

Chapter-III

Tax Administration

3.1 Trend of revenue receipts

3.1.1 The tax and non tax revenue raised by the Government of Jammu and Kashmir during the year 2004-05, 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 four years are given below:

Table 3.1

(Rupees in crore)

S. No		2000-01	2001-02	2002-03	2003-04	2004-05
I-Revenue raised by the State Government						
	Tax revenue	745.98	804.17	1,033.09	1,170.28	1,351.05
	Non tax revenue	444.29	462.62	865.21	632.54	641.42
	Total	1,190.27	1,266.79	1,898.30	1,802.82	1,992.47
II-Receipts from Government of India						
	State's share of divisible Union taxes	675.40	575.79	684.52	817.42	934.43
	Grants-in-aid	3,794.49	4,646.63	4,965.35	5,591.43	5,939.58
	Total	4,469.89	5,222.42	5,649.87	6,408.85	6,874.01
III-Total receipts of the State		5,660.16	6,489.21	7,548.17	8,211.67	8,866.48¹
IV-Percentage of I to III		21	20	25	22	22

3.1.2 The details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

¹ Note: For details, please see Statement No. 11- Detailed Account of Revenue by Minor Heads in the Finance Accounts of the Government of Jammu and Kashmir for the year 2004-05. Figures under the head "0020-Corporation Tax, 0021- Taxes on Income other than Corporation Tax, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0045- Other taxes and duties on commodities and services"-share of net proceeds assigned to states booked in the Finance accounts under 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 3.2

(Rupees in crore)

S. No.	Head of Revenue	2000-01	2001-02	2002-03	2003-04	2004-05	Percentage increase (+)/ decrease (-) in 2004-05 over 2003-04
1.	Sales tax	358.72	408.75	535.97	674.38 ^ψ	804.12	19
2.	State excise	298.06	165.00	222.51	204.83	272.37	33
3.	Stamps and registration fee	21.06	26.08	25.67	33.58	39.25	17
4.	Taxes and duties on electricity	12.74	20.67	25.66	32.67	49.36	51
5.	Taxes on vehicles	23.32	28.18	33.66	38.43	41.68	8
6.	Taxes on goods and passengers	14.27	143.24	182.84	182.63	132.62	(-) 27
7.	Taxes on immovable property other than agricultural land	1.29	1.85	1.03	0.29	0.30	3
8.	Land revenue	3.90	8.14	2.80	3.18	11.24	253
9.	Other taxes and duties on commodities and services	12.62	2.26	2.95	0.29	0.11	(-) 62
	Total	745.98	804.17	1,033.09	1,170.28	1,351.05	15

Reasons for variation in receipts during 2004-05 compared to those of 2003-04 wherever substantial though called for have not been received (September 2005).

3.1.3 Variation between budget estimates and actuals

Variation between budget estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax revenue are given below:

Table 3.3

(Rupees in crore)

Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax Revenue				
Sales tax	653.50	804.12	150.62	23
State excise	216.47	272.37	55.90	26
Stamps and registration fee	31.30	39.25	7.95	25
Taxes on goods and passengers	210.72	132.62	(-) 78.10	37
Taxes and duties on electricity	103.95	49.36	(-) 54.59	53
Taxes on vehicles	36.61	41.68	5.07	14

The reasons for variation between budget estimates and actual receipts though called for, had not been received (September 2005).

^ψ Includes service tax of Rs. 72.23 lakh

3.1.4 Analysis of collection

Break up of total collection at pre assessment stage and after regular assessment of sales tax and motor spirit tax for the year 2004-05 and the corresponding figures for the preceding two years, in respect of which information was furnished by the Department, was as follows:

Table 3.4

(Rupees in crore)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7
1	2	3	4	5	6	7	8
Sales tax	2002-03	341.65	8.06	0.07	^β	349.78	98
	2003-04	399.45	7.54	0.14	^β	407.13	98
	2004-05	490.60	30.83	14.40	-	535.83	92
Motor spirit tax	2002-03	121.28	^β	Nil	Nil	121.28	100
	2003-04	138.81	0.01	-	-	138.82	100
	2004-05	179.87	0.37	-	-	180.24	100

It will be seen that between 92 and 100 *per cent* of sales tax and motor spirit tax collections were made at pre assessment stage during the period 2002-03 to 2004-05.

3.1.5 Cost of collection

The figures for gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05, alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2003-04 were as follows:

Table 3.5

(Rupees in crore)

Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2003-04
Sales tax	2002-03	535.97	10.24	2	1.15
	2003-04	674.38	10.60	2	
	2004-05	804.12	11.88	2	
Taxes on vehicles	2002-03	33.66	2.26	7	2.57
	2003-04	38.43	2.30	6	
	2004-05	41.68	2.68	6	
State excise	2002-03	222.52	14.69	7	3.81
	2003-04	204.83	12.01	6	
	2004-05	272.37	8.48	3	
Stamps and registration fee	2002-03	25.67	2.25	9	3.66
	2003-04	33.58	2.36	7	
	2004-05	39.25	4.33	11	

Percentage of cost of collection of sales tax, taxes on vehicles and stamps and registration fee during 2002-03 to 2004-05 and in respect of state excise

^β Negligible

during 2002-03 and 2003-04 was higher than the all India average cost of collection. Reasons for the same though called for had not been received (September 2005).

3.1.6 Collection of sales tax per assessee

The comparative position of sales tax collection per assessee during the period from 2000-01 to 2004-05 was as under:

Table 3.6 (Rupees in lakh)

Year	No. of assesses	Sales tax revenue	Revenue per assessee
2000-01	22,103	35,871.96	1.62
2001-02	20,842	40,874.84	1.96
2002-03	21,028	53,597.20	2.55
2003-04	20,953	67,365.48	3.21
2004-05	22,232	80,412.47	3.61

The collection of sales tax per assessee varied between Rs. 1.62 lakh and Rs. 3.61 lakh during the period from 2000-01 to 2004-05.

