates in five cases were issued after expiry period of exemption**

From the table above it was noticed that eligibility certificates were not issued in time. The scrutiny revealed that in five cases, certificates were issued after the expiry period of exemption for which the units applied and in 25 cases eligibility certificates were issued after one to five years of the application submitted by the applicant.

**Certificate/ affidavit in 129 cases was neither submitted nor insisted upon.**

Under the provisions mentioned in notifications for getting exemption, a dealer is required to provide employment to bonafide residents of the state which shall not be less than 50 *per cent* during each year of the period of eligibility of the total number of employees in his industrial unit. Further such dealer shall submit a certificate/affidavit to that effect alongwith the return of each year. However, during scrutiny it was noticed that in 129 cases neither certificate/affidavit was submitted by the manufacturers nor were these insisted upon at the time of assessment failing which, additional employment opportunities of residents of State could not be ascertained.

#### **7.11.8 Incorrect deduction of tax and its non adjustment against exemption limit**

Under Exemption Scheme, 1994 (Scheme) deduction on account of tax under Commercial Tax Act and Central Sales Tax Act is not admissible from gross turnover as assessee is not required to collect the tax. Purchase tax is also leviable if the raw material is purchased on declaration without payment of tax. The total limit of exemption is fixed on the basis of capital investment of the industrial unit. To keep a watch over limit of exemption the commercial tax including purchase tax and central sales tax should be worked out and mentioned in the assessment so that excess exemption is not availed of by the unit.

**Incorrect deduction of tax Rs.17.36 crore was not adjusted against exemption limit**

In 21 cases for the period between 1998-99 and 2000-01 assessed between November 1998 and September 2003 relating to six<sup>80</sup> Assistant Commissioner Offices and three<sup>81</sup> Commercial Tax Offices, it was noticed that incorrect deduction of tax of Rs.17.36 crore was either allowed or the tax/ purchase tax levied at incorrect rate was not adjusted against exemption limit while finalising the assessment. No register was maintained to watch the limit of the total amount of exemption mentioned in the eligibility certificate. A few cases involving tax effect more than Rs.50 lakh are given below:

(Rupees in crore)

Sl. No.	Name of Assessing Officer	Assessment year	Month of assessment	No. of Industrial units (cases)	Amount of tax	Nature of irregularity
1.	Assistant Commissioner, Raipur	1998-99	December 2001	1	7.78	Sales/purchase tax was levied at incorrect rates and was also not adjusted against exemption limit as neither any adjustment was shown in the assessment nor any register maintained.
2.	Assistant Commissioner, Raipur	1999-2000	January 2003	1	3.75	Commercial tax and purchase tax was not adjusted against exemption limit in the assessment nor any register was maintained.
3.	Assistant Commissioner, Bilaspur	1999-2000	January 2003	2	5.29	Commercial Tax, and purchase tax though worked out but neither adjusted against exemption limit nor any register was maintained.

**7.11.9 Non- recovery of tax on closure of units before stipulated period**

Under the scheme, the manufacturer shall keep the industrial unit running during the period of eligibility of exemption/ deferment of tax and also continue to do so for a period of five years from the date of expiry of the period of eligibility for exemption/deferment of tax failing which eligibility

<sup>80</sup> Assistant Commissioner Office, Bilaspur (2), Assistant Commissioner Office Raipur (4)

<sup>81</sup> Commercial Tax Office Circle I & II, Bilaspur, Commercial Tax Office Circle-V, Raipur,

certificate is liable to be cancelled. To watch the running of industries, the notification provides for furnishing of a quarterly statement containing purchase of raw material, its consumption and production of licenced goods to Commercial Tax Officer and General Manager District Trade and Industries Centre.

Test-check of records of two Asstt. Commissioners<sup>82</sup> and two Commercial Tax Offices<sup>83</sup> and information received from seven Commercial Tax Offices<sup>84</sup> (out of 19 circles) revealed that 75 units availing commercial tax exemption/deferment of commercial tax had stopped production/closed down the units either during the period of exemption/deferment or within five years after expiry of exemption/deferment period and neither the Commercial Tax Officer nor the Industries Department called for the statements quarterly as required under condition of the notification. There was no coordinating mechanism between Industries Department which issues eligibility certificates and Commercial Tax Department which grants exemption/deferment. The performance of the units granted eligibility certificates was also not assessed from time to time by the departments. Exemption of Rs.55.40 lakh (excluding 68 units for which amount is not available with Department) is recoverable, but no action was taken to cancel the eligibility certificates except in one case.

#### **7.11.10 Incorrect determination of turnover**

**Short levy of tax of Rs.3.95 crore in three cases due to incorrect determination of turnover.**

Under the scheme, a manufacturer is required to maintain correct accounts and submit it to the Assessing Authority.

