

Chapter-VI

Revenue Receipts

6.1 Trend of revenue receipts

6.1.1 The total receipts of Government of Jammu and Kashmir for the year 2001-02 were Rs 6489.21 crore against the anticipated receipts of Rs 6858.06 crore. The receipts during the year 2001-02 registered an increase of Rs 829.05 crore over 2000-01. Out of the total receipts of Rs 6489.21 crore, Rs 1266.79 crore represented revenue raised by the State Government, of which Rs 804.17 crore represented tax revenue and the balance of Rs 462.62 crore non-tax revenue. The receipts from Government of India (Rs 5222.42 crore) during the year accounted for 80 *per cent* of the total revenue receipts of the State Government.

Details of revenue receipts

General

6.1.2 The details of revenue receipts during the year 2001-02 alongwith the corresponding figures for the preceding two years are given in table below:

Table No. 6.1

(Rupees in crore)

		1999-2000	2000-01	2001-2002
I-Revenue raised by the State Government				
(a)	Tax revenue	577.64	745.98	804.17
(b)	Non-tax revenue	405.28	444.29	462.62
	Total – I	982.92	1190.27	1266.79
II-Receipts from Government of India				
(a)	State's share of Union taxes and duties	1231.60	675.40	575.79
(b)	Grants-in-aid	3299.07	3794.49	4646.63
	Total-II	4530.67	4469.89	5222.42
III	Total (I+II)	5513.59	5660.16	6489.21
IV	Percentage of I to III	18	21	20

Tax revenue raised by the State

6.1.3 Receipts from tax revenue during 2001-02 constituted 63 per cent of the revenue raised by the State. An analysis of tax revenue for the year 2001-02 and the preceding two years is given in table below:

Table No. 6.2

(Rupees in crore)

S.No	Tax revenue	1999-2000	2000-01	2001-02	Percentage increase(+)/ decrease(-) in 2001-02 with reference to 2000-01
1	State Excise	274.30	298.06	165.00	(-) 45
2	Sales Tax	235.87	356.70	406.82	(+) 14
3	Taxes on Vehicles	21.91	23.32	28.18	(+) 21
4	Stamps and Registration Fee	14.86	21.06	26.08	(+) 24
5	Taxes and Duties on Electricity	16.38	12.74	20.67	(+) 62
6	Taxes on Goods and Passengers	7.46	14.27	143.24	(+) 904
7	Land Revenue	1.81	3.90	8.14	(+) 109
8	Other taxes and duties	5.05	15.93	6.04	(-) 62
	Total	577.64	745.98	804.17	(+) 8

6.1.24 Increase in major tax receipts during 2001-02 as compared to 2000-01 was mainly due to more collections of Sales Tax, Taxes on Vehicles, Stamps and Registration Fee, Taxes and Duties on Electricity, Taxes on Goods and Passengers and Land Revenue. Reasons for decrease in State Excise receipts were not received (October 2002).

Non-tax revenue of the State

6.1.5 Receipts from non-tax revenue during 2001-2002 constituted 37 per cent of the revenue raised by the State. Receipts from Sale of Power, Interest and Forestry and Wild Life were the principal sources of non-tax revenue in the State. An analysis of non-tax revenue under the principal heads for the year 2001-02 and the preceding two years is given in table 6.3.

Table No. 6.3

(Rupees in crore)					
S.No	Non-tax revenue	1999-2000	2000-01	2001-02	Percentage increase (+)/ decrease (-) in 2001-02 with reference to 2000-01
1.	Power	218.55	238.72	232.02	(-) 3
2.	Forestry and Wildlife	33.86	57.22	44.13	(-) 23
3.	Interest	102.55	104.99	110.76	(+) 5
4.	Public Works	6.81	8.39	8.28	(-) 1
5.	Stationery and Printing	1.48	2.05	2.60	(+) 27
6.	Medical and Public Health	3.27	4.73	7.77	(+) 64
7.	Animal Husbandry	2.48	2.74	2.77	(+) 1
8.	Others	36.28	25.45	54.29	(+) 113
	Total	405.28	444.29	462.62	(+) 4

6.1.6 Decrease (23 per cent) in Forestry and Wild Life proceeds was due to less receipts from sale of timber and other forest produce. Reasons for increase/decrease in other principal heads were not received (October 2002).