3.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue in respect of which information was furnished by the Department amounted to Rs. 849.71 crore of which Rs. 645.51 crore were outstanding for more than five years as detailed in the table given below:

Table 3.7 (Rupees in crore)

S. No.	Head of Revenue	Amount outstanding as on 31 March 2005	Amount outstanding for more than five years as on 31 March 2005	Remarks
1.	Sales tax	825.94	627.32	Out of total arrears of Rs. 825.94 crore, recovery of Rs. 35.36 crore and Rs. 8 crore was stayed by the courts and appellate authority respectively. Arrears of Rs. 183.18 crore were proposed to be written off. The position of recovery of balance amount of Rs. 599.40 crore was not intimated (September 2005).
2.	State excise	3.74	3.74	Out of total arrears of Rs. 3.74 crore, recovery of Rs. 0.20 crore was stayed by the courts. Arrears of Rs. 2.39 crore were proposed to be recovered as arrears of land revenue. The position of recovery of balance amount of Rs. 1.15 crore was not intimated (September 2005).
3.	Taxes on goods and passengers (Toll tax)	19.90	14.33	Out of total arrears of Rs. 19.90 crore, recovery of Rs. 12.09 crore was stayed by the courts and arrears of Rs. 2.25 crore was proposed to be recovered as arrears of land revenue. The position of recovery of Rs. 5.56 crore was not intimated (September 2005).
4.	Entertainment tax	0.13	0.12	The position of recovery of arrears was not intimated (September 2005)
Total		849.71	645.51	

The arrears outstanding for more than five years constituted 76 per cent of total arrears.

3.1.8 Arrears in assessment

The details of cases pending assessment at the beginning of the year 2004-05, cases becoming due for assessment during the year, cases disposed off during the year and number of cases pending finalisation at the end of the year 2004-05, as furnished by the Sales Tax Department in respect of sales tax and tax on works contracts were as follows:

Table 3.8

S. No.	Name of tax	Opening balance	New cases due for assessment during 2004-05	Total assessment due	Cases disposed off during the year 2004-05	Balance at the end of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Sales Tax	26,708	18,428	45,136	24,441	20,695	54
2.	Tax on works contracts	476	980	1,456	344	1,112	24
	Total	27,184	19,408	46,592	24,785	21,807	53

There was no substantial reduction in arrears of assessment during the year 2004-05.

3.1.9 Evasion of tax

The details of cases of evasion of tax detected by sales tax and excise departments, cases finalised and the demands for additional tax raised as reported by the departments are given below:

Table 3.9

S.No.	Name of tax/duty	Cases pending as on 31 March 2004	Cases detected during 2004-05	Total	No. of cases in which assessment/investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31 March 2005
					No. of cases	Amount (Rupees in crore)	
1.	Sales tax	51,122	9,406	60,528	13,031	16.81	47,497
2.	State excise	1	-	1	-	-	1
3.	Taxes on goods and passengers	-	80	80	80	0.03	-

The progress of recovery of amount was not intimated (September 2005).

3.1.10 Write off and waiver of revenue

Arrears of Rs. 8.69 crore were waived off and further amount of Rs. 17.84 crore was reduced due to rectification, appeal effect and revision during the year 2004-05.

3.1.11 Refund

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and the cases pending at the close of year 2004-05, as reported by the Sales tax Department are given below:

Table 3.10 (Rupees in lakh)

S. No.		Sales tax	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year 2004-05	3	2.49
2.	Claims received during the year	4	1.57
3.	Refund made during the year	4	1.57
4.	Balance outstanding at the end of the year 2004-05	3	2.49

Reasons for non settlement of remaining three cases were not intimated (September 2005).

3.1.12 Results of Audit

Test check of records of sales tax, state excise, motor vehicles tax and stamp and registration fees conducted during the year 2004-05 revealed underassessment/short levy/loss of revenue amounting to Rs. 33.89 crore in 356 cases. During the course of year, the departments accepted short levy/loss of revenue to the tune of Rs. 21.59 crore in 191 cases. No replies were received in remaining cases.

This chapter of the Audit Report contains six audit paragraphs including one review bringing out non levy/short levy of taxes, duties, interest and penalties, etc. aggregating Rs. 7.48 crore out of which Rs. 2.37 lakh were recovered. Progress of recovery of balance amount was awaited (September 2005).

3.1.13 Response of the departments to draft audit paragraphs

Draft paragraphs are forwarded to the Principal Secretary/Secretary of the concerned administrative department seeking confirmation of facts and figures and his comments thereon within a period of six weeks. Six draft paragraphs including one review were forwarded to concerned departments/Government during March 2005 to June 2005, no reply was received from the departments/Government (September 2005).

3.1.14 Follow up on Audit Reports- summarised position

Status of reviews/paragraphs of Revenue Receipts Chapter pending discussion by the Public Accounts Committee as on 31 March 2005 was as under:

Table 3.11

Period of Audit Reports	Total number of reviews and paragraphs that appeared in Revenue Receipts Chapter of Audit Report		No. of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1990-1991	-	5	-	5
1991-1992	-	8	-	8
1992-1993	1	5	1	5
1993-1994	2	5	2	5
1994-1995	1	14	1	14
1995-1996	4	9	4	9
1996-1997	2	4	2	4
1997-1998	-	9	-	7+2 ^β
1998-1999	1	11	1	11
1999-2000	-	7	-	6+1 ^β
2000-2001	1	7	1 ^β	7
2001-2002	1	8	1	8
2002-2003	1	8	1	8
2003-2004	-	4	-	4
Total	14	104	14	104

3.1.15 Tax policy issues

With a view to plug loopholes facilitating both avoidance and evasion of taxes, State Government took various policy decisions in the recent past. A review of these decisions to assess their impact on collection of revenue revealed as under:

Abolition of export duty on IMFL

Export duty on locally manufactured IMFL and beer was abolished in March 2001. The intention was to boost the export of this commodity to neighbouring states. Instead of making a significant dent in the market of other states, the exports fell from 13.39 lakh LPLs[≠] in 2000-01 to 5.97 lakh LPLs in 2004-05. Thus the decision of the Government did not yield any fruitful result as the objective could not be achieved.

Rationalisation of stamp duty

Value of real estate in the country is suppressed not only for evasion of stamp duty but also due to less accountal of wealth exchanging hands during the course of transactions. Jammu and Kashmir State also faced this problem and the Government felt that it suffered a significant loss in revenue collection on this account particularly in view of considerable increase in the value of real estate in the recent past.

With a view to arresting evasion of stamp duty, the Government proposed in February 2004 to have a system of area-wise valuation of land and property to fix minimum bench mark value for registration and concomitant payment of stamp duty. The legislative measures to make registrations mandatory and address the problem of undervaluation of real estate were not taken by the Government (July 2005).

