

Chapter-VI Revenue Receipts

6.1 Trend of revenue receipts

6.1.1 The tax and non-tax revenue raised by the Government of Jammu and Kashmir during the year 2002-03, 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 No 6.1 (Rupees in crore)

		1998-99	1999-2000	2000-01	2001-02	2002-2003
I-Revenue raised by the State Government						
(a)	Tax revenue	436.61	577.64	745.98	804.17	1,033.09
(b)	Non-tax revenue	283.25	405.28	444.29	462.62	865.21
	Total	719.86	982.92	1,190.27	1,266.79	1,898.30
II. Receipts from Government of India						
(a)	State's share of divisible Union Taxes	1,212.05	1,231.60	675.40	575.79	684.52
(b)	Grants-in-aid	2,577.23	3,299.07	3,794.49	4,646.63	4,965.35
	Total	3,789.28	4,530.67	4,469.89	5,222.42	5,649.87
III	Total receipts of the State	4,509.14	5,513.59	5,660.16	6,489.21	7,548.17
IV	Percentage of I to III	16	18	21	20	25

(a) The details of tax revenue raised during the year 2002-03 alongwith the figures for the preceding four years are given below:

Table No 6.2

(Rupees in crore)

S.No	Head of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage increase (+)/ decrease (-) in 2002-03 over 2001-02
1.	Sales Tax	180.32	237.08	358.72	408.75	535.97	(+) 31
2.	State Excise	206.14	274.30	298.06	165.00	222.52	(+) 35
3.	Stamps and Registration Fee	12.10	14.86	21.06	26.08	25.67	(-) 2
4.	Taxes and Duties on Electricity	8.33	16.38	12.74	20.67	25.66	(+) 24
5.	Taxes on Vehicles	18.14	21.91	23.32	28.18	33.66	(+) 19
6.	Taxes on Goods and Passengers	4.95	7.46	14.27	143.24	182.84	(+) 28
7.	Taxes on Immovable Property other than Agricultural Land	0.49	0.74	1.29	1.85	1.03	(-) 44
8.	Land Revenue	2.81	1.81	3.90	8.14	2.80	(-) 66
9.	Others Taxes and Duties on Commodities and Services	3.33	3.10	12.62	2.26	2.95	(+) 31
	Total	436.61	577.64	745.98	804.17	1,033.10	(+) 28

Decrease in Land Revenue collections was mainly due to less receipt from Government Estates. However, reasons for variation for other heads, though called for had not been received (October 2003).

(b) The details of the major non-tax revenue raised during the year 2002-03 alongwith the figures for the preceding four years are given below.

Table No 6.3

(Rupees in crore)

S.No	Head of Revenue	1998-99	1999-00	2000-01	2001-02	2002-03	Percentage increase (+)/ decrease (-) in 2002-03 over 2001-02
1.	Power	103.93	218.55	238.72	232.02	606.61	(+) 161
2.	Interest Receipts	88.17	102.55	104.99	110.76	136.32	(+) 23
3.	Forestry and Wild life	45.70	33.86	57.22	44.13	49.28	(+) 12
4.	Public Works	7.33	6.81	8.39	8.28	9.23	(+) 11
5.	Medical and Public Health	3.06	3.27	4.73	7.77	7.84	(+) 1
6.	Water Supply and Sanitation	3.10	3.86	4.14	4.66	5.57	(+) 20
7.	Police	1.95	4.31	3.89	4.54	4.92	(+) 8
8.	Non-Ferrous Mining and Metallurgical Industries	1.00	1.60	2.93	3.33	3.09	(-) 7
9.	Crop Husbandry	1.37	1.10	1.37	3.29	3.67	(+) 12
10.	Animal Husbandry	3.36	2.48	2.74	2.77	2.92	(+) 5
11.	Others	24.28	26.89	15.17	41.07	35.76	(-) 13
	Total	283.25	405.28	444.29	462.62	865.21	(+) 87

The increase/decrease in major non-tax revenue collections was due to reasons noted against each head of revenue below:

Power	The increase was due to more realisation of arrears of power and partly due to past years adjustments (Rs 317.60 crore).
Interest Receipts	Increase was due to more receipt of interest from departmental undertakings and on invested cash balance.
Forestry and Wild Life	Increase was due to more receipts from social and farm forestry.
Public Works	Increase was due to increase in hire charges of machinery and equipment.
Water Supply and Sanitation	The increase was due to more receipts from rural water supply schemes.
Crop Husbandry	The increase was due to more sale of seeds and other inputs and income from agricultural farms.
Non-ferrous Mining and Metallurgical industries	The decrease was due to less realisation of mineral concession fee, rents and royalty.

6.1.2 Variations between Budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2002-03 in respect of the principal heads of tax and non-tax revenue are given below.