Variation between Budget estimates and actuals

6.1.7 The variations between the Budget estimates and actuals for the year 2001-02 in respect of principal heads of revenue are given below:

Table No. 6.4

(Rupees in crore)					
S.No	Heads of revenue	Budget estimates	Actuals*	Variations increase (+)/ decrease (-)	Percentage of variation
A Tax revenue					
1	Sales Tax	332.00	406.82	(+) 74.82	(+) 23
2	State Excise	187.47	165.00	(-) 22.47	(-) 12
3	Taxes on Goods and Passengers	176.97	143.24	(-) 33.73	(-) 19
4	Taxes on Vehicles	24.20	28.18	(+) 3.98	(+) 16
5	Taxes and Duties on Electricity	45.70	20.67	(-) 25.03	(-) 55
6	Stamps and Registration Fee	21.90	26.08	(+) 4.18	(+) 19

* Figures as per Finance Accounts which are unreconciled

S.No	Heads of revenue	Budget estimates	Actuals ¹	Variations increase (+)/ decrease (-)	Percentage of variation
7	Land Revenue	2.48	8.14	(+) 5.66	(+) 228
B Non-tax revenue					
8	Interest Receipts	130.34	110.76	(-) 19.58	(-) 15
9	Forestry and Wildlife	70.00	44.13	(-) 25.87	(-) 37
10	Stationery and Printing	4.79	2.60	(-) 2.19	(-) 46
11	Animal Husbandry	2.94	2.77	(-) 0.17	(-) 6
12	Medical and Public Health	5.21	7.77	(+) 2.56	(+) 49
13	Public Works	8.74	8.28	(-) 0.46	(-) 5
14	Power	40.00	232.02	(+) 192.02	(+) 480

6.1.8 Reasons for variations between the Budget estimates and actual receipts, though called for, have not been received (October 2002).

Cost of collection

6.1.9 The collections in respect of major tax receipts, expenditure incurred on their collection and percentage of such expenditure to collections during the year 2001-02 and preceding two years alongwith the corresponding all India average for the year (2000-01) are given below:

Table No. 6.5

(Rupees in crore)

S.No	Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 2000-01
1	State Excise	1999-2000	274.30	7.35	3	
		2000-2001	298.06	7.95	3	3.10
		2001-2002	165.00	7.92	5	
2	Sales Tax	1999-2000	235.87	8.61	4	
		2000-2001	356.70	9.81	3	1.31
		2001-2002	406.82	9.54	2	
3	Taxes on Vehicles	1999-2000	21.91	2.11	10	
		2000-2001	23.32	2.19	9	3.48
		2001-2002	28.18	2.19	8	
4	Stamps and Registration Fee	1999-2000	14.86	2.41	16	
		2000-2001	21.06	3.64	17	4.39
		2001-2002	26.08	3.08	12	

6.1.10 Percentage of cost of collection of State Excise, Sales Tax, Taxes on vehicles, Stamps and Registration fee was higher than the all India average cost of collection mainly due to higher administrative expenses.

Arrears in revenue

6.1.11 As on 31 March 2002, arrears of revenue under Sales Tax, Passenger Tax, Forestry and Wild Life, State Excise and Urban Immovable Property Tax, as reported by the departments, were as follows:

Table No. 6.6

S.No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
		(Rupees in crore)		
1.	Sales Tax	606.93	103.37	Out of total arrears of Rs 606.93 crore (Rs 486.25 crore proposed to be recovered as arrears of land revenue) recovery of Rs 64.10 crore and Rs 1.40 crore had been stayed by the courts and the Appellate Authority respectively. Arrears of Rs 104.13 crore were proposed to be written-off. The position of recovery of the remaining amount of Rs 437.30 crore was not intimated (October 2002).
2.	Passenger Tax	12.32	-	Out of total arrears of Rs 12.32 crore recovery of Rs 0.03 crore had been stayed by the courts.
3	Forestry and Wild Life	407.98	296.95	Recovery of arrears of Rs 24.16 crore was stayed by the courts
4.	State Excise	18.60	12.70	Recovery of arrears of Rs 13.86 crore had been stayed by the courts.
5.	Urban Immovable Property Tax [‡]	27.72	18.33	Out of total arrears of Rs 27.72 crore, recovery of Rs 0.43 crore had been stayed by the courts.
	Total	1073.55	431.35	

The arrears outstanding for more than five years constituted 40 *per cent* of the total arrears.

Arrears in Assessment

6.1.12 The details of Sales Tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each year during 1997-2002, as furnished by the Department, are given below:

[‡] Position ending December 2001 only

Table No. 6.7

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1997-1998	40914	17381	58295	16214	42081	28
1998-1999	52304*	51136	103440	23968	79472	23
1999-2000	40433*	22453	62886	22108	40778	35
2000-2001	53449*	10304	63753	23170	40583	36
2001-2002	40759*	22661	63420	29455	33965	46

There was no substantial reduction in arrears of assessment during 2001-02.