^β Partly discussed

[≠] London proof litres

Excise policy

Rationale behind imposition of taxes at higher rates on liquor is not to collect more revenue but to curb its consumption as a measure of pro prohibitory policy of Government. While framing the excise policy for 2001-02, Government decided to generally deny issue of any fresh licence for manufacture and sale of liquor unless justified by exceptional circumstances. Government while appreciating need for giving due regard to public sensitivities as also to the factors like public nuisance, environmental pollution etc. also decided to strictly conform to the provisions of Excise Act and Rules for issue of such licences. It was, however, observed that the number of distilleries/bottling plants, country liquor/IMFL vends were on an increase and 205 more licences were granted for the year 2004-05.

Withdrawal of sales tax exemption

Withdrawal of sales tax exemption of IMFL and works contracts was proposed in February 2004 by Government in view of the fact that the benefit of exemption was enjoyed mostly by the non locals and the concession was not passed on to the local consumers. However, no action in this regard was taken during the year.

Finance Department

3.2 Review on “assessment and collection of sales tax”

Highlights:

- Failure of the assessing authorities to notice concealment of purchases/turnover due to non verification of purchase statements of the dealers with computerised dealer wise data/consumption account of declaration forms, misclassification of goods and application of incorrect tax rates, resulted in short levy of tax, penalty and interest aggregating Rs. 2.24 crore.

(Paragraphs: 3.2.6, 3.2.7, 3.2.8 and 3.2.12)

- Inaction of the assessing authorities to withdraw tax exemption to dealers found guilty of offence under the Act resulted in non levy of tax of Rs. 3.95 crore.

(Paragraph: 3.2.9)

- Assessing authority failed to levy penalty of Rs. 1.19 crore for non filing of return and non payment of tax by the dealer.

(Paragraph: 3.2.13)

- Progress of recovery of tax arrears was poor which led to increase in arrears from Rs. 478.74 crore (March 2000) to Rs. 561.25 crore as of March 2004.

(Paragraph: 3.2.18)

3.2.1 Introduction

The levy, assessment, collection and recovery of sales tax are governed by the Jammu and Kashmir General Sales Tax Act, 1962, (Act), Rules framed thereunder and administrative instructions issued from time to time. All registered dealers except those dealing exclusively in goods declared tax free are liable to pay tax on their taxable turnover for each year at prescribed rates determined by Government from time to time. As per Act, Government can notify point or points of sale at which any goods or class of goods may be taxed. Further every dealer liable to pay tax shall file quarterly/annual return of his turnover alongwith proof of having paid tax due on that return within 30/120 days from expiry of the quarter/year. The assessing authority shall subject to his satisfaction assess amount of tax due from a dealer on the basis of such return.

3.2.2 Organisational set up

Financial Commissioner (Finance) is responsible for the overall working of the Sales Tax Department at Government level. The overall control and superintendence of the (sales tax) department vests with the Commissioner Sales Tax (Commissioner). He is assisted by 16 Deputy Sales Tax Commissioners (DSTCs). The State is divided into 39 sales tax assessment circles each headed by an Excise Taxation Officer.

3.2.3 Audit objective

Detailed analysis of internal control in assessment and collection of sales tax was conducted with a view to ascertain that:

- revenue in the shape of tax, penalty and interest has been properly assessed, levied, collected and promptly remitted to Government account.
- remission or exemption was allowed correctly by competent authority.
- departmental machinery was functioning properly for compliance of rules, procedures, departmental instructions to safeguard the revenue against errors and evasion.

3.2.4 Audit Methodology

Selection of assessment cases was made on the basis of gross turnover (GTO) of sales. All cases with annual GTO of Rs. 50 lakh and above were checked. Random sampling method was adopted in selection of other cases for audit check.

3.2.5 Scope of Audit

Records relating to levy, assessment, collection and recovery of sales tax for the period from 2000-01 to 2003-04 were test checked in offices of Commissioner, five* DSTCs and 25 assessment circles during May 2004 to March 2005.

3.2.6 Suppression of turnover

Under the Act, every dealer is required to render consumption account of utilisation of declaration form 'C' and form 'F' issued to him by the concerned assessing authority. The consumption account is required to be taken into consideration at the time of assessment of the dealer by the assessing authority. In case of concealment of turnover or furnishing of inaccurate particulars by the

* DSTC (Planning) Jammu; DSTC (Recovery) Jammu; DSTC Checkpost Lakhanpur Jammu; DSTC (Appeals) Jammu; DSTC (Vigilance and Inspection) Jammu

dealer, penalty not less than the amount of tax but not exceeding double the tax shall be levied upon such dealer.

- Cross check of the details of consumption accounts with returns submitted by the dealers revealed that 27 dealers in eight circles had not accounted for the interstate purchases/stock transfers of Rs.1.08 crore for the years 1999-2000 to 2002-03 thereby understating their turnover during these years. The assessing authorities while finalising assessments of these dealers between March 2002 and March 2004 failed to notice concealments resulting in short realisation of Government revenue of Rs. 27.47 lakh as detailed below:

Table 3.12

(Rupees in lakh)

S. No	Name of Sales Tax Circle	Number of dealers	Accounting years	Concealed turnover	Short levy of tax	Interest chargeable	Penalty imposable	Total short demand
1.	'B' Srinagar	2	1999-2000 to 2002-03	13.60	1.14	1.06	1.14	3.34
2.	'F' Jammu	1	2001-02	6.17	0.52	0.32	0.52	1.36
3.	'A' Jammu	1	2001-02	1.27	0.11	0.09	0.11	0.31
4.	'J' Jammu	3	1999-2000 to 2000-01	2.33	0.20	0.22	0.20	0.62
5.	Udhampur-I	3	1999-2000 to 2002-03	14.37	1.20	0.95	1.20	3.35
6.	'E' Jammu	10	1999-2000 to 2002-03	42.05	4.50	3.59	4.50	12.59
7.	'N' Jammu	5	1999-2000 to 2002-03	9.70	0.98	1.10	0.98	3.06
8.	'C' Jammu	2	1999-2000 to 2000-01	18.03	0.80	1.24	0.80	2.84
	Total:	27		107.52	9.45	8.57	9.45	27.47

After this was pointed out in audit between July 2004 and March 2005, assessing authorities issued notices to all dealers. Further progress was awaited (April 2005).

- A centralised data which provides consolidated information about imports and exports made by all registered dealers is maintained by the Department at computer center, Jammu.