Table No 6.4

(Rupees in crore)

Head of Revenue	Budget estimates	Actuals	Variations excess/ (+) or shortfall (-)	Percentage of variation
Tax Revenue				
Sales Tax	440.00	535.97	(+) 95.97	22
State Excise	195.47	222.52	(+) 27.05	14
Stamps and Registration Fee	25.69	25.67	(-) 0.02	-
Taxes on Goods and Passengers	194.47	182.84	(-) 11.63	6
Taxes and Duties on Electricity	45.70	25.66	(-) 20.04	44
Non-tax Revenue				
Interest receipts	133.74	136.32	(+) 2.58	2
Forestry and Wild Life	72.73	49.28	(-) 23.45	32
Medical and Public Health	7.12	7.84	(+) 0.72	10
Power	44.00	606.61	(+) 562.61	1279

The reasons for variation between budget estimates and actual receipts though called for had not been received (October 2003).

6.1.3 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 2002-2003 and the corresponding figures for the preceding two years, in respect of which information was furnished by the Department, was as follows:

Table No 6.5

(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
Finance Department							
Sales Tax	2000-01	249.88	3.65	0.07	Nil	253.60	99
	2001-02	292.49	4.49	0.23	Nil	297.21	98
	2002-03	341.65	8.06	0.07	*	349.78	98
Motor Spirit Tax	2000-01	91.82	0.01	Nil	Nil	91.83	100
	2001-02	104.75	0.08	Nil	Nil	104.83	100
	2002-03	121.28	*	Nil	Nil	121.28	100

It will be seen that between 98 to 100 *per cent* of sales tax and motor spirit tax collections were made at pre-assessment stage during the period 2000-01 to 2002-03.

6.1.4 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 2000-2001, 2001-2002 and 2002-2003, alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows.

* Negligible

Table No 6.6

(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 2001-2002
Sales Tax	2000-01	358.72	9.81	3	-
	2001-02	408.75	9.54	2	1.26
	2002-03	535.97	10.24	2	-
Taxes on vehicles	2000-01	23.32	2.19	9	-
	2001-02	28.18	2.19	8	2.99
	2002-03	33.66	2.26	7	-
State Excise	2000-01	298.06	7.95	3	-
	2001-02	165.00	7.92	5	3.21
	2002-03	222.52	14.69	7	-
Stamps and Registration fee	2000-01	21.06	3.64	17	-
	2001-02	26.08	3.08	12	3.51
	2002-03	25.67	2.25	9	-

Percentage of cost of collection of sales tax, taxes on vehicles, state excise and stamps and registration fee was higher than the all India average cost of collection.

6.1.5 Collection of Sales Tax per assessee

The comparative position of sales tax collections per assessee during the period 1998-2002 was as under:

Table No 6.7

(Rupees in lakh)

Year	No. of assesses	Sales tax revenue	Revenue/ assessee
1998-99	22,102	18,032.11	0.82
1999-2000	22,303	23,708.40	1.06
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

The collection of sales tax per assessee increased from 0.82 lakh to 2.55 lakh during 1998-99 to 2002-03.

6.1.6 Analysis of arrears of Revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue in respect of which information was furnished by the Department amounted to Rs 733.30 crore of which Rs 478.45 crore were outstanding for more than five years as detailed in the table given below.

Table No 6.8

(Rupees in crore)

S. No	Head of Revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
1.	Sales Tax	701.89	451.01	Out of total arrears of Rs 701.89 crore, recovery of Rs 42.98 crore and Rs 0.04 crore had been stayed by courts and appellate authority respectively. Arrears of Rs 152.02 crore and Rs 183.46 ^w crore were proposed to be written-off and settled under Amnesty scheme respectively. The position of recovery of balance amount of Rs 323.39 crore was not intimated (October 2003).
2.	State Excise	21.05	17.53	Recovery of arrears of Rs 11.49 crore had been stayed by courts.
3.	Motor Vehicle Tax	8.36	8.32	Reasons for non-recovery awaited (October 2003).
4.	Irrigation and flood control	2.00	1.59	Recovery of arrears of Rs 0.01 crore had been stayed by courts.
	Total:	733.30	478.45	

The arrears outstanding for more than five years constituted 65 per cent of total arrears.

6.1.7 Arrears in Assessment

The details of cases pending assessment at the beginning of the year 2002-2003, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2002-2003, as furnished by the Sales Tax Department in respect of sales tax and tax on works contracts were as follows.

Table No 6.9

S. No	Name of Tax	Opening Balance	New Cases due for assessment during 2002-03	Total assessment due	Cases disposed of during the year 2002-03	Balance at the end of the year	Percentage of column 6 to 5
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Finance Department							
1.	Sales Tax	50,500	14,469	64,969	23,115	41,854	36
2.	Tax on works contracts	228	263	491	169	322	34
	Total	50,728	14,732	65,460	23,284	42,176	36

There was no substantial reduction in arrears of assessment during the year 2002-03.

^w Kashmir Division only.