Frauds and evasion of tax

6.1.13 The details of cases of frauds and evasion of Sales Tax pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties, etc.) of taxes raised against the defaulters during the years and the number of cases pending for finalisation at the end of each year, as supplied by the department, are given as under:

Table No. 6.8

Year	Cases pending at the beginning of the year	Cases detected during the year	Cases in which assessments/ investigations were completed	Amount of demand (Rs. in lakh)	Number of cases pending finalisation at the end of the year
1997-1998	3625	25100	24257	118.02	4468
1998-1999	4468	21704	20766	44.21	5406
1999-2000	4757 [#]	77438	73815	741.05	8380
2000-2001	7888 [#]	55346	55553	395.76	7681
2001-2002	7663 [#]	41087	41120	397.62	7630

Results of Audit

6.1.14 Test-check of records of Sales Tax, State Excise, Forest and other departments, conducted during the year 2001-02 revealed underassessments, short levy and loss of revenue, etc. amounting to Rs 13.72 crore in 29 cases. During the course of the year 2001-02, the concerned departments accepted underassessments, etc. of Rs 1.29 crore involved in 7 cases, of which 4 cases (involving Rs 1.23 crore) were noticed during 2001-02 and 3 cases (involving Rs 0.06 crore) during 2000-01. In one case, recovery of Rs 2.31 lakh was effected (January 2001 and March 2002) by the concerned department.

* The variation in the figures with the closing balance for 1998-99, 1999-2000, 2000-01 and 2001-02 as shown in the Audit Report for 1998-99, 1999-2000, 2000-01 and 2001-02 is due to the revised figures of assessment cases supplied by the Sales Tax Department

The variation in the figures with the closing balance for 1998-99, 1999-2000 and 2000-01 as shown in the Audit Report for 1998-99, 1999-2000 and 2000-01 is due to the revised figures of assessment cases supplied by the Sales Tax Department

Section-A-Reviews

Transport Department

6.2 Taxes on Motor Vehicles

Cost of collection of taxes on motor vehicles in the State was about 3 times the all India average. Due to non-availability of testing gadgets/ equipment, the vehicles were not properly inspected. Non-monitoring/updating of records relating to registration, issue of permits and fitness certificates of motor vehicles, non-application of revised rates of fees/taxes and non-implementation of various provisions of Motor Vehicles Acts and Rules resulted in loss of revenue of Rs 2.13 crore.

Highlights

- Revenue realised during 1997-98 to 2001-02 exceeded the budget estimates by 6 to 32 *per cent* indicating underassessment of revenue. Cost of collection of revenue ranged between 8 and 10 *per cent* which was about 3 times the all India average cost.

(Paragraphs: 6.2.5 and 6.2.6)

- Non-monitoring of records relating to registration, permit and fitness of vehicles resulted in non-realisation of fees aggregating Rs 31.24 lakh in 1060 test-checked cases.

(Paragraph: 6.2.12)

- Gadgets/equipment for testing of vehicles were not available with the Board of Inspection. 12828 vehicles were inspected for fitness by the Board of Inspection taking less than 3 minutes for checking each vehicle.

(Paragraph: 6.2.13)

- Neither excess load was off loaded nor was penalty of Rs 79.84 lakh charged from 3992 vehicles booked for carrying excess load during February 2000 to November 2001.

(Paragraph: 6.2.15)

- Non-application of revised rates of registration, fitness certificate, licensing and testing fee resulted in short/non-charging of Rs 68.72 lakh in respect of 27056 vehicles.

(Paragraph: 6.2.16)

- Non-updating of token tax registers by the ARTOs resulted in non/short recovery of token tax of Rs 25.48 lakh.

(Paragraph: 6.2.19)

Introduction

6.2.1 Registration of motor vehicles, collection of fees on account of issue of licences, permits, countersignature of permits and levy of taxes are regulated under Jammu and Kashmir Motor Vehicles Taxation Act, 1957, Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989 and Jammu and Kashmir Motor Vehicles Rules, 1991.

Organisational set-up

6.2.2 Motor Vehicles Department responsible for implementation of Motor Vehicle Acts/Rules is headed by Transport Commissioner at the State level. At the Divisional level, there are two Regional Transport Officers (RTO) Kashmir and Jammu assisted by eight^φ Assistant Regional Transport Officers (ARTOs) at the district level. Functions of the licensing authority in Kashmir and Jammu Divisions were vested with the RTOs. However, from 19 April 1999 these functions were transferred to the ARTOs except in respect of Srinagar/Budgam and Jammu districts where these continued to remain with the RTOs.

Scope of audit

6.2.3 Records of Transport Commissioner, Regional Transport Officer, Jammu and 5^ψ Assistant Regional Transport Officers for the period 1997-2002 were test-checked in audit during November 2001 to March 2002. The results are brought out in succeeding paragraphs.