Cross check of purchases disclosed by the dealers in their purchase statements with the computerised data of imports available with the assessing authorities revealed that goods valued at Rs. 3.93 crore were not accounted for by 43 dealers of nine assessment circles in their purchase statements for the accounting years 1997-98 to 2002-03. However assessing authorities while finalising assessment between December 2001 and March 2004 failed to verify the returns furnished by the assessee with the computerised data available with them resulting in concealment of purchases of Rs. 3.93 crore involving a tax liability of Rs. 1.12 crore.

Table 3.13

(Rupees in lakh)

S. No	Name of the circle (No. of dealers)	Nature of commodity	Sale value of concealed purchases	Tax short levied	Interest chargeable	Penalty imposable	Total short demand
1	A- Srinagar (6)	Medicines, Readymade garments etc.	66.74	4.64	6.36	4.64	15.64
2	B- Srinagar (7)	Footwear, Cosmetics etc.	116.22	13.02	16.77	13.02	42.81
3	F- Srinagar (5)	Footwear, Medicine	10.31	0.80	1.34	0.80	2.94
4	A- Jammu (1)	Stationery	32.51	2.73	3.79	2.73	9.25
5	D- Srinagar (2)	Cosmetics and Medicines etc.	16.15	0.94	1.07	0.94	2.95
6	J- Srinagar (2)	Cycles, Pressure cookers etc.	6.12	0.51	0.44	0.51	1.46
7	J- Jammu (5)	Sale of LPG and Gas stoves, Medicines etc.	16.61	1.62	1.42	1.62	4.66
8	E- Jammu (7)	Electric goods, Readymade garments, Soft drinks etc.	62.33	5.84	4.21	5.84	15.89
9	C- Jammu (8)	Electronic, Electric goods, Hardware etc.	65.96	4.58	7.35	4.58	16.51
Total	43		392.95	34.68	42.75	34.68	112.11

- The assessing authority circle 'F' Srinagar, while making assessment of a dealer in March 2004 of the year 1994-95 levied a tax of Rs. 6.90 lakh on concealed turnover of Rs. 1.44 crore but did not levy penalty. The minimum penalty was Rs. 6.90 lakh. Non levy of penalty resulted in short realisation of Government revenue to that extent.

3.2.7 Non application of revised tax rates

Government enhanced in April 1999 sales tax rates of light motor vehicles, footwear, readymade garments and edible oil etc. with effect from 5 April 1999. These rates were, however, again reduced by the Government on 30 April 1999.

Audit scrutiny revealed that 26 dealers in five assessment circles paid sales tax at pre existing rates for the sales made during the period from 5 April 1999 to 29 April 1999. This escaped the notice of concerned assessing authorities at the time of assessment of these dealers made between October 2000 and March 2004, resulting in short levy of tax of Rs. 30.22 lakh including interest of Rs. 18.97 lakh as detailed below:

Table 3.14

(Rupees in lakh)

Sl. No.	Name of the circle	Number of dealers	Name of goods	Sale value of goods where reduced rates charged	Short levy of tax by applying lower rate of tax	Interest chargeable	Total short demand
1	'A' Srinagar	1	Motor vehicles	163.96	6.89	11.57	18.46
2	'A' Srinagar	1	Footwear	38.61	1.62	2.72	4.34
3	'A' Srinagar	6	Footwear and Readymade Garments	19.84	0.83	1.43	2.26
4	'B' Srinagar	8	Footwear and Readymade Garments	12.54	0.53	0.90	1.43
5	'F' Srinagar	1	Motor vehicles	4.97	0.21	0.35	0.56
6	'E' Jammu	1	Readymade Garments	5.47	0.23	0.41	0.64
7	'C' Jammu	8	Readymade Garments and edible oil	22.38	0.94	1.59	2.53
	Total	26		267.77	11.25	18.97	30.22

After this was pointed out in audit, the assessing authority sales tax circle 'A' Srinagar raised a demand of Rs. 5.87 lakh in five cases. Recovery position and reply in remaining cases was awaited (April 2005).

3.2.8 Application of incorrect rates of tax

Under the provisions of the Act, electric/electronic goods, cosmetics, hair oil, soft drinks, juice, knitting wool, plastic goods, PVC pipes, motor parts, diapers (toilet requisites), *vanaspati*, crockery and sanitary goods etc. were chargeable to tax at rates specified in the schedules to the Act and notified by Government from time to time. In case of non payment of tax within the prescribed period, interest and penalty are chargeable under the Act.

It was seen in audit, that 15 dealers in nine assessment circles paid tax on these goods at rates lower than those prescribed in the Act. The assessing authorities failed to detect the mistake at the time of assessment of these dealers resulting in short levy of tax of Rs.30.91 lakh inclusive of interest of Rs. 14.44 lakh and penalty of Rs. 1.76 lakh.

After this was pointed out in audit, the assessing authorities issued notices between July 2004 and March 2005 to the respective dealers. Further progress was awaited (April 2005).

3.2.9 Non withdrawal of tax exemption

Government vide notification in August 1998 exempted small scale industrial units registered with the Industries Department from payment of sales tax on goods manufactured by them. The dealers (industrial units) were required to maintain correct and regular accounts of purchase of goods including raw

materials as also to file returns of sales. The notification also provided that in case a dealer was found guilty of an offence i.e. concealment of turnover etc. during the accounting year in which exemption was available, he would not be entitled to any exemption for the year in which such offence was committed or for subsequent years.

Test check of records revealed that 14 dealers in three circles concealed purchases worth Rs. 23.19 lakh and thus committed an offence under the Act. The assessing authorities failed to notice these concealments at the time of assessment and incorrectly allowed exemption of sales tax of Rs. 2.24 crore on the sales of Rs. 12.13 crore during the years 1997-98 to 2002-03 which resulted in short levy of tax as detailed below:

Table 3.15

(Rupees in lakh)

S. No.	Name of the circle (No. of dealers)	Nature of commodity	Month and year of assessment	Value of purchases concealed	Total value of sales made	Tax payable on the value of sales
1	'I' Jammu (9)	Marble, steel, paint, aluminum doors and window frames, steel furniture etc.	April 2003 May 2003	6.15	604.01	96.47
2	'E' Srinagar (4)	Stitching of poly propylene socks and tyre retreading	April 2003 July 2003	6.80	311.03	53.70
3	'G' Jammu (1)	Manufacture of diesel generating sets etc.	March 2004	10.24	297.56	74.01
Total	14	-	-	23.19	1212.60	224.18

After this was pointed out in audit, the assessing authorities stated that notices were issued to the dealers. Further progress was awaited (March 2005).