6.1.8 Evasion of Tax

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

Table No 6.10

S.No	Name of tax/duty	Cases pending as on 31 March 2002	Cases detected during 2002-03	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 2003
					No of cases	Amount (Rupees in crore)	
1.	Sales Tax	7,021	36,579	43,600	36,448	3.48	7152
2.	State Excise	1	-	1	-	-	1

The progress of recovery of the amount was not intimated (October 2003).

6.1.9 Write off and waiver of revenue

During the year 2002-03 demands of Rs 22.10 crore (737 cases) relating to sales tax were written off by the Department as irrecoverable for the following reasons:

Table No 6.11

(Rupees in crore)

S.No	Reasons	Sales Tax	
		No of cases	Amount
1.	Whereabouts of defaulters not known	-	-
2.	Defaulters no longer alive	-	-
3.	Defaulters not having any property	-	-
4.	Defaulters adjudged insolvent	-	-
5.	Other reasons	723	22.08
6.	Remission of penalty	14	0.02
	Total	737	22.10

6.1.10 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and the cases pending at the close of year March 2003, as reported by the Sales tax and State Excise Departments are given below.

Table No 6.12

(Rupees in lakh)

S.No		Sales Tax		State Excise	
		No of cases	Amount	No of cases	Amount
1.	Claims outstanding at the beginning of the year 2002-03	1	0.30	Nil	Nil
2.	Claims received during the year	6	5.70	1	204.49
3.	Refund made during the year	3	1.40	1	191.66 ^o
4.	Balance outstanding at the end of the year 2002-03	4	4.60	-	-

Reasons for non-settlement of remaining four cases were not intimated (October 2003).

6.1.11 Results of Audit

Test-check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fee, electricity duty, forest receipts and other non-tax receipts conducted during the year 2002-03 revealed underassessment/short levy/loss of revenue amounting to Rs 17. 23 crore in 31 cases. During the course of the year the Departments accepted underassessment of Rs 5.49 crore in six cases pointed out in 2002-03 and earlier years and recovered Rs 5.21 lakh. No replies were received in remaining cases.

This Chapter contains 10 paragraphs including one review bringing out non-levy/short levy of taxes, duties, interest and penalties, etc. aggregating Rs 21.83 crore. The Department/Government accepted audit observations involving Rs 3.23 crore of which Rs 0.06 crore had been recovered up to October 2003. No reply was received in other cases.

6.1.12 Response of the Departments to Draft Audit Paragraphs

Draft paragraph and reviews are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of nine draft paragraphs and one review forwarded to Departments concerned during March 2003 to May 2003 (detailed in *Appendix-10*) no reply was received from the Government/Department (October 2003).

^o Balance was disallowed

6.1.13 Follow up on Audit Reports-summarised position

Status of reviews/paragraphs of Revenue Receipts Chapter pending discussion in the Public Accounts Committee as on 31 March 2003 was as under:

Table No 6.13

Period of Audit Reports	Total number of reviews and paragraphs 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	5	2	5	2
1994-1995	1	14	1	14
1995-1996	4	9	4	9
1996-1997	2	4	2	4
1997-1998	-	9	-	7+2 [▼]
1998-1999	1	11	1	11
1999-2000	-	7	-	6+1 [▼]
2000-2001	1	7	1	6+1 [▼]
Total	15	81	15	81

▼ Partly discussed

Section-A-Reviews

Finance Department

6.2 Review: Assessment and collection of Toll Tax

Highlights

- **There was variation of Rs 382.24 crore in toll receipts as shown by the Department and those booked in accounts. The variation had not been reconciled.**

(Paragraph: 6.2.7)

- **Control records at toll posts were either not maintained or maintained defectively affecting proper monitoring of the posts leaving scope for leakage of revenue.**

(Paragraphs: 6.2.11 and 6.2.14)

- **Inadequate co-ordination between toll and Sales Tax/Railway Authorities and non-application of revised rates of additional toll resulted in short assessment/levy of toll of Rs 3.95 crore.**

(Paragraph: 6.2.17)

- **Ten small scale industrial units were allowed exemption from payment of additional and special toll of Rs 46.16 lakh without obtaining the material receipt/consumption verification certificates from Industries and Commerce Departments for one or more quarters during the period 1999-2002.**

(Paragraph: 6.2.24)

- **Arrears of toll amounted to Rs 32.80 crore as of January 2003 out of which Rs 29.56 crore were in arrears for more than five years.**

(Paragraph: 6.2.32)

- **Toll collections by the Jammu and Kashmir Bank Limited were not credited to Government in time which would have resulted in saving of interest of Rs 2.62 crore on the overdrafts taken by Government from the Bank.**

(Paragraph: 6.2.35)

Introduction

6.2.1 Toll is levied and collected from users of public roads and bridges under the provisions of the Jammu and Kashmir Levy of Tolls Act, 1938 and rules framed thereunder. The Government may from time to time establish toll posts on roads, bridges, lanes, etc. and prescribe, annul or alter rates of toll or grant exemption thereof.