Test-check of three cases of two units for the period 1998-99 and 1999-2000 assessed between August 2000 and January 2003 revealed that there was a difference between gross turnover as per annual account and as determined in the assessment order. This resulted in short levy of tax for Rs.3.95 crore. In one case, amount exceeded the exemption limit by Rs.3.68 crore which became recoverable as shown under:

<sup>82</sup> Assistant Commissioner, Bilaspur, Assistant Commissioner, Raipur

<sup>83</sup> Commercial Tax Offices-Raipur IV and V

<sup>84</sup> Commercial Tax Offices-Bilaspur-II, Durg-II, Raipur-I, II, III, IV & V

(Rupees in crore)

Sl. No.	Name of Assessing Officer	Assessment year	Month of assessment	No. of Industrial units (cases)	Amount of tax	Nature of irregularity
1.	Assistant Commissioner, Raipur	1999-2000	June 2003	1 (1)	3.84	Turnover of Rs.197.58 crore is as per annual account whereas Rs.114.06 crore is as per assessment order. The reason for difference in turnover was not discussed in assessment order. Tax of Rs.3.84 crore was leviable on the differential amount. By adjusting this amount against exemption limit, it exceeded by Rs.3.68 crore and was recoverable.
2.	Assistant Commissioner, Bilaspur	1998-99 and 1999-2000	August 2000 and June 2002	1 (2)	0.11	Total turnover was Rs.2.79 crore as per annual account whereas in assessment order it was shown Rs.1.49 crore. Difference was not discussed in assessment order certified copy of accounts of Bilaspur Branch and copy of finished goods purchased was also not available to verify the position.
	Total			2 (3)	3.95	

**7.11.11 Loss of revenue due to issue of incorrect exemption certificate**

**Loss of revenue of Rs.86.11 lakh in 9 cases of 7 units due to incorrect issue of exemption certificate.**

Notification under exemption scheme provided that certain industrial units such as those engaged in the manufacturing/processing of re-rolled product of iron & steel, refining of oil, computer stationery, are not entitled for tax exemption.

Test-check of records revealed that in 9 cases of 7 units assessed between October 2001 to December 2003, for the period 1998-99 to 2000-2001,

exemption from tax were granted to ineligible units resulting in loss of Rs.86.11 lakh to the Government as detailed below:

(Rupees in lakh)

Sl. No.	Name of Assessing Officer	Assessment year	Month of assessment	No. of Industrial units (cases)	Amount of tax	Nature of irregularity
1.	2.	3.	4.	5.	6.	7.
1.	Assistant Commissioner Tax Raipur (4) Commercial Tax Officers (5) Raipur	1998-99 to 2000-01	October 2001 to December 2003	5 (5)	53.75	Manufacturers of re-rolled products were entitled to avail of exemption under the notification whose capital investment is more than Rs.One crore with effect from 1st April 1995. Whereas in these cases the capital investment were less than One crore. In one case the period of commencement of production was prior to 1 April 1995.
2.	Commercial Tax Office-II, Bilaspur	1998-99 to 2000-01	August 2000 to June 2002	1 (3)	21.15	Manufacturing of computer stationery is not eligible unit for exemption whereas eligibility certificates was issued on 28 December 1998.
3.	Commercial Tax Office-II, Raipur	1998-99	December 2001	1 (1)	11.21	The eligibility certificate was issued for 11 years for excess period of such goods which was eligible for exemption for seven years. Hence exemption was incorrectly allowed for excess period of four years.
	Total			7 (9)	86.11	

### 7.11.12 Incorrect exemption

**Incorrect exemption of Rs.4.18 crore was allowed to 6 units during expansion period.**

Exemption scheme, 1994 provides for exemption from tax in respect of goods manufactured upto specified quantity and for goods and from the dates mentioned in the eligibility certificate. In case of expansion of existing industrial unit the production in excess of 100 *per cent* of the original installed capacity is admissible for exemption. In case of exporting Industrial Unit

exemption is admissible after exporting the goods in term of value minimum 40 *per cent* of its production in a year in case of agriculture, horticulture or silk based industry.

Test-check of records of six units for the period between 1998-99 and 1999-2000, assessed between February 2001 and January 2003, revealed that the incorrect exemption of tax of Rs.4.18 crore was allowed on account of excess/less production during the period of expansion, sale of goods not mentioned in eligibility certificates, exported goods less than prescribed percentage of production, giving amendment to eligibility certificates with retrospective effect to include the items on later date as detailed below:

(Rupees in crore)

Sl. No.	Name of Assessing Officer	Assessment year	Month of assessment	No. of Industrial units (cases)	Amount of tax	Nature of irregularity
1.	2.	3.	4.	5.	6.	7.
1.	Assistant Commissioner Office, Bilaspur (2) Commercial Tax Office, Raipur	1998-2000	February 2001 to January 2003	2 (4)	0.55	The units being expansion units could not achieve the production of even installed capacities of original unit. Hence, the exemption allowed was not admissible.
2.	Assistant Commissioner Office Raipur Commercial Tax Office, Raipur	1998-2000	December 2001 to January 2003	2 (4)	1.30	The goods manufactured were other than those mentioned in eligibility certificate, of goods.
3.	Assistant Commissioner Office, Raipur	1998-99	December 2001 to January 2003	2 (2)	2.33	Export sale of goods was less than prescribed percentage of the total sale as well as of its productive value of the year. The exemption was not admissible. Terms & conditions of the eligibility certificate was not according to provision of notification.
	Total			6 (10)	4.18	



### 7.11.13 Sales of goods without declaration or with incorrect declaration

Under the exemption scheme, 1994 a registered dealer manufacturing goods in new industrial unit or a registered dealer subsequently selling such goods shall issue a declaration to the purchasing dealer and send two copies of declaration to the appropriate Commercial Tax Officer for use in assessment.