- Test check of records of Sales Tax Circle 'G' Jammu revealed in July 1999 that SSI unit holder had concealed interstate purchases of Rs. 6.05 lakh made during 1995-96 (Rs 4.14 lakh) and 1996-97 (Rs. 1.91 lakh) in contravention of the provisions governing grant of exemption from payment of sales tax. This led to concealment of turnover of Rs 7.48 lakh. The assessing authority while assessing the unit holder for the years 1995-96 and 1996-97 in October 1998 and March 1999 respectively failed to detect the omission and granted him irregular exemption from payment of sales tax on taxable turnover of Rs. 4.48 crore 1995-96: Rs. 2.15 crore; 1996-97: Rs. 2.33 crore. The inaction resulted in non levy of tax, interest and penalty of Rs. 94.09[♦] lakh as exemption allowed should have been withdrawn by the department.

After this was pointed out in audit, the assessing authority reassessed the unit holder in February 2004 and raised demands aggregating Rs. 1.71^ψ crore. The assessing authority issued (May 2004) recovery certificates to the Deputy

[♦] Tax: Rs. 46.90 lakh; Interest: Rs. 46.57 lakh and Penalty: Rs. 0.62 lakh

^ψ Tax: Rs. 46.90 lakh; Interest: Rs. 123.32 lakh and Penalty: Rs. 0.62 lakh

Commissioner Commercial Taxes (Recovery) Jammu for effecting recovery of the said amount.

The matter was referred to Government/Department in March 2005; reply had not been received (September 2005).

3.2.10 Non verification of exemption claims

As per Government notification dated March 1989, sale of raw material to small scale units is exempted from sales tax. The purchasing units are required to furnish a declaration in this behalf in the prescribed form to the seller.

Audit scrutiny of records in 'C' circle Jammu revealed that a dealer claimed exemption of tax on the basis of such declarations for sale of fevicol (adhesive) to a small scale unit at Srinagar registered for manufacture of joinery and furniture articles. Fevicol constitutes a minor item of raw material both in quantity and value in the furniture industry. The purchase of fevicol (adhesive) made by the unit holder and his turnover during 1996-97 to 1999-2000 was as follows:

Table 3.16 (Rupees in lakh)

Year	Value of purchase of fevicol	Annual Turnover
1996-97	28.90	171.97
1997-98	77.04	493.42
1998-99	87.05	336.18
1999-2000	99.81	332.55

The annual purchases of fevicol (adhesive) by the unit holder was between 16 per cent and 30 per cent of the total turnover during 1996-97 to 1999-2000 and as such it did not commensurate with his turnover. The genuineness of the claim of the unit holder was required to be cross checked with the total quantity of timber purchased/consumed as per the annual capacity sanctioned by the Industries Department. This verification was however, not done by the assessing authority.

After this was pointed out in January 2005, the Commissioner sought (March 2005) reports from the respective Deputy Commissioners of the Department. Further progress was awaited (September 2005).

3.2.11 Non filing of return by transport agencies

Under Section 15-B of the Act read with rule 40-B made thereunder, every transport, clearing or forwarding agency having a place of business in the State, importing, clearing or forwarding goods on behalf of a dealer is required to obtain a certificate of registration from the DSTC of the area. Such agencies are required to submit monthly returns indicating details of goods transported, cleared or forwarded by them and are liable for penalty equal to sum of Rs. 50 for each

day of default subject to maximum of Rs 1,000 in the event of failure without any reasonable cause to submit the return.

It was, however, observed in audit that 62 transport agencies were registered in the State during 2003-04. Of these, 56 transport agencies had not filed their monthly returns during 2003-04, making them liable for penalty for which no proceedings were initiated. There was nothing on record to show that any effort was made to call for the returns from these agencies.

After this was pointed out by audit, DSTC Kashmir admitted (July 2004) tax evasion by the transport agencies and stated that such agencies were being identified.

3.2.12 Incorrect determination of taxable turnover

The minimum sale price of Indian made foreign liquor (IMFL) is fixed by the State Excise Commissioner at the beginning of each year. These rates are communicated to the Commissioner of sales tax for information of the concerned assessing authorities for their application at the time of assessment of dealer for that particular year. The Excise Commissioner fixed (April 2001) minimum sale price of IMFL for the year 2001-02 which remained in operation upto 2002-03.

In two^φ circles, seven dealers disclosed sale value of IMFL of Rs. 5.26 crore as against Rs. 5.54 crore being the minimum sale price fixed by the Excise Commissioner for the years 2001-02 and 2002-03. The assessing authorities while finalising assessments between December 2002 and January 2004 failed to detect the concealment of sale of Rs 28.61 lakh and accepted the sale value disclosed by the dealers. This resulted in short levy of tax of Rs 16.08 lakh including penalty and interest.

After this was pointed out in October 2004, the assessing authority sales tax circle 'H' Jammu stated that notices had been issued to respective dealers. Further progress was awaited (April 2005).

3.2.13 Non levy of penalty

Under Section 17 of the Act, penalty at the rate of two *per cent* per month of the tax payable reduced by amount of tax paid is leviable on a dealer for the period of delay from the due date of filing return/payment of tax to the actual date of payment of tax.

During the course of test check of records of sales tax circle 'E' Srinagar, it was noticed that the dealer had not filed the returns for the years 1999-2000 to 2001-02. The taxable turnover for these years determined at Rs. 26.31 crore carried tax liability of Rs. 3.34 crore. Of this, dealer paid tax of Rs. 1 crore leaving the balance of Rs. 2.34 crore unpaid. The assessing authority while

^φ Circle 'H' Jammu: 5 and Kathua Circle: 2

assessing the dealer in June 2003 failed to levy penalty of Rs. 1.19 crore for these defaults.

3.2.14 Non inclusion of contract receipts in taxable turnover

Under the provisions of the Act, sale tax at prescribed rates is chargeable on the gross contract receipts obtained by the contractor. Tax so deducted from the bills of the contractor is to be adjusted/credited against the tax payable by the contractor.