Organisational set-up

6.2.2 Assessment, levy and collection of toll is done under the supervision of the Excise Commissioner through Excise and Taxation Officers incharge of toll posts and Deputy Commissioner, Excise in respect of Toll Post, Lakhempur. The overall administrative control vests with the Finance Department.

Audit objective

6.2.3 The objective of the review was to assess efficacy, adequacy and effectiveness in the implementation of the provisions of the extant Act and Rules.

Audit coverage

6.2.4 Records of six^ψ out of eight toll posts for the period 1998-99 to 2002-03 were test-checked in audit during November 2002 to March 2003. The findings thereof are brought out in the succeeding paragraphs:

Trend of revenue

6.2.5 The position of toll revenue collected vis-à-vis budget estimates during five years ending 2002-03 as per departmental records was as under:

Table No 6.14

(Rupees in crore)

Year	Budget estimates	Revenue	Excess (+)/Shortfall (-)
1998-99	83.03	87.23	(+) 4.20
1999-2000	143.00	137.75	(-) 5.25
2000-01	158.00	149.02	(-) 8.98
2001-02	170.00	169.28	(-) 0.72
2002-03	187.00	176.89	(-) 10.11

6.2.6 The shortfall in toll collection during the period 1999-2000 to 2002-03 was attributed by the Department to Kargil war, transporters strike, blockade of Jammu-Srinagar National Highway and fall in import/export of commodities.

6.2.7 Reconciliation of figures is an important control mechanism for collection and remittance of toll collection. There was a variation of Rs 382.24 crore between the departmental figure (Rs 720.17 crore) and those

^ψ Railway Station Bari Brahmana, Railway Station Jammu, Lakhempur, Manwal, Nagrota and Lower Munda (Kashmir).

booked by Senior Deputy Accountant General (A&E) (Rs 337.93 crore) during the period from 1998-99 to 2002-03. The variation in the relevant years had not been reconciled by the Department. The reasons for non-reconciliation were also not intimated (October 2003).

Non-identification of escape routes

6.2.8 Jammu and Kashmir has a porous border with the State of Punjab and identification of such alternate/escape routes, as are susceptible of being adopted by unscrupulous persons for evasion of toll, is essential, for plugging them to avoid leakage of revenue. Report on a joint inspection by the Deputy Commissioners of Excise (Toll Post) and Sales Tax, Lakhenpur had expressed in June 2001 the need for enhancing vigil, in order to minimise chances of evasion of toll, by measures which included relocation of some toll posts and establishment of new minor/guarding post (s).

6.2.9 It was observed that the process of identification of alternate/escape routes for establishing/relocating toll posts/barriers had not been initiated. Due to non-identification of alternate/escape routes, the possibility of sizeable number of vehicles not reporting at toll posts and escaping toll could not be ruled out.

6.2.10 On this being pointed out in audit, the Excise Commissioner stated in March 2003 that mobile raiding teams had been established for stopping clandestine movement of tollable goods on all routes. The details of number of mobile raiding teams established, escape routes identified, inspections conducted and offenders apprehended were, however, not furnished (October 2003).

Non/defective maintenance of control records

6.2.11 Under the Jammu and Kashmir Levy of Tolls Rules, 1938, Toll Officers are required to maintain various registers in prescribed form for controlling/monitoring the working of a toll post. In the test-checked[≠] toll posts, records for maintaining details of weighment, remittances into treasuries/banks, exemptions granted to industrial units, offenders who evaded toll, vehicles passing through toll gate and stock accounts of permits were not maintained in one or more toll posts as detailed in *Appendix-11*.

6.2.12 At Toll Post, Lakhenpur against the closing balance of 1,26,000 pre-printed tickets (for export-trucks[♠]) as on 20 May 2001, 80,000 pre-printed tickets only were carried over, resulting in short accounting of 46,000 tickets involving toll of Rs. 14.12 crore.

6.2.13 At Toll Post Lower Munda (Kashmir) machine numbered permit books (Form RT-4) were not used as provided under the rules.

[≠] Railway Station Jammu, Railway Station Bari Brahmana, Lakhenpur and Lower Munda (Kashmir).

[♠] The trucks leaving the state at the last exit point.

6.2.14 At Toll Post, Railway Station, Jammu the balance in stock register of permits (Form RT-6) had not been worked out correctly. Permits were not written in duplicate by using double sided carbon at toll posts Railway Station Jammu and Bari Brahmna. Unused permits were not cancelled and the stock register of permits was full of over writings at Toll Post Railway Station Jammu.

6.2.15 Non/defective maintenance of aforementioned control records affected monitoring of the toll posts leaving scope for leakage of revenue.

6.2.16 The Assessing Officers of toll posts stated[&] in December 2002 and February 2003 that audit observations had been noted and would be followed in future.