Revenue realisation and its cost

6.2.4 The position of revenue collected in the shape of fees, fines, taxes, etc. vis-à-vis budget estimates together with the cost of its collection during the period from 1997-2002 was as under:

Table No 6.9

(Rupees in crore)

Year	Revenue			Number of vehicles registered (in lakh)	Expenditure incurred on collection	Cost of collection (per cent)
	Budget estimates	Actuals	Variation (in per cent)			
1997-98	12.20	14.79	(+) 21	Not available	1.54	10
1998-99	15.00	18.14	(+) 21	0.29	1.89	10
1999-2000	16.65	21.91	(+) 32	0.29	2.11	10
2000-01	22.00	23.32	(+) 6	0.31	2.19	9
2001-02	24.20	28.18	(+) 16	0.34	2.19	8
Total	90.05	106.34			9.92	

^φ Jammu, Srinagar/Budgam, Lakhanpur (Kathua), Doda/Udhampur, Poonch/Rajouri, Baramulla/Kupwara, Anantnag/Pulwama, Leh/Kargil

^ψ Rajouri/Poonch, Lakhanpur (Kathua), Udhampur/Doda, Anantnag/Pulwama, Baramulla/Kupwara

6.2.5 The actuals exceeded the budget estimates by 6 to 32 *per cent* during the period 1997-2002 indicating underestimation of the revenue realisations by the Department.

6.2.6 Cost of collection of revenue during the period 1997-98 to 2001-02 ranged between 8 and 10 *per cent* of the revenue realised which was about 3 times the all India average cost (2000-01).

6.2.7 Reconciliation of figures is an important control mechanism for collection and remittance of taxes/fees on motor vehicles. There was a variation of Rs 1.96 crore between the figures booked (Rs 106.34 crore) by the Accountant General (A&E) and those shown by the Department (Rs 104.38 crore) during 1997-98 to 2001-02 which had not been reconciled by the Department.

Delay in remittances leading to loss of interest

6.2.8 Jammu and Kashmir Motor Vehicles Rules, 1991 provide that payment of fees due under the Motor Vehicles Act, 1988 shall be made through a treasury challan in the prescribed format. ARTO, Lakhanpur, however, accepted & fees in cash and daily collections were deposited in two current accounts opened with Jammu and Kashmir Bank, Lakhanpur in August 1994 without approval of the Government. This was done reportedly (September 2002) to avoid delay in encashment of bank drafts. No agreement for ensuring timely transfer of money to Government account was executed with the bank.

6.2.9 Periodical reconciliation of bank drafts received on account of composite fee (National permits) from concerned State Transport Authorities, monitoring their collection and remittance into Government account was also not done. Money lying in bank accounts was not transferred in full and balances ranging between Rs 0.78 lakh and Rs 13.69 lakh were retained at the time of money transfer during 1997-98 to 2001-02.

Inadequate control mechanism over utilisation of cash receipt books

6.2.10 Use of cash receipt books procured from time to time by RTO, Jammu and issued to different cashiers in his office as well as to other ARTOs (Udhampur, Lakhanpur and Rajouri) and the Board of Inspection at Jammu was not monitored in as much as:

- Reconciliation of blank cash receipt books received from Government Press from time to time had not been conducted (January 2002).
- Counterfoils of the used cash receipt books had not been obtained from cashiers, ARTOs and Board of Inspection.

& From August 1994

- A single receipt form was utilised for more than one payee (3 to 65 payees).

This was fraught with the risk of misuse of receipt books and the misappropriation of Government money.

Non-monitoring of registration, permit and fitness of vehicles

6.2.11 The Motor Vehicles Act, 1988 and the rules framed thereunder, *inter alia*, provide that application for renewal of the registration certificates, fitness certificates or the permits, as the case may be, shall be made by a vehicle owner to the prescribed authority failing which the said authority is required to charge fine/composition fee/additional fee from the vehicle owner.

6.2.12 Test-check of the records of the Transport Commissioner, RTO, Jammu and five ARTOs (Jammu: 3; Kashmir: 2) revealed that renewal of permits and certificates of registration and fitness had been made by them only in cases where the vehicle owners had voluntarily made applications for the purpose. The RTOs/ARTOs had not made any exercise to review registration, fitness and permit registers periodically to identify the defaulters. Consequently, 836 offences only were booked by law enforcing agencies* during the period from April 1997 to January 2002 in Jammu Division. On this being pointed out, the Department stated (March 2002) that vehicles running without valid permits and fitness certificates were seized under Section 207 of the Act, *ibid* and fines imposed by law enforcement agencies. The contention of the Department was not tenable as it was not debarred from reviewing departmental records to identify the defaulters. An exercise by audit revealed that 1060 permits and certificates of registration and fitness had remained unrenewed during March 1996 to March 2002 resulting in non-realisation of fees aggregating Rs 31.24 lakh as tabulated below:

Table No 6.10

Offence	Section	Date of expiry	Number of permits, certificates of registration and fitness not renewed	Amount of application, renewal and additional fees not realised (Rupees in lakh)
Non-renewal of All India Tourist permits, National permits	81 (2) Motor Vehicles Act of 1988	March 1996 to December 2001	358	25.25
		October 1998 to November 2001	117	4.61
Non-renewal of certificate of	41 of Motor Vehicles Act 1988	December 1990 to June 2001	461	0.81

* Motor Vehicle Department, J&K Traffic Police

registration				
Non-issue/non-renewal of certificates of fitness	56 of 1988, 62 of Motor Vehicles Rules 1989 and 44 of J&K Motor Vehicles Rules 1991	1996-97 to 2001-02	124	0.57
Total			1060	31.24