Scrutiny of records of assessing authority Sales Tax Circle 'E' Jammu revealed that a dealer dealing in sale of air conditioners and water coolers as well as execution of contracts was assessed in March 2004 on taxable turnover of Rs. 1.04 crore for the accounting year 2001-02. However, contract receipts of Rs. 60.68 lakh were not included in the total taxable turnover of Rs. 1.04 crore which resulted in short levy of tax, penalty and interest of Rs. 3.83 lakh.

After this was pointed out in March 2005, assessing authority issued notice to the dealer. Further progress was awaited March (2005).

3.2.15 Concealment of sales and exaggeration of closing stocks

A dealer dealing in sale of soft drinks and juice (having maximum shelf life between six months and one year) disclosed purchases, sales and closing stocks in respect of accounting years 1999-2000 to 2002-03 in his return as detailed below:

Table 3.17 (Rupees in lakh)

Year	Purchases	Sales	Closing stock
1999-2000	32.82	46.03	82.01
2000-01	43.97	9.31	116.67
2001-02	30.96	29.66	117.97
2002-03	14.09	19.43	112.63

These were accepted by the assessing authority Sales Tax Circle 'B' Srinagar at the time of assessment between June 2001 and August 2003 of the dealer. Against the closing stock of Rs. 95.22 lakh as of March 1999, opening stock valued at Rs. 62 lakh was brought forward on 1 April 1999 resulting in less carry forward of stock worth Rs. 33.22 lakh.

Further, the sales disclosed by the dealer were disproportionate to the purchases made and stocks held during the period 1999-2000 to 2002-03. The closing stock worth Rs 112.63 lakh as of March 2003 included stocks valued at Rs. 98.54 lakh which had lost their shelf life. This indicated that the dealer had concealed sales and exaggerated the closing stock to the extent of Rs. 98.54 lakh to defer payment of tax which amounted to Rs. 12.42 lakh.

After this was pointed out in audit, the assessing authority issued notice to the dealer.

3.2.16 Undue benefit under Amnesty Scheme

Government notification of June 1999 envisaged remission of 100 *per cent* interest and penalty to the dealers who defaulted in payment of tax and did not file returns in time etc. and who agreed to pay their tax arrears in prescribed instalments provided that the arrears for this purpose were the amounts admitted or assessed upto 31 March 1997 under the Act.

Scrutiny of records of Sales Tax Circle 'F' Srinagar revealed that a dealer had reflected taxable stock transfer of Rs. 1.94 crore to his sister concern during 1995-96 which on verification in June 2003 by the department was not found accounted for by the latter in his books. The assessing authority while finalising the assessment in June 2003 clubbed the sale value with the admitted sale prior to 31 March 1997, making a suitable addition in the arrears due from the dealer. Since sale which was neither admitted nor assessed upto 31 March 1997, benefit of remission of interest and penalty under amnesty scheme to the extent of Rs. 39.74 lakh extended to dealer was irregular.

3.2.17 Collection of tax

The collection of sales tax in the State was entrusted to specified branches of the Jammu and Kashmir Bank which in turn were required to remit these receipts at the close of each Friday to two nodal branches of the bank at Residency Road Srinagar and Town Hall Jammu. These two designated nodal branches were required to credit the entire balance (including their own tax collections) to Government account at the close of daily business. The Finance Department in Government was responsible for monitoring the overall position of remittances of tax receipts regularly to Government account.

During the years 2001-02 to 2003-04, sales tax of Rs. 1,432.84* crore was collected by the Department. It was, however, seen in audit that nodal bank branch at Town Hall Jammu did not remit daily entire amount to Government account and instead retained balances on the close of each day which ranged between Rs. 9.07 crore and Rs. 51.37 crore during 2002-03, between Rs. 0.03 lakh and Rs. 64.20 crore during 2003-04. Further tax receipts of Rs. 15.79 crore and Rs. 9.55 crore were not credited to Government account at close of the years 2002-03 and 2003-04 respectively and were instead carried forward to next financial year. Remittance of amounts in full to Government account would have resulted in reduction in Government overdraft obtained from same bank to that extent with consequential saving of interest of Rs. 8.68 crore. After this was pointed out, the Director Finance reported the matter to the Chief General Manager, Jammu and Kashmir Bank, Srinagar. Further progress was awaited (March 2005).

* 2000-01: Rs. 267.69 crore; 2001-02: Rs. 323.90 crore; 2002-03: Rs. 379.10 crore; 2003-04: Rs. 462.15 crore

3.2.18 Non pursuance of recovery of tax arrears

In terms of section 16 (1) of the Act, any amount of tax, penalty, interest or any other sum payable under the Act which is not paid in accordance with other provisions of the Act shall, on the issue of recovery certificate by concerned assessing authority to the Collector of the concerned district, be recovered as arrears of land revenue.

The position of arrears during 2000-01 to 2003-04 as furnished by department was as under:

Table 3.18

(Rupees in crore)

Year	Name of the division	Opening balance	Receipts during the year	Total	Clearance during the year	Closing balance
2000-01	Jammu	115.45	23.50	138.95	16.61	122.34
	Kashmir	363.29	76.50	439.79	156.91	282.88
2001-02	Jammu	122.34	52.92	175.26	9.35	165.91
	Kashmir	282.88	64.07	346.95	29.93	317.02
2002-03	Jammu	165.91	41.74	207.65	25.83	181.82
	Kashmir	317.02	26.09	343.11	22.85	320.26
2003-04	Jammu	181.82	51.19	233.01	17.11	215.90
	Kashmir	320.26	30.65	350.91	5.56	345.35

The tax arrears pending for recovery had risen from Rs. 478.74 crore at the end of March 2000 to Rs. 561.25 crore as of March 2004. The progress of recovery of tax arrears was poor and the percentage of clearance of these arrears ranged between five and 12 in Jammu and between two and 36 in Kashmir during 2000-01 to 2003-04. Department had not evolved any effective monitoring mechanism to pursue the cases till tax was recovered as would be revealed from the following instances:

- Though revenue recovery certificates (RRCs) in 18 cases involving Rs 10.51 crore for the period from 1978-79 to 1999-2000 were initiated by three^{*} assessing authorities, no further action was taken to recover the same resulting in non realisation of the revenue to that extent.
- Stay was granted by four appellate authorities in 19 cases of eight[^] assessment circles in Jammu division pertaining to the period from 1986-87 to 2001-02 involving tax demand of Rs. 29.18 crore. There was nothing on record to indicate that department had made any effort to get the stay orders vacated resulting in non realisation of the tax dues.