Short assessment/levy of toll

6.2.17 Inadequate co-ordination with the Sales Tax Department and Railways and non-application of revised rates of toll, resulted in short assessment/levy of toll of Rs 3.95 crore as discussed below:

6.2.18 Toll Rules, 1938 provide for co-ordination between sales tax and toll authorities for verification of the weight recorded in the *challans* presented at the toll post. Cross-check of records of Toll Post Railway Station, Jammu and Petrol Taxation Officer, Jammu revealed understatement of 53,207 tonnes of High Speed Diesel (HSD) imported in the state by four oil companies* during 1999-2000 to 2001-02 resulting in short levy of toll of Rs 1.67 crore as tabulated below.

Table No 6.15

Year	Import of HSD as per records of Petrol Taxation Officer Jammu	Import of HSD as per records of toll post	Understatement of HSD at Toll Post	Short levy of tolls (basic, additional and special Toll)
	(Tonnes)			Rs in crore)
1999-2000	220738	204091	16647	0.51
2000-01	232992	211626	21366	0.65
2001-02	256014	240820	15194	0.51
Total	709744	656537	53207	1.67

6.2.19 The Government revised rates of toll in December 1998 and October 2000. As per revised rates, basic toll of Rs 50 per vehicle and additional toll of Rs 60 per quintal was to be levied on dry fruit from December 1998 and October 2000, respectively. Audit scrutiny revealed that basic toll was not levied on 3.47 lakh vehicles carrying fresh and dry fruit which crossed the toll posts Manwal and Nagrota during April 1999 to January 2003. Similarly, additional toll at pre-revised rate (Rs 10 per quintal) was levied on 2299 vehicles (Manwal: 78; Nagrota: 2221) carrying 89601 quintals of dry fruit crossing these toll posts

[&] Railway Station Bari Brahmna, Railway Station Jammu and Lakhenpur

* Bharat Petroleum, Hindustan Petroleum, Indian Oil Corporation, Indo-Bharat Petroleum

during October 2000 to March 2001. This resulted in short levy of toll of Rs 2.18 crore.

6.2.20 The goods arriving at Railway Station, Jammu are lifted by consignees through trucks and subjected to toll on the consignees depositing railway receipts (RRs) at Toll Post Railway Station, Jammu. The toll authorities depend entirely on the documents of import furnished by the consignees. System of obtaining wagon-wise lists/RRs, from Railways and cross referencing of permits with RRs/Import General Register to verify the chargeable quantity of goods specified in RRs is not in vogue at the toll post for preventing leakage of revenue. Audit scrutiny revealed that in three cases against chargeable weight of 70,264 quintals recorded in nine RRs pertaining to April 2002 and July 2002, 42,058 quintals only had passed through Toll Post Railway Station, Jammu. The possibility of balance 28,206 quintals involving toll of Rs 9.37 lakh having escaped the assessment could not be ruled out. The Assessing Officer stated in December 2002 that cross linking of RRs, permits and Import General Register would be done in future.

6.2.21 The Act, *ibid* provides that an Assessing Officer shall scrutinise invoices, *challans*, bills, etc. to ascertain correctness of the weight. In 24 cases comprising 50 RRs pertaining to fertilizers and cement, assessment of toll was made on lower weight at Toll Post Railway Station, Jammu than that recorded on RRs. This resulted in underassessment of 1,617 quintals of such goods between March 2001 and July 2002 and consequential short levy of additional and special toll of Rs. 0.53 lakh.

6.2.22 The Government levied additional toll on edible oils, cigarettes and “tobacco” on *ad valorem* basis at the rate of 4 *per cent* of the value of goods with effect from April, 2000. As per the Central Excise Tariff Act, 1985 “*biris*” and “*gutkhas*” are forms of tobacco. Test-check of records at Toll Post, Lakhempur revealed that “*biris*” and “*gutkhas*” imported into the state had not been subjected to toll on *ad valorem* basis but on weightment basis. The extent of revenue foregone as a result could not be worked out in audit as bills/invoices of these commodities were not available at the Toll Post.

Irregular payment of additional toll

6.2.23 The Government exempted (August 1998) certain raw materials brought into the state by small scale industrial units (SSI) registered with the Directorate of Industries, from payment of additional and special tolls on the basis of quarterly certificates issued by the Industries and Commerce (I&C) Department to the effect that raw materials had actually been received by the concerned SSI unit, entered in its store records, and used in the process of manufacturing of the end products.

6.2.24 In case of 10 SSI units, exemption from payment of additional and special toll amounting to Rs 46.16 lakh was allowed on raw material imported

and finished goods exported by them through toll posts, Lakhenpur and Railway Station, Bari Brahmana during 1999-2000 to 2001-02 without obtaining quarterly verification certificates from the I&C Department for one or more quarters.

Short charging of fine

6.2.25 Under the Act, *ibid*, anybody adopting any device to evade payment of toll at a toll gate or station, is liable to pay a fine up to five times the amount of actual toll leviable or Rs 500, whichever is higher.