**Incorrect exemption of tax Rs.1.57 crore due to sale without/ or with wrong declaration**

Test-check of records of three Assistant Commissioners of Raipur and a Commercial Tax Officer, Raipur revealed that while assessing 10 units for the period revealed from 1998-99 to 2000-01 between the period July 2001 to March 2003 sales were made without issuing declarations or declarations were issued not pertaining to this scheme. This resulted in incorrect exemption of Rs.1.57 crore.

### 7.11.14 Application of incorrect rate of tax

MP Commercial Tax Act, 1994 (as adapted) specifies the rates at which commercial tax is leviable on different commodities.

**Levy of tax at lower rate resulted in short levy of tax of Rs.33.12 lakh.**

During test check of record of one Assistant Commissioner Office at Bilaspur and two Commercial Tax Officer Bilaspur/Raipur, it was noticed that in six cases of three units assessed (between August 2000 and June 2002) for the period 1998-99 to 2000-01 tax was levied at lower rate than that specified on sales turnover of Rs.3.96 crore. This resulted in short levy of tax of Rs.33.12 lakh. Moreover, in one case, due to short levy of tax, exemption limit was crossed by Rs. 14.63 lakh.

### 7.11.15 Internal Control Mechanism

**Lack of internal control. No periodical returns were prescribed to monitor the scheme.**

Each Commercial Tax circle is required to maintain records showing details of industries which were granted exemption/deferment of tax and showing the amount of exemption/deferment availed by the units.

- It was noticed that no records for watching the maximum amount of exemption from tax year to year was maintained by the Circle Offices with the result that Circle Offices could not furnish the details of amount of exemption in respect of units closed within stipulated period. No periodical returns were prescribed by the Commercial Tax Department to monitor the information in regard to exemption/deferment of tax due with the result that the Commissioner, Commercial Tax did not have the details of exemption/deferred revenue amount.
- No system of inspection/survey was prescribed by either the Industries Department or Commissioner, Commercial Tax to ensure that the units are functioning as per provisions of the Act/Rules. No survey was conducted by either of the two departments to ascertain whether the industrial unit had been closed before stipulated period or after availing the benefits under the Scheme.

- The object of exemption to industries is to encourage establishment of industries which play an important role in development of state, generate employment and revenue. Due to closure of units, unemployment problem will increase alongwith loss of revenue as well as capital investment. Consequently, it is imperative for the Government to examine the systems and procedure with a view to prevent misuse of exemption scheme.

The matter was reported to Government and Commissioner, Commercial Tax Department (December 2004); their replies had not been received (January 2005).

<b>7.11.16 Recommendations</b>
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- The performance of units granted exemption under the scheme should be assessed on regular interval to ensure that the units function for the stipulated period.
- Coordination between the Industries and Commercial Tax Department needs to be strengthened so that the grant of eligibility certificates do not get delayed.
- Internal control mechanism in the form of periodical returns and inspection/survey should be prescribed to prevent misuse of the scheme.

## TRANSACTION AUDIT OBSERVATIONS

### AUDIT PARAGRAPH

### COMMERCIAL TAX

#### 7.12 Non-levy of tax

#### **Non-levy of tax of Rs.35 lakh on sale of goods manufactured out of exempted raw material.**

Under the Madhya Pradesh (MP) Commercial Tax Act, 1994, read with Central Sales Tax Act, 1956 (CST Act) and notification issued thereunder, iron and steel goods manufactured out of such goods that have already borne tax under the Act and is sold by a registered dealer, is exempted from payment of tax.

Test check of records of Assistant Commissioner, Commercial Tax, Raipur revealed in October 2002 that the assessing officer while assessing a dealer for the period 1998-99 in April 2001 had not levied tax of Rs.35 lakh on sale of goods valued at Rs.17.50 crore stating that the raw material had been taxed. The contention of assessing officer was not correct because raw material was purchased by the dealer from a new industrial unit which was exempted from payment of tax. This resulted in non-levy of tax of Rs.35 lakh.

After this was pointed out in October 2002, the Assessing Officer replied that the new industrial unit from which raw material was purchased was availing deferment from payment of tax and not exemption. The reply of the Assessing Officer is not tenable because as per the eligibility certificate, the industrial unit from which raw material was purchased was exempted from payment of tax and was not availing the deferment of tax.

The matter was reported to the Government/Commissioner, Commercial Tax in March 2004; their reply had not been received (January 2005).

### **7.13 Non-levy of tax and penalty**

#### **Non-levy of tax of Rs.28.79 lakh including penalty on sale of exempted raw material in interstate sale.**

Under section 9 read with section 21 of MP Commercial Tax Act 1994 (as adopted) and notification issued thereunder, a registered dealer purchasing goods from tax exempted units for use as raw material in a rolling mill can sell the same goods to another registered dealer only against a declaration/certificate under notification exempting the same goods in whole or part from payment of tax. If disposed of otherwise in any way, the dealer shall be liable to pay tax on purchases price of such goods at the full rate and penalty equal to 25 per cent of the amount of tax payable under the Act.

Test check of records of Assistant Commissioner, Commercial Tax, Raipur, revealed in October 2002 that a dealer assessed for the period 1998-99 in June 2001, purchased raw material worth Rs.2.87 crore from an exempted unit and sold the same as interstate sale without payment of tax. Thus the raw material was neither used in own rolling mill nor sold to another registered dealer against declaration for use as raw material. Therefore, tax and penalty amounting to Rs.28.79 lakh was leviable.