^{*} 'B' Jammu; 'E' Jammu and 'H' Jammu

[^] 'H' Jammu; 'B' Jammu; Udhampur-II; 'O' Jammu; 'I' Jammu; 'C' Jammu; 'J' Jammu and check post Jammu

3.2.19 Working of check post

There were two check posts viz. toll tax check post and sales tax check post* at Lakhanpur Jammu through which vehicles enter into the State. 1929 vehicles were not found entered in the records of sales tax check post during 2002-03 and 2003-04 though these were entered at the said toll tax check post. The department at the sales tax check post erected no barriers, which was stated to have facilitated in escape of these vehicles though it was also recommended by DSTC checkpost Lakhanpur. The escapement of sales tax cannot be ruled out in these cases. Both check posts though computerised were not interlinked. It is felt that barriers may be got erected and the two check posts got interlinked so as to have an effective watch on movement of goods.

3.2.20 Release of goods on surety bond

Under Section 15-A (9) of the Act where the taxable goods are transported on behalf of an unregistered dealer (or a registered dealer in whose registration certificate the goods imported are not covered), such goods are seized at the checkpost and are to be released only after obtaining security for an amount equal to double the amount of tax payable on the value of such goods.

It was seen in audit that goods valued at Rs 84.28 lakh involving tax of Rs.10.62 lakh seized in September 2003 and January 2004 at checkpost Lakhanpur were released without obtaining security. However, surety bond was furnished by owner of the goods on the directions of Commissioner. Release of seized goods on furnishing of surety bond was in contravention of relevant provision of the Act. Reasons though called for were not intimated to audit (April 2005).

3.2.21 Non disposal of unclaimed seized goods

The Act and rules framed thereunder provide that the seized goods not claimed by the owner within a period of 180 days from the date of seizure or a lesser period in case of perishable goods, should be sold by auction. After adjustment of security and penalty payable under the Act from the sale proceeds, the balance amount is to be deposited into the treasury under appropriate head of account. This amount is however, refundable to the concerned dealer, if claimed, within 180 days from the date of auction.

Unclaimed goods seized between January 2001 and December 2003 at checkpost Lakhanpur valued at Rs.24.19 lakh included perishable goods worth Rs 3.53 lakh having a tax effect of Rs. 7.02 lakh were put to auction in September 2004 with a reserve price of Rs.15.36 lakh. The basis for fixation of reserve price was not on record. The highest bid offer of Rs.7.25 lakh was rejected by the

* Main entry/exit point through which goods are imported into and exported out of the State

auction committee. Thereafter, no auction was held resulting in non realisation of Government revenue. Further goods valued at Rs 20.47* lakh seized by DSTC Vigilance and Inspection Jammu, during the period from 2000-01 to 2003-04 also remained unclaimed and were not disposed off by the Department (March 2005).

Delay in disposals would cause decay of perishable goods and depreciation of other seized items.

3.2.22 Disposal of appeals

Under the provisions of the Act and the rules made thereunder, a dealer can file an appeal to the appellate authority against an order passed by assessing authority within 30 days from the date of service of notice of demand upon him. No time limit had been set for disposal of such appeals by the appellate authority.

The position of appeals filed by various assessees, appeals disposed off and those pending with the appellate authority at the close of each year from 2000-01 to 2003-04 was as follows:

Table 3.19

Year	Number of appeals pending disposal at the beginning of the year		Number of fresh appeals filed during the year		Number of total appeals pending disposal		Number of appeals disposed off		Percentage of disposal of appeals	
	1	2	3		4		5		6	
	Jammu	Kashmir	Jammu	Kashmir	Jammu	Kashmir	Jammu	Kashmir	Jammu	Kashmir
2000-01	952	2017	412	1020	1364	3037	466	479	34	16
2001-02	898	2558	446	882	1344	3440	441	546	33	16
2002-03	903	2894	347	311	1250	3205	535	496	43	15
2003-04	715	2709	489	546	1204	3255	540	492	45	15

The percentage of appeals disposed off during the year 2000-01 to 2003-04 ranged between 15 *per cent* and 16 *per cent* in Kashmir division and between 33 *per cent* and 45 *per cent* in Jammu division. The delay in disposal of appeals resulted in non realisation of revenue in time which remained locked up with the dealers. Reasons for poor progress of disposal of appeals were not intimated by the Department (March 2005). The records relating to amount involved in appeals were also not maintained by the Department.

3.2.23 Internal audit

Internal audit forms an essential part of internal control mechanism of the organisation. Internal audit wing is meant for checking the correctness of assessments framed by the assessing authorities so as to avoid revenue losses due to incorrect assessments.

During the period 2000-01 to 2004-05 percentage of units audited by the audit wing in Jammu vis-à-vis units planned for audit ranged between 57 to 91. The internal audit wing raised objections in 1,329 cases with monetary value of Rs.9.95 crore during 2000-01 to 2004-05 but there was no mechanism in place to

* 2000-01: Rs 3.59 lakh; 2001-02: Rs 12.11 lakh; 2003-04: Rs 4.77 lakh

monitor the extent to which assessments were revised by the assessing authorities and recovery effected from the concerned dealers. Follow up action on these audit objections was not taken by the Department.

3.2.24 Conclusion

The assessing authorities had failed to notice concealment of purchases/turnover due to non verification of purchase statements of the dealers with computerised dealer wise data/consumption account of declaration forms, misclassification of goods, application of incorrect tax rates etc. which had resulted in short/non levy of tax, penalty and interest. The progress of recovery of tax arrears and disposal of appeals by the appellate authorities was very poor. Barriers to enable vehicles or conveyances being intercepted, detained and searched to check evasion of tax were not created by the Department at checkpost Lakhanpur.

3.2.25 Recommendations

Government may consider taking the following steps for improving assessment and collection of tax:

- a mechanism for monitoring cross verification of transactions shown by dealers in their returns with the consumption statements and computerised data available with the department.
- effective steps for timely collection of Government revenue including finalisation of appeals.
- Besides interlinking of toll check post and sales tax check post and creation of barriers and modernised infrastructure at Lakhanpur, seized goods should be disposed off at fixed and periodical intervals and sales tax due thereon credited to Government account.

3.3 Incorrect determination of turnover

Under the Act and Rules made thereunder, a dealer is liable to pay tax at the prescribed rate on the amount of turnover after allowing the permissible deductions.