6.2.26 At toll posts Jammu and Lakhenpur, penalty of Rs 0.53 lakh, for evasion of toll by concealment of goods, understatement of weight/value of goods, shortage in laden weight, etc was levied short in 55[±] cases during 1999-2000 to 2001-02.

Non-functional weigh-bridges at toll posts

6.2.27 Toll Rules, 1938 provide that such toll posts where additional or special toll on weight of goods is chargeable shall be equipped with weigh-bridges for proper assessment of toll.

6.2.28 It was seen in audit that two weigh-bridges, each at Railway Station, Bari Brahmana and Lower Munda Kashmir and one each (out of two) at Railway Station Jammu and Manwal were non-functional for more than five years in spite of the fact that 21.95 lakh vehicles passed through these check posts during the period 1998-99 to 2002-03.

6.2.29 At Toll Post Railway Station, Bari Brahmana loaded vehicles were allowed to get the unladen/laden weight recorded at private weigh-bridges and such weight was taken as the basis for computation of toll. The possibility of understatement of weight by unscrupulous persons in collusion with private weigh-bridge owners for avoiding payment of additional/special toll could not be ruled out.

6.2.30 The Assessing Officers stated in December 2002/February 2003 that the weigh-bridges would be repaired/matter taken up with the higher authorities.

Arrears of Toll

6.2.31 Toll arrears are recoverable as arrears of land revenue. The Act also empowers the Department to disallow passage of goods belonging to defaulters of toll.

[±] Toll Post Railway Station, Jammu: 2 cases; Rs 0.11 lakh, Toll Post Lakhenpur: 53 cases; Rs 0.42 lakh.

6.2.32 Arrears of toll amounted to Rs 32.80* crore (143 cases) at Toll Post, Lakhempur as on January 2003. Of these, Rs 3.24 crore (50 cases) were in arrears up to five years and balance Rs 29.56 crore (93 cases) for more than five years.

6.2.33 In 76 cases (Rs 4.80 crore) though notices for recovery were issued, the provisions of the Act relating to disallowance of the passage of goods of these defaulters had not been invoked by the Department (October 2003).

Delay in crediting of toll revenue to Government

6.2.34 Toll collected at various toll posts is to be remitted by the concerned incharge toll posts to the designated branches of the Jammu and Kashmir Bank at the end of each day which in turn are to transfer the collections to the main branch (Town Hall Jammu) at the end of each week. The Town Hall branch is to credit the entire balance to government account at the close of business of each day. The Department had, however, not evolved any monitoring mechanism for ensuring timely transfer/credit of the toll revenue to government account.

6.2.35 Test-check further revealed that toll revenues ranging between Rs 8 lakh and Rs 24.46 crore were retained by Gandhinagar and Lakhempur branches of the bank for periods ranging between 1 and 31 days during the period from 1998-99 to 2002-03. At Town Hall branch, amounts ranging between Rs 32 lakh and Rs 22.29 crore were retained for periods ranging between 1 and 38 days during 2000-01 and 2001-02. Timely transfer of the amounts to government account by the bank would have resulted in reduction in government overdraft and consequential saving of interest of Rs 2.62 crore. On this being pointed out, the Excise Commissioner stated in March 2003 that management of bank would be requested to ensure timely transfer of toll collections to government account.

Internal audit

6.2.36 The Deputy Excise Commissioner (Accounts) Jammu also designated as Officer Incharge Audit (Internal) is required to formulate annual plan for conducting internal audit of units. Neither annual audit plans were drawn up nor periodicity for audit fixed.

6.2.37 Internal audit of main Toll Post at Lakhempur was in arrears for over five years. Other# test-checked toll posts were audited only once during 1998-2003.

* Includes interest of Rs 20.50 crore.

Nagrota, Manwal, Railway Station, Bari Brahmana, Railway Station, Jammu.

Other points

Discrepancy in figures of export of fresh fruit

6.2.38 The vehicles coming from valley laden with goods which include fresh fruit and destined for export, first arrive at Toll Post Lower Munda (Kashmir Division). After crossing various toll posts, these vehicles finally arrive at last exit point viz., Toll Post Lakhenpur. The quantity of goods subjected to weighment at Toll Post Lower Munda should be the same as the quantity recorded at Toll Post Lakhenpur. It was, however, noticed that against 58.87 lakh quintals of fresh fruit destined for export as per the records of Toll Post Lower Munda during 2001-02, 56.63 lakh quintals had been shown exported in the records of Toll Post Lakhenpur. The reasons for the discrepancy involving toll of Rs 69.56 lakh were not intimated (October 2003).

Recommendations

6.2.39 With a view to improving the levy and collection of toll tax and to check leakage and evasion of toll tax through effective internal control, Government may consider following steps:

- (i) Provide for coordination between the Sales Tax and Industries and Commerce Departments and Railways to prevent leakage of revenue;
- (2) Clearly monitor timely credit of revenue to Government Account;
- (3) Ensure departmental weigh-bridges are functional for correct assessment of toll and various control records required at toll posts are maintained for correct assessment/realisation of toll.