After this was pointed out in October 2002, the Assessing Officer stated that the raw material purchased from tax exempted unit was for trading purpose and not for consumption thereof, hence there was no liability. The reply is not tenable as the trading account certified by Chartered Accountant stated that the purchases were made as raw material and not for trading purpose and the interstate sale was made out of raw material purchased from exempted units.

The matter was reported to the Commissioner, Commercial Tax and the Government in May 2003; their reply had not been received (January 2005).

### **7.14 Non-levy of tax due to incorrect deduction**

#### **Non-levy of tax of Rs.17.25 lakh on the wires drawn out of imported taxable wire rods.**

Government notification issued under MP Commercial Tax Act, 1994 (as adopted) provides that sale of wires drawn from wire rods which have been manufactured by a new exempted unit, is exempted from tax. No exemption is available<sup>85</sup> on sale of wires drawn out of wire rods purchased from outside the State.

Test-check of records of Assistant Commissioner, Commercial Tax, Durg revealed in October 2003 that while assessing a dealer for the period 1999-2000 in December 2002, it was seen that on sale of wires drawn out of

<sup>85</sup> *Decision of BOR in the case of M/s Bhilai Wire Limited v/s Commissioner of Sales Tax MP dt 1 December 1992*

wire rods purchased out of State valued at Rs.24.93 crore deduction was allowed by the Board of Revenue citing decision of Hon'ble Supreme Court<sup>86</sup>, in which it was held that tax would not be levied on sales of wire drawn out of tax paid wire rod. Thus tax amounting to Rs.17.25 lakh was not levied.

After this was pointed out in audit in October 2003, the Assessing Officer stated that deduction on sale of imported wires was allowed in view of decision of Hon'ble High Court of MP<sup>87</sup>. In this decision it was held that the assessee would not be liable for penalty for not maintaining separate account for the purchase of raw material at concessional rate and full rate. The decision was not applicable in this case as it relates to penal provisions. In the present case, tax was leviable on wires, as it was drawn out of taxable wire rods.

The matter was brought to the notice of Commissioner, Commercial Tax and Government (March 2004); their reply had not been received (January 2005).

### **7.15 Non-levy of tax**

#### **Consideration of rice bran as tax free resulted in non-levy of tax of Rs.15.44 lakh.**

MP Commercial Tax Act, 1994 (as adopted) provides different rate of tax on sale of goods.

Test-check of records of Assistant Commissioner, Commercial Tax, Durg revealed in October 2003 that rice bran (Kanda) valued at Rs.1.68 crore was sold as tax-free during the period 1 April 1999 to 31 December 1999 although it was taxable under residuary entry of Schedule II. This resulted in non-levy of tax of Rs.15.44 lakh.

After this was pointed out in October 2003, the Assessing Officer stated that rice bran is tax free as per entry 39 of Schedule I (upto 31 December 1999) and entry No.18 (1 January 2000 to 14 March 2000) and entry 5 (15 March 2000 to 31 March 2000). The reply is not tenable as bran was made tax free with effect from 1 January 2000 and not earlier.

The matter was reported to the Commissioner, Commercial Tax; their reply had not been received (January 2005).

<sup>86</sup> Decision of Hon'ble Supreme Court in case of M/s Pyare Lal Malhotra 37STC319  
<sup>87</sup> Decision of Hon'ble MP High Court in case of CSTV's Gwalior Oil Mills Volume 62 (1986) STC 299 and in case M/s Rajsinet Chemical Company discussed in the case

## **7.16 Non-levy of purchase tax**

### **Non-levy of purchase tax of Rs.8.94 lakh on the goods purchased from unregistered dealers**

Under the MP Commercial Tax Act, 1994 (as adopted), if a dealer purchases goods for use or consumption in manufacture or processing of other goods from unregistered dealer, he is liable to pay purchase tax.

Test check of records of Assistant Commissioner, Commercial Tax, Raipur, in December 2001, revealed that in case of a dealer assessed for the period 1997-98 in February 2001, who purchased old ornaments valued at Rs.8.94 crore from unregistered dealers and used the same in the manufacture of bullion, purchase tax was not levied. This resulted in non-levy of purchase tax of Rs.8.94 lakh.

After this was pointed out in December 2001, the Assessing Authority stated that rate of tax on bullion was 0.5 *per cent*. The reply is not tenable as audit pointed out non-levy of purchase tax while the assessing authority levied commercial tax on the sale of bullion.

The matter was reported to the Commissioner, Commercial Tax and the Government in March 2002; their reply had not been received (January 2005).

## **7.17 Short levy of interest**

### **Non-depositing of tax and non-filing of return resulted in short levy of interest of Rs.6.90 lakh.**

MP Commercial Tax Act, 1994 (as adopted) provides that if a dealer fails without sufficient cause to pay the amount of tax payable according to return or does not file the returns for any period, such dealer shall be liable to pay interest at the rate of two *per cent* per month from the date the tax so payable had become due or from the date of order of assessment whichever is earlier.

Test-check of records of Assistant Commissioner, Commercial Tax, Raipur revealed in October 2002 that while making assessment of a dealer in 2001 for the period 1998-1999, interest of Rs.3.42 lakh was levied as against Rs.10.32 lakh leviable due to non-depositing of tax and non-filing of the returns. This resulted in short levy of interest of Rs.6.90 lakh.