Inadequate inspection of motor vehicles for grant of fitness certificates

6.2.13 Jammu and Kashmir Motor Vehicles Rules, 1991 provide extensive inspection of vehicles including systems like fuel/electric systems, engine performance, silencer, transmission, tyres, chassis frame and brakes by the Motor Vehicle Inspectors before issuing fitness certificate. It was, however, seen in test-check that the inspectors had not recorded any remarks in the vehicle inspection reports, in token of having checked the aforesaid systems. It was further seen that during the period from April 1997 to December 2001, 12828 vehicles were inspected by the Board of Inspection on 105 days (test sample) taking on an average 3 minutes (approximately) for the inspection. Besides, equipment/gadgets required for testing except for pollution checking, were not available with the Board of Inspection (Jammu and Srinagar). Evidently, the Department was issuing/renewing certificates of fitness without carrying out requisite tests which was fraught with the risk of unfit vehicles being allowed to ply on roads. RTO, Jammu stated (September 2002) that check of the vehicles other than the pollution control system (done by separate agencies authorised in this behalf) was being done. The reply was not tenable as no remarks in token of having checked other systems was recorded in the fitness certificates issued.

Non-recovery of penalty for carrying excess load

6.2.14 The Motor Vehicles Act, 1988 provides that whoever drives a motor vehicle or causes or allows a motor vehicle to be driven carrying weight in excess of the permissible level shall be punishable with a minimum fine of Rs 2000 and an additional amount of Rs 1000 per tonne of excess load. The Act, however, provides compounding of offences for carriage of excess load by the authorised officers/authorities by such amount as the State Government may specify in this behalf. The officer authorised by the Department shall not allow such vehicle to be removed from the place of weighment until the excess weight has been off-loaded by the driver at his own risk.

6.2.15 Audit scrutiny of the records of the ARTO, Lakhanpur revealed that offences on account of over-loading were booked against 3992 vehicles during the period February 2000 to November 2001. The vehicles were, however, allowed to move on payment of compounding fee only without off-loading the excess weight thereby contravening the provisions of the Act. Penalty at the

minimum rate of Rs 2000 prescribed under the Act was also not recovered which resulted in loss of revenue of Rs 79.84 lakh in these cases.

Loss of revenue due to non-application of revised rates of fees

6.2.16 Under the Central Motor Vehicles Rules, 1989 charging of fitness testing fee was introduced and the rates of fee for issue of licences to drivers and registration of motor vehicles revised with effect from 28 March 2001. It was observed that fee was charged at pre-revised rates indicating that a mechanism for ensuring follow up action on notifications issued by Government of India was not in place in the Department. Calculated on the basis of number of vehicles registered, in the absence of the actual database with the Government, an amount of Rs 68.72 lakh on account of registration/fitness certificate and fitness testing fees was either not recovered or recovered short in respect of 27056 motor vehicles registered in the State from April to December 2001.

Non-recovery of token tax

6.2.17 Jammu and Kashmir Motor Vehicle Taxation Act, 1957 provides that token tax be levied by the Taxation Officer (RTO/ARTO) on every motor vehicle using any public road in the State at the rates prescribed by the Government for each class of vehicles. The Act also provides that in case of default, the owner of the vehicle shall be liable to pay fine up to Rs 100 with an additional sum equal to two *per cent* of such tax for each month or part thereof.

6.2.18 Test-check of records revealed that no exercise was made by ARTOs to identify the cases of non-payment of token tax with reference to the counterfoils of the cash receipts of taxes/fees recovered from vehicle owners. Particulars of token tax payments, if any, made by a vehicle owner in the office of a taxation officer other than the originating registering authority were also not communicated to the latter for updating token-tax registers and working out tax arrears. Consequently, token tax registers were not completed, arrears on account of token tax, fine and additional sum due were not worked out and demand notices not issued. The ARTOs Anantnag and Udhampur had not maintained token tax registers.

6.2.19 Records of RTO, Jammu and 3 ARTOs revealed in test-check that token tax of Rs 25.48 lakh for the years 1995-96 to 2001-02 was either paid short or not paid as detailed below:

Table No 6.11

Name of the taxation Officer	No of vehicles	Period involved	Amount (Rupees in lakh)
RTO, Jammu	322	April 1995 to March 2002	9.78
ARTO, Rajouri	143	April 1995 to December 2001	10.07
ARTO, Baramulla/ Kupwara	79	April 1995 to December 2001	5.01
ARTO, Lakhanpur (Kathua)	29	April 1999 to December 2001	0.62
Total	573		25.48

Conducting business without valid licence Goods agent business

6.2.20 Jammu and Kashmir Motor Vehicle Rules, 1991 provide that licence of an agent engaged in the business of collecting, forwarding and distribution of goods by vehicles plying for hire shall be valid for a period of one year from the date of grant of licence or its renewal. Renewal of the licence shall be made by an application by the agent not less than thirty days before the date of its expiry and accompanied by principal* and supplementary licence*, if any, and the specified fees viz. Rs 3750 (Rs 2500 prior to 22 February 1999) for grant/renewal of principal licence and Rs 1250 for each supplementary licence. In case application for renewal is made late by ninety days or part thereof, additional fee of Rs 500 for principal licence and Rs 100 for each supplementary licence is chargeable.