6.2.40 The above points were referred to Government/Department in (May 2003); their reply had not been received (October 2003).

Section-B-Audit Paragraphs

Finance Department

6.3 Suppression of turnover

The Assessing Authority failed to detect the suppression of turnover which resulted in short levy of tax, penalty and interest aggregating Rs 16 lakh.

Jammu and Kashmir General Sales Tax Act, 1962 (J&KGST Act, 1962) provides that every registered dealer shall submit a true and correct return of his turnover in such a manner as may be prescribed by the Act. In case the dealer has failed to furnish the correct return of his turnover without reasonable cause, the Assessing Authority shall, in addition to tax payable by him, levy penalty which shall not be less than the amount of tax evaded. In addition, interest at prescribed rates is also leviable on the tax evaded from the date it was payable to the date of actual payment.

Test-check of the records of Sales Tax Circle 'C' Jammu, revealed that a dealer by making incorrect totalling of sale turnover for the 3rd quarter of the accounting year 1995-96, suppressed it by Rs 11.83 lakh. The Assessing Authority while assessing the dealer in February 2000, failed to detect the discrepancy which resulted in short levy of tax, penalty and interest aggregating Rs 16 lakh.

On this being pointed out in audit, the Assessing Authority raised a demand for Rs 16 lakh against the dealer in September 2002. A recovery certificate to recover the aforementioned amount was also issued to dealer in June 2003.

The matter was referred to Government/Department in April 2003; reply had not been received (October 2003).

6.4 Concealment of turnover

Failure of the Assessing Authority to detect the concealment of inter-state purchases resulted in short levy of tax, penalty and interest aggregating Rs 19.35 lakh.

J&KGST 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 prescribed under the Act. Where a dealer has without any cause, failed to furnish the correct return of his turnover or concealed the purchases, the Assessing Authority shall direct him to pay, in addition to the tax payable by him, penalty of not less than the tax evaded and not exceeding double the amount of tax evaded. The dealer is also liable to pay interest on tax due at the prescribed rates.

Test-check of records of the Sales Tax Circle, Sopore revealed that a dealer had concealed turnover of Rs 28.95 lakh in his trading account for the year 1994-95. The Assessing Authority while assessing in August 1999 failed to detect the concealment which resulted in short levy of tax, interest and penalty (minimum) aggregating to Rs 11.49 lakh.

On this being pointed out in audit, the Assessing Authority re-assessed the dealer in June 2002 and raised an additional demand of Rs 14.14 lakh. An amount of Rs 2.51 lakh had been recovered from the dealer and recovery of the balance amount was awaited (October 2003).

Test-check of records of Sales Tax Circle "C" Jammu revealed that a dealer dealing in edible oil concealed sales worth Rs 14.21 lakh by manipulating his trading account for the year 1995-96. The Assessing Authority while assessing the dealer to tax for the year failed to detect the concealment which resulted in short levy of tax, penalty and interest aggregating Rs 5.21 lakh. On this being pointed out in audit, the Assessing Authority raised a demand of Rs 5.21 lakh in December 2002. The amount had not been recovered (October 2003).

The matter was referred to Government/Department in March/April 2003; reply had not been received (October 2003).

6.5 Short levy of tax due to misclassification of turnover

The Assessing Authority failed to detect the misclassification of turnover by a dealer which resulted in short levy of tax and interest aggregating Rs 11.51 lakh.

J&KGST 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 prescribed under the Act. Where a dealer has without any cause, failed to furnish the correct return of his turnover or concealed the purchases, the Assessing Authority shall direct him to pay in addition to the tax payable by him, penalty of not less than the tax evaded and not exceeding double the amount of tax evaded. The dealer is also liable to pay interest on tax due at prescribed rates. The rate of sales tax on drugs and medicines was increased from four to eight *per cent* with effect from 22 August 1994.

Test-check of records of Sales Tax Circle, Sopore, revealed that a dealer reflected reduced turnover of Rs 1.33 crore against actual turnover of Rs 1.92 crore taxable at eight *per cent* by correspondingly increasing the turnover taxable at the lower rate (four *per cent*) in his trading account for the year 1994-95. While making assessment in April 2000, the Assessing Authority failed to detect the misclassification of the turnover which resulted in short levy of tax, interest and penalty aggregating to Rs 11.51 lakh.

On this being pointed out in audit, the Assessing Authority raised an additional demand of Rs 11.51 lakh against the dealer in June 2002. An amount of Rs 2.25 lakh had been recovered from the dealer. Progress of the recovery of the balance amount was awaited (October 2003).

The matter was referred to Government/Department in March 2003; reply had not been received (October 2003).

6.6 Incorrect computation of tax

Incorrect computation of tax by the Assessing Authority resulted in short levy of tax and interest aggregating Rs 1.06 lakh.