After this was pointed out in October 2002, the Assessing Officer stated in October 2002 that interest could not be levied on tax payable as per return in view of the Hon'ble Supreme Court of India judgment<sup>88</sup>. The decision is not applicable in this case because the assessee had not deposited tax on the basis of first return furnished by him. He had also not filed returns for three quarters i.e. from 1 July 1998 to 31 March 1999.

<sup>88</sup> *Frick India vs State of Haryana (1994)95 STC 198*

The case was reported to the Government/Commissioner, Commercial Tax (March 2004), their reply had not been received (January 2005).

### **7.18 Incorrect determination of turnover**

#### **Incorrect exclusion of freight charges included in sale price resulted in short levy of Rs.3.42 lakh.**

Under MP Commercial Tax Act, 1994 (as adopted) and decision thereon<sup>89</sup>, the expenditure incurred on freight or delivery charges on door to door basis form part of sales price.

Test check of records of Commercial Tax Officer, Circle II, Durg revealed that in the case of two dealers assessed in June 2001 and December 2001 for the period 1998-1999, transportation charges of Rs.74.41 lakh were not included in taxable turnover although it was part of sale price. This resulted in short levy of tax of Rs.3.42 lakh.

After this was pointed out in audit in January 2003, the Assessing Officer replied that freight charges were charged separately and were not included in sale price in light of Hon'ble Supreme Court's decision<sup>90</sup>. The reply is not tenable as in the case cited, the contract provided for separate agreement for transportation, hence it was not part of sale price whereas in the present case freight charges were included in price as per purchase orders.

The matter was reported to the Commissioner, Commercial Tax and the Government; their reply had not been received (January 2005).

### **7.19 Non-levy of tax**

#### **Incorrect deduction of rebate from sale price resulted in non-levy of Rs.2.03 lakh.**

Under the MP Commercial Tax Act, 1994 (as adopted) cash discount according to ordinary trade practice is the only allowable deduction from sale price.

Test check of records of Assistant Commissioner, Commercial Tax, Raipur revealed in November 2003, that in the case of a dealer assessed in November 2001 for the period 1998-1999, deduction of Rs.44.03 lakh was made from sale price for rebate. Rebate is not an allowable deduction from sale price<sup>91</sup>. This resulted in non-levy of tax of Rs.2.03 lakh.

<sup>89</sup> *Decision of Hon'ble High Court of MP in case of M/s. Birla Jute & Industries Ltd. Vs Coal India Ltd. And others (1997) 19TLD233*

<sup>90</sup> *State of Karnataka & Another Vs Bangalore Soft Drink Pvt.Ltd.(2000) STC 117 page 413-419*

<sup>91</sup> *M/s. Vandana Sales Corporation vs. Commissioner of Sales Tax Madhya Pradesh. 1996 (29 VKN 376)*

After this was pointed out, the Assessing Officer replied in August 2004 that case was being examined. Final reply was awaited (November 2004).

The matter was reported to the Commissioner, Commercial Tax, Raipur in April 2004; their reply had not been received (January 2005).

## **7.20 Non-levy of correct rate of tax**

### **Application of incorrect rate of tax resulted in short levy of Rs.1.01 lakh.**

Under MP Commercial Tax Act, 1994 and notification issued thereunder as adopted by Chhattisgarh, machinery is taxable at the rate of eight *per cent*. Besides, surcharge on tax is also leviable at the rate of 15 *per cent*.

Test check of records of Assistant Commissioner, Commercial Tax, Durg revealed (January 2003) that while assessing a dealer for the period 1998-1999 in December 2001, it was observed that on sale of crane valuing Rs.21.85 lakh, tax inclusive of surcharge was levied at incorrect rate. This resulted in short levy of tax of Rs.1.01 lakh.

After this was pointed out in audit in January 2003, the Assessing Officer stated in August 2004 that notice has been issued to assessee to re-open the case for re-assessment. Final action is awaited in audit.

The matter was reported to the Commissioner, Commercial Tax and Government in March 2004; their reply had not been received (January 2005).

## **STATE EXCISE**

### **7.21 Loss of revenue due to non-realisation of licence fee from the defaulter licensees**

#### **Loss of Rs.33.24 lakh on re-allotment of liquor shops was not recovered from the defaulter licensees.**

Sub-section 4 of Section 31 of Madhya Pradesh Excise Act, 1915, as applicable to Chhattisgarh, provides that if the licence of a liquor shop is reallocated before expiry of its term, licence fee for the remaining period is to be collected from the ex-licence holder as excise revenue.

Test-check of records of the Assistant Commissioner Excise, Rajnandgaon (June 2003) revealed that the licences for the year 2002-2003 for two liquor shops were allotted to two licensees at a licence fee of Rs.1.27 crore. After carrying on business for periods ranging from one to four months, the licences were cancelled on the request of licensees. The licence fees paid by the ex-



licence holders upto the date of cancellation was Rs.31.67 lakh. Thereafter, these shops were reallocated to two other licensees at a licence fee of Rs.62.38 lakh. Thus, on reallocation of licences there was a loss of Rs.32.95 lakh. Though this loss was required to be recovered from the ex-licence holders, the same was not done resulting in loss of revenue of Rs.32.95 lakh.

After this was pointed out in audit (June 2003) the Assistant Commissioner Excise, Rajnandgaon stated that recovery of Rs.2.24 lakh had been made in one case. In another case action was awaited (January 2005).

The matter was reported to the Excise Commissioner, Raipur and the Government between July-August 2003 and March 2004, their reply had not been received (January 2005).