6.2.21 Records of the Transport Commissioner revealed that principal licences in fourteen cases had neither been revoked/suspended nor got renewed by the concerned goods agents for periods ranging between 1 and 6 years ending 2001-02. This resulted in the agents conducting business without any licence, besides non-realisation of revenue of Rs 2.69 lakh by way of licence renewal fee and late fee. It was also noticed that 2 agents who were running 13 additional establishments had obtained 3 supplementary licences only for the said additional establishments. This resulted in further non-realisation of revenue of Rs 1.09 lakh for the years 1997-98 to 2001-02.

Motor transport business

6.2.22 Jammu and Kashmir Motor Vehicles Rules, 1991 provide that no person or persons may engage in motor transport business individually or collectively unless a licence for the purpose has been granted to such a person or persons by the State Transport Authority, which remains in force from the date it is granted until 31 March following on payment of fee of Rs 3250 (Rs 1500 prior to 22 February 1999) by the licensee unless suspended or cancelled by the competent authority.

* Principal licensee is the one who has been issued licence for certain class of goods and in case he intends to deal in any other class of goods, a supplementary licence is issued.

6.2.23 Test-check revealed (March 2002) that 18 out of 94 licencees, had neither deposited their licences for cancellation nor got these renewed by the State Transport Authority for 1 to 4 years ending 2001-02 which resulted in loss of revenue of Rs 1.07 lakh. On this being pointed out in audit the Assistant Transport Commissioner stated (September 2002) that action against the defaulter had been initiated and licences in 10 cases had been cancelled.

6.2.24 The above points were referred to Government/Department in May 2002; reply had not been received (October 2002).

Section-B-Audit Paragraphs

Finance Department

6.3 Non-levy of penalty

The Assessing Authority, while computing tax liability against the dealer on the suppressed turnover, failed to impose penalty of Rs 1.30 lakh.

6.3.1 The Jammu and Kashmir General Sales Tax, Act, 1962 provides that if a person (dealer) has, without any cause, failed to furnish the correct return of his turnover or has concealed the particulars of his turnover, the Assessing Authority shall direct that person to pay, in addition to the tax and interest payable by him, an amount by way of penalty not less than the amount of tax evaded but not exceeding twice that amount.

6.3.2 Records of the Sales Tax Circle 'C', Jammu revealed (February 2002) that the Assessing Authority while computing the tax liability of the dealer for the accounting year 1996-97 failed to impose minimum penalty of Rs 1.30 lakh (at the rate of 8 per cent plus 5 per cent surcharge) for suppression of turnover of Rs 15.52 lakh. On this being pointed out in audit (February 2002), the Assessing Authority imposed a penalty of Rs 2.61 lakh* against the dealer and raised (August 2002) demand for the same. Progress of recovery was awaited (October 2002).

6.3.3 The matter was referred to the Government/Department in August 2002; reply had not been received (October 2002).

6.4 Suppression of turnover

The Assessing Authority failed to detect the short carry forward of opening stock and consequent suppression of turnover, resulting in short levy of tax, penalty and interest aggregating Rs 2.07 lakh.

6.4.1 The Jammu and Kashmir General Sales Tax Act, 1962 and rules thereunder provide that if a dealer has, without reasonable cause, failed to furnish the correct return of his turnover, the Assessing Authority shall direct that dealer to pay in addition to tax payable by him, penalty which shall not be less than the amount of tax evaded. In addition, interest at varying rates is also leviable from the date the tax was payable to the actual date of payment.

6.4.2 Test-check of records of Sales Tax Circle-II, Anantnag revealed (February 2001) that the Assessing Authority while assessing (October 1999) a dealer to tax, for the year 1996-97, failed to detect short carry forward of opening stock in his trading account for the year. The dealer had carried

* Maximum penalty

forward stocks of Rs 8.71 lakh only against the determined (December 1998) closing stock of Rs 15.34 lakh at the end of 1995-96. Short carry forward of opening stock led to suppression of turnover of Rs 6.93 lakh including freight and profit component and consequent short levy of tax (Rs 58220) including penalty and interest aggregating Rs 2.07 lakh. On this being pointed out in audit (February 2001 and January 2002) the Assessing Authority reassessed (July 2001 and January/February 2002) the dealer and raised additional demand of Rs 2.20 lakh. Progress of recovery was awaited (October 2002).