The J&KGST Act, 1962 provides that if a dealer has not filed his return before the date prescribed or specified in this behalf, the Assessing Authority shall proceed to assess to the best of his judgement the amount of tax if any, due from the dealer. For non-payment of tax, interest at prescribed rates on the unpaid tax, is also chargeable.

Test-check of records of Sales Tax Circle, Sopore revealed that a dealer had not filed his return for the accounting year 1993-94. He was assessed in January 1998 on best judgement basis on a turnover of Rs 25 lakh. The Assessing Authority, however, computed the tax and interest on a turnover of Rs 21 lakh only in March 1998. This resulted in short levy of tax and interest aggregating Rs 1.06 lakh.

On being pointed out in audit, the Assessing Authority raised an additional demand of Rs 1.06 lakh in March 2002, which had not been paid by the dealer as of October 2003.

The matter was referred to Government/Department in March 2003; reply had not been received (October 2003).

6.7 Short levy of tax

There was short levy of tax due to allowance of exemption on sale of goods/repair-sale not covered by certificate of registration.

The goods manufactured and sold during the course of inter-state trade and commerce as well as those sold within the State by Small Scale Industries (SSI) unit registered with the Industries and Commerce Department are exempt from levy of Central Sales Tax and General Sales Tax. The raw material sold by a dealer to an industrial unit within the state is also exempt from tax under the provisions of the J&KGST Act, 1962.

Test-check of records of the Assessing Authority, Sales Tax Circle "I", Jammu revealed that a dealer (SSI unit) registered for manufacturing of

“distribution transformers” claimed exemption on sale of transformer tanks (including scrap) and repair-sale of transformers valued at Rs 28.08 lakh which were not covered by certificate of registration. While making assessment in March 2002, the Assessing Authority failed to detect the irregularity which resulted in short levy of tax and interest aggregating Rs 6.14 lakh.

On this being pointed out in audit the Assessing Authority raised a demand for Rs 7.82 lakh in June 2003 against the dealer. Progress of recovery was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

6.8 Non-levy of penalty

Failure of the Assessing Authority to detect purchase and sale of goods by a dealer not covered under the certification of registration resulted in non-levy of penalty of Rs 1.75 lakh.

Under the provisions of Central Sales Tax Act, 1956, if a registered dealer while purchasing any class of goods in the course of inter-state trade or commerce falsely represents that the goods of such class are covered by his certificate of registration, the competent authority may impose upon him by way of penalty, a sum not exceeding one and half times the tax which would have been levied in respect of such goods.

Test-check of records of Sales Tax Circle “A” Jammu revealed that a dealer purchased and sold confectionery items (toffees) and spices valued at Rs 11.68 lakh in his inter-state trade during 1998-99 which were not covered by his certificate of registration. The Assessing Authority, while making assessment in April 2000 failed to detect the irregularity resulting in non-levy of penalty of Rs 1.75 lakh.

On this being pointed out the Assessing Authority raised a demand in June 2003 for Rs 0.20 lakh only thereby foregoing revenue of Rs 1.55 lakh. The progress of recovery of was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

Law Department

6.9 Short recovery of stamp duty

There was short recovery of stamp duty due to application of lesser rates.

Under the Jammu and Kashmir Stamp Act, 1920 stamp duty at three times the prescribed rate is chargeable on every instrument of conveyance of immovable property provided such property is situated within municipal limits. The rates of stamp duty were enhanced by the Government from 3 April 2000.

Test-check of the records of the Sub Registrar, Jammu (North) revealed that in 71 cases of conveyance of immovable property situated within municipal limits of Jammu and registered in April 2000, stamp duty was levied at lesser rates resulting in short-levy of Rs 7.58 lakh.

On this being pointed out in audit, the Registering Officer stated in August 2002 that notices would be issued to effect the recovery. Further action in the matter was awaited (October 2003).

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).

Revenue Department

6.10 Non/short realisation of licence/renewal licence fee

Tehsildar, Anantnag did not recover licence fee and renewal licence fee at revised rate from brick kiln licensees which resulted in short realisation of revenue of Rs 6.99 lakh.

Under Construction of Brick Kilns and Preparation of *Surkhi*, Lime and Plaster of Paris Rules, 1912 licence fee and renewal licence fee of Rs 12 each per annum was to be paid by each licensee for operating a kiln. In July 1990, the Government increased the rates of licence fee and renewal licence fee to Rs 5000 and Rs 2000 per annum respectively.

Audit scrutiny of the records of Tehsildar, Anantnag in Kashmir Division, however, revealed that licence fee was not realised in eight cases and renewal licence fee was realised at the pre-revised rate in 32 cases from July 1990 to March 2002. This resulted in short realisation of licence/renewal licence fee of Rs 6.99 lakh.

On being pointed out in audit, the Tehsildar recovered an amount of Rs 0.77 lakh and stated in October 2003 that balance amount will be recovered.

The matter was referred to Government/Department in May 2003; reply had not been received (October 2003).