## TAXES ON VEHICLES

### 7.22 Non-levy of vehicle tax and penalty

#### **Non-levy of tax and penalty on 172 vehicles resulted in loss of revenue of Rs.1.01 crore.**

According to the provision of the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 as applicable in Chhattisgarh State and Niyam made thereunder, a tax shall be levied at the prescribed rate on every vehicle used or kept for use in the State. In case of non-payment of tax due, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of one third of the unpaid amount of tax for default of each month or part thereof but not exceeding twice the un-paid amount of tax.

Test-check of records of three<sup>92</sup> Regional Transport Officers (RTOs) for the period between April 2001 and March 2002 revealed (between March 2003 and May 2003) that vehicle tax of Rs.33.66 lakh was not levied on 172 public service vehicles, goods vehicles, omnibuses and private vehicles etc. Besides, penalty of Rs.67.32 lakh was also leviable. This resulted in non levy of tax and penalty of Rs.1.01 crore.

After this was pointed out in audit in March 2003 and May 2003 RTO, Bilaspur and Durg stated in March/May 2003 that demand notices would be issued after scrutiny of cases whereas RTO, Rajnandgaon stated in May 2003 that in some cases demand was issued in July 2002 and in some cases demand was being raised. The reply in other cases and recovery position was awaited (January 2005).

<sup>92</sup> Regional Transport Officers, Bilaspur, Durg and Rajnandgaon.

The matter was reported to the Government and the Transport Commissioner (between July 2003 and March 2004); their reply had not been received (January 2005).

## OTHER TAX REVENUE

### Stamp duty and Registration fees

#### 7.23 Short levy of Stamp duty and Registration fee

##### **Application of incorrect rate of royalty resulted in short levy of Rs.11.50 crore stamp duty and registration fee.**

According to provisions of the Indian Stamp Act, 1899, stamp duty on instruments of transfer of lease is chargeable at the rate of seven and half *per cent* of the market value of the property which is the subject matter of transfer. The market value of any property shall be estimated to be the price which in the opinion of the Collector or the Appellate Authority, as the case may be, such property would have fetched or would fetch if sold in the open market on the date of execution of the instrument. Besides, advalorem registration fee is also chargeable on the instruments.

Test Check of Sub Registrar, Janjgir revealed (March, 2002) that mining lease for a period for 20 years with effect from 31 May 1999 was granted to a lessee, in which royalty was determined by the Collector at the rate of Rs. 8 crore per annum. The lease was transferred on 17 January 2001 in favour of another lessee for 18 years and four and half months. Royalty for this period worked out to Rs.147 crore. The leviable registration fee and stamp duty worked out to Rs.12.20 crore but Rs.70.35 lakh was levied by the Department. This resulted in short levy of stamp duty and registration fee of Rs.11.50 crore.

After this was pointed out to Government in June 2003, the Government replied in July 2004 that a case for revision has been filed before Board of Revenue to recover the amount, further action was awaited (January 2005).

#### 7.24 Delay in finalisation of cases

##### **Non-determination of market value of properties resulted in non realisation of stamp duty and registration fee of Rs.80.43 lakh.**

The Indian Stamp Act, 1899 requires the market value of any property to be specified in any deed for its conveyance for determining the stamp duty and registration fee leviable. If there are reasons to believe that the market value of the property has not been truly set-forth in the document, Sub-Registrar would refer the document to the Collector of stamps for determination of the market value of the property.

Test-check of records of five Sub Registrars<sup>93</sup> revealed that 172 documents referred between April 1998 and June 2002 to the Collector of Stamps by the Sub-Registrars for determination of market value of properties had not been finalised. Stamp duty and registration fee recoverable on these documents, based on the value proposed by the Sub-Registrars, worked out to Rs.80.43 lakh, which remained un-realised.

The matter was reported to the Inspector General of Registration and Superintendent of Stamps and the Government between November 2003 and January 2004. In reply the Inspector General of Registration intimated (September 2004) that in 38 cases an amount of Rs.4.60 lakh has been recovered; the progress of recovery in remaining cases was awaited (January 2005).

## ENTERTAINMENT DUTY

### 7.25 Short realisation of entertainment duty from cable operators.

#### Short-realisation of entertainment duty of Rs.7.30 lakh from 126 cable operators.

Under Chhattisgarh Entertainment Tax and Advertisement Fee Act (as amended) 2002, entertainment tax at the rate of Rs.10 and Rs.20 per connection per month is leviable on cable operators for places having population between 10,000 to 50,000 and above 50,000 respectively.

Test-check of records of seven<sup>94</sup> District Excise Offices revealed that for the period between April 2002 and March 2004, Rs.25.30 lakh was realised from 126 cable operators for 21,266 connections on account of entertainment duty against a payable amount of Rs.32.60 lakh. This resulted in short realisation of entertainment duty to the tune of Rs.7.30 lakh.

After this was pointed out in audit in April 2004 the Department stated that an amount of Rs.5.63 lakh was recovered. Report on recovery of balance amount was awaited (January 2005).

<sup>93</sup> Sub-Registrar Ambikapur, Gurur (Durg), Jagdalpur, Kharsiya and Raipur  
<sup>94</sup> Bilaspur, Jagdalpur, Janjgir, Kawardha, Korba, Korea and Rajnandgaon.