6.4.3 The matter was referred to the Government/Department in February 2002; reply had not been received (October 2002).

6.5 Concealment of turnover

The Assessing Authority failed to detect concealment of purchases which resulted in short levy of tax, interest and penalty aggregating Rs 8.21 lakh.

6.5.1 The Jammu and Kashmir General Sales Tax, Act, 1962 and rules made thereunder, provide that every dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed under the Act. Further, if a person (dealer) who has, without any cause, failed to furnish the correct return of his turnover or has concealed the particulars of his turnover, the Assessing Authority shall direct that person to pay in addition to the tax payable by him, an amount by way of penalty not less than the amount of tax evaded. The dealer is also liable to pay interest on tax due at the rates ranging from 1.5 to 3 *per cent* from the date it was payable to the date of actual payment.

6.5.2 Test-check of records of Sales Tax Circle 'F', Jammu revealed (November 2000) that a cement dealer, had not accounted for inter-state purchases of Rs 28.14 lakh in his purchase statement during 1997-98 as per his consumption account of "C" forms. The Assessing Authority failed to detect the concealment which resulted in short levy of tax, interest and penalty aggregating Rs 8.21[♦] lakh. On this being pointed out in audit (November 2000), the Assessing Authority re-assessed (July 2001) the dealer and raised additional demand of Rs 8.21 lakh of which Rs 2.60 lakh were recovered from the dealer during August 2001 to October 2001. The Government stated (April 2002) that steps for recovery of balance amount had been initiated. Further progress in the matter was awaited (October 2002).

6.5.3 The matter was referred to the Government/Department in December 2001; reply had not been received (October 2002).

♦ Tax: Rs 2.60 lakh; Penalty: Rs 2.60 lakh and interest up to June 2001: Rs 3.01 lakh

6.6 Grant of incorrect exemption from sales tax

Grant of incorrect exemption from payment of Sales Tax on sale of edible oil by the Assessing Authority resulted in non-recovery of tax, interest and penalty aggregating Rs 2.07 lakh.

6.6.1 The Jammu and Kashmir General Sales Tax Act, 1962 as amended, exempts[▼] dealers operating Small Scale Industries (SSI) units in the State from payment of Sales Tax in respect of goods manufactured and sold by them except those specified in the negative list. Edible oil was included in this list with effect from April 1997.

6.6.2 Records of Sales Tax Circle, Kathua revealed (June 2000) that the Assessing Authority while assessing (December 1999) the dealer operating an SSI unit, allowed exemption from payment of Sales Tax incorrectly on sale of edible oil of Rs 0.57 lakh and Rs 23.85 lakh during 1997-98 and 1998-99 respectively. This resulted in non-recovery of tax of Rs 1.03 lakh and interest of Rs 0.59 lakh. On this being pointed out (June 2000) in audit, the Assessing Authority reassessed (September 2000) the dealer for the years 1997-98 and 1998-99 and raised a demand for Rs 2.07 lakh which included penalty of Rs 0.45 lakh for filing invalid returns by the dealer. Progress of recovery was awaited (October 2002).

6.6.3 The matter was referred to the Government/Department in December 2001; reply had not been received (October 2002).

[▼] To the extent of 100, 50 and 26 *per cent* ending March 1995, March 1998 and March 2000 respectively

Forest Department

6.7 Non-raising of bills

The Divisional Officer, Kathua failed to raise bills against Power Grid Corporation of India Limited (Rs 8.48 lakh) for compensation of trees and against State Forest Corporation (Rs 13.91 lakh) for trees handed over to it for exploitation. This resulted in non-recovery of revenue of Rs 22.39 lakh.

6.7.1 Forest Conservation Act, 1990, provides recovery of compensation for diversion/use of forest land for non-forestry purposes, from the user agencies. Compensation for the trees is to be recovered at two times their cost determined at the standard rate. Such trees are also required to be handed over to the State Forest Corporation (SFC) for commercial exploitation and cost thereof computed/ recovered at ten times the standard rate of 1979.

6.7.2 Test-check of records of Divisional Forest Officer, Kathua revealed (February 2002) that out of 1541 trees coming in the alignment of Kishenpur-Moga transmission line, bills for compensation of Rs 8.22 lakh, for 622 trees, were not raised by the Division against the Power Grid Corporation of India Ltd. Bills for cost of 1541 trees (Rs 13.77 lakh) handed over to SFC for commercial exploitation, were also not raised against it. This resulted in non-recovery of revenue of Rs 21.99 lakh. On this being pointed out in audit (February 2002) the Divisional Forest Officer, Kathua raised (February 2002) bills for Rs 8.48 lakh and Rs 13.91 lakh against Power Grid Corporation of India Ltd. and State Forest Corporation respectively. While Rs 6.49 lakh were recovered (July 2002) from Power Grid Corporation of India Limited, progress of recovery of balance amount (Rs 1.99 lakh) from it and from the State Forest Corporation was awaited (October 2002).