Test check of records of sales tax circle 'H' Jammu revealed that a dealer had concealed purchases valued at Rs. 3.21 lakh in his purchase statement for the year 2001-02. This was due to incorrect computation and non accountal of purchases. This led to incorrect determination of turnover of Rs. 3.71 lakh which included Rs. 0.50 lakh on account of freight and gross profit. The assessing

authority while assessing the dealer in September 2002 failed to detect the mistake which resulted in short levy of tax of Rs. 2.60[≠] lakh.

After this was pointed out in November 2003, the assessing authority reassessed in November 2003 the dealer and raised an additional demand of Rs. 3.23^φ lakh in March 2004 out of which Rs. 2.37 lakh had been recovered. Further progress of recovery of balance amount of Rs. 0.86 lakh was awaited (July 2005).

The matter was referred to Government/Department in March 2005; reply had not been received (September 2005).

3.4 Short levy of interest and penalty

Test check of records of sales tax circle 'C' Jammu revealed that a dealer dealing in sale of auto parts was liable to pay tax of Rs. 3.86 lakh on turnover of Rs. 38.49 lakh during the accounting year 1995-96. Out of this tax, Rs. 0.61 lakh was deducted at source and Rs. 0.31^{*} lakh was paid by the dealer after delays ranging between six and 12 months. The balance of Rs. 2.94 lakh remained unpaid. The dealer also delayed furnishing of return of his turnover which ranged between nine months and one year. The assessing authority while assessing the dealer in December 1999 levied interest and penalty of Rs. 0.09[♦] lakh only for these defaults against the chargeable amount of Rs. 4.66[♥] lakh.

After this was pointed out, the assessing authority raised a demand of Rs. 4.66 lakh against the dealer in February 2004. Further progress of recovery was awaited (June 2005).

The matter was referred to Government/Department in April 2005; reply had not been received (September 2005).

3.5 Non levy of service tax

Under the provisions of Jammu and Kashmir General Sales Tax Act, 1962, transaction involving providing of services in the shape of works contract shall be deemed to be sale. Government levied tax on these services at the rate of two *per cent* of the gross amount received or receivable by the contractors with effect from 23 July 1997. Commissioner Sales Tax accordingly directed in August 1997 all drawing and disbursing officers (DDOs) to deduct tax at these rates on gross payment to the contractors at source under the provisions of the Act. The deduction of tax at source being obligatory, DDOs who failed to comply

[≠] Tax: Rs. 1.17 lakh; Penalty: Rs. 1.17 lakh and Interest: Rs. 0.26 lakh

^φ Tax: Rs 1.17 lakh; Penalty: Rs 1.20 lakh and Interest: Rs 0.86 lakh

^{*} Rs. 0.27 lakh on 30.4.1996 and Rs. 0.04 lakh on 24.2.1997

[♦] Interest: Rs. 0.045 lakh; Penalty: Rs. 0.045 lakh

[♥] Interest: Rs. 3.99 lakh; Penalty: Rs. 0.67 lakh

with the provisions of the Act were liable to penalty equal to 10 *per cent* of sum deductible.

Test check (January 2001) of records of sales tax circle 'H' Srinagar revealed that a contractor received payment of Rs. 1.91 crore for the contracts executed by him during the years 1997-98 and 1998-99. The contractor was not assessed by the assessing authority for these years which resulted in non levy of service tax of Rs. 4.01 lakh.

After this was pointed out, the assessing authority raised a demand of Rs. 9.22[≠] lakh against the contractor for these receipts in August 2001. The contractor preferred an appeal against the tax liability with the appellate authority who set aside the case in March 2003 and ordered fresh assessment. The assessing authority accordingly reassessed the contractor in March 2004 and raised a revised demand for Rs. 12.65 lakh including penalty. Progress of recovery was awaited (June 2005). Penalty proceedings against the DDO were not initiated (June 2005).

The matter was referred to Government/Department in April 2005; reply had not been received (September 2005).

3.6 Non accountal of stock transfers

Test check of records of sales tax circle 'C' Jammu revealed that an edible oil dealer had not accounted for stock transfers of Rs. 21.44 lakh in his trading account for 1996-97. The assessing authority while assessing the dealer in December 2000 failed to notice the short accountal which resulted in short levy of tax, penalty and interest aggregating Rs. 6.84[♥] lakh.

After this was pointed out in audit in March 2002, assessing authority reassessed the dealer in February 2005 and raised an additional demand of Rs. 8.60^{*} lakh for which the recovery certificate had been issued.

The matter was referred to Government/Department in May 2005; reply had not been received (September 2005).

Law Department

3.7 Short levy of stamp duty

Under the provisions of Jammu and Kashmir Stamp Act, 1977 Svt. (1920 AD), stamp duty on every instrument of conveyance of immovable

[≠] Service tax with surcharge: Rs. 2.24 lakh (1997-98); Rs. 1.77 lakh (1998-99)
Interest: Rs 2.91 lakh (1997-98); Rs. 2.30 lakh (1998-99)

[♥] Tax: Rs. 1.80 lakh; Penalty: Rs. 1.80 lakh; Interest: Rs. 3.24 lakh

^{*} Tax: Rs. 1.81 lakh; Penalty: Rs. 1.81 lakh; Interest: Rs.4.98 lakh

property situated within the municipality is chargeable at three times the prescribed rate and at double the rates in respect of such property falling under town area/notified area. Government revised the rates of stamp duty with effect from 3 April 2000.

Test check of the records of sub-registrar Pulwama and sub registrar Ganderbal between October 2004 and November 2004 revealed that in 126[#] cases of conveyance of immovable property situated in municipal, town/notified and other areas registered between 8 April 2000 and 2 August 2000 with consideration value of Rs. 1.06^φ crore, stamp duty was levied at pre revised rates resulting in short levy of Rs. 8.45 lakh.

After this was pointed out in audit, the registering officers stated in October 2004 and November 2004 that notices would be issued to effect recovery from the concerned executants of the instruments. Further action in the matter was awaited (July 2005).

The matter was referred to Department/Government in April 2005; reply had not been received (September 2005).

[#] Sub Registrar Pulwama: 6 cases (registered in April 2000) Sub Registrar Ganderbal: 120 cases (registered between April 2000 and August 2000)
^φ Pulwama: Rs. 35.05 lakh and Ganderbal: Rs. 70.79 lakh