## NON TAX REVENUE

### FOREST RECEIPTS

#### **7.26 Loss of revenue due to illicit removal of forest produce from coupes**

#### **Non-transportation of forest produce from coupes led to theft and resultant loss of revenue of Rs.33.23 lakh.**

Departmental instructions issued from time to time prescribed that material produced in coupe should be transported to the depot before 30<sup>th</sup> June of each year in order to avoid loss due to fire, theft etc. Further Madhya Pradesh Financial Code provides that a preliminary report of loss should be submitted expeditiously to the Head of Department as well as to the Accountant General and the investigation completed within six months of detection of any loss.

Test check of records of DFO, Narayanpur and DFO, Korba revealed in November 2003 that 69.279 notional tonne (NT) Commercial Bamboo, 474.930 NT Industrial Bamboo, 164.278 cu. m of timber and 315 fuel stacks valued at Rs.33.23 lakh were not transported to the depots upto 30 June 2001 and were left in coupes during working season 2001-02. In the subsequent year 2002-03, the aforesaid bamboo was not found in coupes. This resulted in loss of revenue Rs.33.23 lakh to the Government.

Neither any action was taken by the DFOs to trace the missing bamboo nor was any FIR lodged to investigate the circumstances under which the bamboo, timber and fuel stacks were missing nor was any attempt made to trace the missing material.

After this was pointed out DFO, Narayanpur and Korba replied in November 2003 that action for recovery was being taken. Reply is not acceptable since the above mentioned bamboo, timber and fuel stacks were stolen from the coupes and in the absence of even an FIR being lodged, it is not understood as to from whom recovery was proposed. Moreover, except for ordering recovery of exploitation cost, no further action had been taken by DFO, Narayanpur. DFO, Korba has not initiated any action even after expiry of more than two years.

The matter was reported to the Government and the Principal Chief Conservator of Forest (PCCF) in March 2004, April 2004; their reply had not been received (January 2005).

#### **7.27 Loss of revenue due to non-accountal of forest produce at depots**

**Non-delivery of forest produce transported from coupes to depot resulted in loss of revenue of Rs.12.84 lakh.**

Madhya Pradesh Financial Code provides that a preliminary report of loss of forest produce should be submitted expeditiously to the Head of Department as well as to the Accountant General and the investigation completed within six months of detection of loss.

Test-check of records of coupe working of DFO, Korba revealed in (October 2003) that during 2002-03, 39.531 cu. m of timber and 889 fuel stacks valued at Rs.12.84 lakh were dispatched from four coupes but was not accounted for at the depot. This resulted in loss of revenue of Rs.12.84 lakh. No action has been taken by the concerned authorities to investigate the loss, fix responsibility and to prevent recurrence of such instances in future. Further neither any FIR has been lodged nor any loss cases prepared and reported to the Head of Department and the Accountant General as required. The possibility of this produce having been misappropriated or stolen could not be ruled out.

After this was pointed out in October 2003, DFO, Korba replied in October 2003 that after adjusting plus and minus figures, net loss was negligible. Reply was not acceptable because plus-minus statements were prepared after remeasurement of forest produce already available at depots. But in this case these losses were due to non delivery of timber and fuel stacks in the depot while being transported and hence the question of plus and minus figures did not arise.

The matter was reported to the Government and the PCCF in March 2004; the reply had not been received (January 2005).

**MINING RECEIPTS**

**7.28 Loss of revenue due to incorrect reduction of stock.**

**Inadmissible reduction of unusable lime stone from the closing stock resulted in loss of revenue of Rs.1.15 crore.**

Mines and Minerals (Regulation and Development) Act, 1957 provides that a lessee is liable to pay royalty on minerals extracted and removed from the leased area during a month by the prescribed date and at prescribed rates.

Test-check of records of Mining Officer, Raipur in December 2002 revealed that as per assessment order for the period 1 January 2001 to 31 December 2001 and six monthly returns submitted by M/s. GRASIM Cement Udyog, the closing stock of lime stone as on 31 December 2001, was shown as 1.43 lakh MT in the return as against the inventory balances of 4.31 lakh MT. The lessee stated that this reduced quantity in closing stock by 2.88 lakh MT was due to screen rejects though no such reduction is permissible as per Rules.

The Department had also not taken any action for recovery of this royalty. This resulted in loss of revenue of Rs.1.15 crore.

After this was pointed out in December 2002, the Mining Officer, Raipur stated in August 2004 that unusable limestone was rejected by the lessee. The reply is not acceptable as there was no provision in Act/Rules for such rejection.

The matter was reported to the Government and the Director, Geology and Mining in May 2003 and March 2004; their reply had not been received (January 2005).

### **7.29 Short levy of interest**

#### **Non-raising of demand for interest on royalty recoverable resulted in non-recovery of interest of Rs.98.72 lakh.**

The Government of Madhya Pradesh vide their order dated 25 October 1999, allowed M/s Ambuja Cement Eastern Ltd., Baloda Bazar, District Raipur to deposit the unpaid amount of royalty alongwith interest in 10 annual instalments as due on 7 October 1997.

Test-check of records of Mining Officer, Raipur revealed in December 2002 that M/s Ambuja Cement had an outstanding royalty of Rs.1.32 crore for the period November 1993 to November 1997 and paid three instalments of Rs.12 lakh each between December 1999 and January 2002. Though the interest leviable on the royalty recoverable worked out to Rs.1.25 crore for the period from 7 October 1997, the Department raised the demand for Rs.26.46 lakh only resulting in short levy of interest of Rs.98.72 lakh.