6.7.3 The matter was referred to the Government/Department in June 2002; reply had not been received (October 2002).

6.8 Non-raising of bills

Divisional Forest Officers, Ganderbal, Anantnag and Nowshera failed to raise bills against the Jammu and Kashmir State Forest Corporation for Chir, Kail, Fir and Deodar trees handed over to the corporation for commercial exploitation. This resulted in non-recovery of revenue of Rs 1.01 crore.

6.8.1 Earmarked forests, after the enactment of Jammu and Kashmir State Forest Corporation Act, 1978, are handed over to the Corporation for commercial exploitation. The bills for royalty are raised thereafter by the Forest Department for the quantity specified in the list of markings handed over to the corporation on the basis of latest available sanctioned rates. During the course of audit of three forest divisions, non-raising of bills for Rs 1.01 crore was noticed in three cases as detailed below:

Table No 6.12

(Rupees in lakh)

S.No	Forest division	Volume of timber handed over to the corporation	Amount for which bills were not raised
1.	Ganderbal	72363.75 cfts (<i>Kail</i> : 6257.50 cfts; <i>Fir</i> : 66023 cfts; <i>Deodar</i> : 83.25cfts) handed over in July 2000 and August 2000.	29.40
2.	Anantnag	39627.50 cfts (<i>Kail</i> : 8674 cfts; <i>Fir</i> : 30953.50 cfts) handed over in June 2001	19.10
3.	Nowshera	140623 cfts ^v handed over in August 2000	52.02
		Total	100.52

6.8.2 On this being pointed out (September 2001/January 2002) in audit, the divisions raised (February 2002/March 2002/July 2002) bills for Rs 1.01 crore against the corporation.

6.8.3 Progress of recovery of the amount of Rs 1.01 crore from the corporation was awaited from the aforementioned divisions (October 2002).

6.8.4 The matter was referred to the Government/Department in July 2002; reply had not been received (October 2002).

^v Volume of dry standing and dry fallen trees charged at half in respect of Chir, Kail and Fir trees and at three-fourth times in respect of Deodar trees

Law Department

6.9 Misappropriation of registration fee

Sub-Registrar failed to verify the remittance entries in the cash book with the treasury challans/records which facilitated misappropriation of registration fee of Rs 2.19 lakh by his cashier.

6.9.1 Financial Rules of the Government provide that money received by any State Officer in his official capacity are to be remitted in full into the nearest treasury immediately without any deduction whatever. The head of the office making such remittances is also required to compare Treasury Officer's receipt on the challan with the entries in the cash book before attesting it and satisfy himself that the amounts have actually been credited into the treasury.

6.9.2 Test-check of records of Sub-Registrar, Anantnag revealed (October 2000) that registration fee of Rs 2.19 lakh realised between December 1998 and March 2000 and shown in cash book as having been remitted into the treasury was actually not remitted. A preliminary enquiry/verification conducted (May 2001) by the Department held that the ex-cashier of the Sub-Registrar was responsible for the misappropriation. The misappropriation was facilitated by non-verification of remittance entries in the cash book with the treasury challans/records by the Sub-Registrar. On this being pointed out in audit (August 2001) Rs 2.14 lakh were recovered (January 2002) from the ex-cashier. Progress of recovery of balance amount of Rs 0.05 lakh was awaited (October 2002)

6.9.3 The matter was referred to the Government/Department in December 2001; reply had not been received (October 2002).

Revenue Department

6.10 Short realisation of licence/renewal licence fee

Application of pre-revised rates of licence and renewal licence fee by Tehsildar Pulwama, resulted in short realisation of revenue of Rs 3.54 lakh in 138 cases.

6.10.1 Under the provisions of Section 5 of the Jammu and Kashmir Brick Kilns (Regulation) Act, 1990, the licence fee and annual renewal licence fee in respect of brick kiln holders was enhanced from Rs 12 each to Rs 5000 and Rs 2000 respectively with effect from July 1990. Though mention about short realisation of licence/renewal licence fee in Jammu/Rajouri and Chadura tehsils was brought out at paragraphs 6.13 and 6.9 of the Reports of the Comptroller and Auditor General of India for the year ended March 1996 and March 2000 respectively, the irregularity continued to persist as discussed in the following case.

6.10.2 Test-check of records of Tehsildar, Pulwama revealed (June 2001) that licence and renewal licence fee in respect of 138 cases (30 fresh and 108 renewals) was realised at pre-revised rates after July 1990 resulting in short realisation of licence and renewal licence fee of Rs 0.50 lakh during the period from July 1990 to March 1996 and Rs 3.04 lakh during the period from April 1996 to December 2000. On this being pointed out in audit (June 2001), Tehsildar Pulwama stated (May 2002) that Rs 3.06 lakh had been recovered from the concerned brick kiln owners and steps were being taken to recover the balance amount. Progress of recovery of balance amount was awaited (October 2002).

6.10.3 The matter was referred to the Government/Department in December 2001; reply had not been received (October 2002).