After this was pointed out in audit in December 2002, the Mining Officer, Raipur stated in August 2004 that progress of recovery of interest would be intimated. Further reply was awaited (January 2005).

The matter was reported to the Government and the Director, Geology and Mining in May 2003 and March 2004; their reply had not been received (January 2005).

## **OTHER NON TAX REVENUE**

### **WATER RESOURCES**

#### **7.30 Loss of revenue due to short realisation of irrigation charges**

##### **Application of incorrect water rates resulted in loss of revenue of Rs.22.99 lakh.**

Government of Madhya Pradesh, Water Resources Department revised the irrigation charges for supply of water at the rate of Rs.81 per acre for agricultural purpose with effect from 15 June 1999 vide orders dated 08 June 1999 (adopted by Chhattisgarh).

Test-check (November 2002) of records of the Executive Engineer, Water Resources Division, Kawardha revealed that 46,920.92 acre land was irrigated in the crop (Kharif) season in the year 1999-2000. The division levied and realised water charges of Rs.15.02 lakh instead of Rs.38.01 lakh due to application of incorrect rate. This resulted in short realisation of revenue of Rs.22.99 lakh.

After this was pointed out in audit in November 2002, the Executive Engineer stated in June 2004 that the demand had been revised. However, the recovery was awaited in audit (January 2005).

The matter was reported to the Engineer-in-Chief and the Government in March 2004; their reply had not been received (January 2005).

#### **7.31 Non-levy of penalty on belated payment**

##### **Non-levy of penalty on arrears collected resulted in loss of revenue of Rs.10.54 lakh.**

MP Irrigation Act 1931 and rules made thereunder provide for levy of penalty at the rate of 10 *per cent* of the amount for delayed payment made within one year from the due date and at the rate of 13 *per cent* thereafter.

Test-check of records of Water Resources Division, Kawardha, revealed in November 2002 that the Department collected arrears of Rs.81.06 lakh during



1998-99 to 2001-02 which related to period of more than one year without levying any penalty. This resulted in loss of revenue of Rs.10.54 lakh.

After this was pointed out in audit in November 2002, the Executive Engineer stated in June 2004 that penalty would be recovered alongwith recovery of revenue. The demand had been noted in recovery register. The position of recovery was awaited (January 2005).

The matter was reported to the Government and the Department in January 2003; their reply had not been received (January 2005).

## **PUBLIC WORKS DEPARTMENT**

### **7.32 Short recovery of licence fee**

#### **Application of incorrect rate of licence fee resulted in short recovery of Rs.2.34 lakh.**

As per MP Works Department Manual, (as adopted in Chhattisgarh) licence fee in respect of Government buildings, leased out to private persons, clubs, local bodies etc. is recoverable at the rate fixed under FR 45-B or at local market rate, whichever is higher.

Test-check of records of Executive Engineer, Public Works Division-I (Building & Road), Bilaspur for the period April 1999 to March 2002 revealed in February 2003 that a Government building having a carpet area of 1,275 square feet was allotted to Prasar Bharti Board (an autonomous body) in April 1984 at a monthly rent of Rs.6,637. It was noticed that the Department recovered the rent at the rate of Rs.260 per month upto September 2000. This resulted in short realisation of licence fee of Rs.2.34 lakh.

After this was pointed out in February 2003, the Executive Engineer stated in August 2004 that the Collector, Bilaspur had initiated revenue recovery proceedings. The position of recovery was awaited (January 2005).

The matter was brought to the notice of the Government and the Engineer-in-Chief, Public Works Department in April 2004; their reply had not been received (January 2005).

**FOOD AND CIVIL SUPPLIES DEPARTMENT**

**7.33 Non-disposal of seized/confiscated goods**

**Non-disposal of confiscated goods resulted in blocking of revenue of Rs.7.23 lakh.**

The Essential Commodities Act, 1955 empowers Collector of Districts to seize food grains and essential goods of licensed dealers in the event of suspected breach of the provisions of the Act. After the offence is proved, seized/confiscated goods are required to be auctioned and sale proceeds thereof credited to the Government account.

Test-check of records of two Food Offices, Raipur and Bilaspur revealed in December 2002 and June 2003 that during 1998-99 and 2001-02 in 37 cases, perishable commodities like food grains, oil seeds and pulses etc. valued at Rs.7.23 lakh<sup>95</sup> were seized/confiscated. Though the offences were established against the dealers, no effective steps for disposal of the confiscated goods were taken by the Department, resulting in non-disposal of the seized/confiscated goods and blocking of revenue of Rs.7.23 lakh.

After this was pointed out in December 2002 and June 2003, the Collector (Food Department), Raipur intimated that an amount of Rs.1.63 lakh had been recovered (May 2004). The Collector (Food Department), Bilaspur intimated in May 2004 that revenue recovery proceedings had been initiated in 13 cases and in five cases the concerned inspectors had been instructed to take necessary action. Further reply was awaited (January 2005).

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<sup>95</sup> *Collector Raipur : 1.95 lakh*  
*Collector Bilaspur : 5.28 lakh*

The matter was reported to the Director and the Government in March 2004; their reply had not been received (January 2005).

**Raipur**  
**The**

**(Meera Swarup)**  
**Accountant General Chhattisgarh**

**Countersigned**

**New Delhi**  
**The**

**(Vijayendra N. Kaul)**  
**Comptroller and Auditor General of India**