

CHAPTER- VI: OTHER TAX RECEIPTS

6.1 Results of Audit

Test check of the records of the Registration and Commercial Taxes Department, conducted in audit during the year 2003-04 revealed under assessments of tax, fee, duty and losses of revenue etc., amounting to Rs. 28.74 crore in 1,884 cases which broadly fall under the following categories: -

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
	STAMPS AND REGISTRATION FEES		
1.	Short realisation of Stamp duty and Registration fee due to late receipt of revised rates.	57	0.64
2.	Review on sale and purchase of stamps	1	22.68
3.	Other cases	1,822	4.85
	Total	1,880	28.17
	TAXES ON GOODS AND PASSENGERS-TAX ON ENTRY OF GOODS INTO LOCAL AREAS		
1.	Other cases	4	0.57
	Total	4	0.57
	Grand Total	1,884	28.74

During the year 2003-04, the concerned Department accepted under assessments etc. of Rs 2.08 crore in 790 cases of which 696 cases involving Rs 2.07 crore had been pointed out in audit during 2003-04 and rest in earlier years.

A few illustrative cases including a review on **Sale and Purchase of stamps** involving Rs 23.81 crore are given in the following paragraphs:

6.2 Review on Sale and Purchase of Stamps

Highlights

- Irregular purchase and sale of insurance stamps of Rs 2.07 crore and Rs 18.71 crore respectively from places other than those mentioned in licences by two vendors of Jamshedpur was in violation of terms and conditions of the licences and the provisions of Rules.
- Purchase of insurance stamps by LIC from unauthorised agencies resulted in loss of revenue of Rs 40.78 lakh in shape of commission.

[Paragraph 6.2.9]

- The vendor's account and the accounts of six Divisional LIC Offices revealed discrepancy of Rs 1.36 crore.

[Paragraph 6.2.10]

- Against the requirement of stamps valued at Rs 3.07 crore between 1998-99 and 2002-03 for execution of 12.25 lakh policies for assured value of Rs 7,681 crore, the Divisional Offices of LIC, Hazaribagh purchased stamps valued at Rs 2.68 crore, resulting in loss of Government revenue of Rs 0.39 crore due to short purchase of insurance stamps.

[Paragraph 6.2.11]

- Irregular sale of Insurance stamps by Treasury Officer, Jamshedpur to vendors resulted in loss of Rs 12.47 lakh in shape of commission.

[Paragraph 6.2.12]

6.2.1 Introduction

The Indian Stamp Act, 1899 and the related State Legislation impose duty on various instruments specified in the schedule thereto at the rates specified therein. Such duties are paid by executors of instruments by either using impressed stamp of proper denomination or by affixing stamps of proper denomination on them. State Government has made rules under the Act which lay down the detailed procedure for determination and collection of stamp duty. Nodal point for collection of bulk supply of stamps/stamp paper was created by the Government of Jharkhand at District Treasury, Ranchi. Monitoring of sale and purchase of stamp and stamp papers and issue of licenses to vendors are vested with the Dy. Commissioner of the districts assisted by the Dy. Collector (DC) stamps.

6.2.2 Organisational set up

At the apex level, the Secretary-cum-Inspector General of Registration (IGR) is the administrative head of the Registration Department. He is the Chief Controlling Revenue Authority under the Indian Stamp Act. He is assisted by one Deputy Inspector General and one Inspector of Registration Offices (IRO). Further, there are 18 Registration districts¹ under the charge of District Sub-Registrars (DSR) and 11 Sub-Registration Offices² under the charge of Sub-Registrars. There are 22 treasuries and one sub-treasury dealing with receipts and sale of stamps/stamp papers.

6.2.3 Audit objectives

The review was conducted with a view

- to examine the efficiency and efficacy of the system relating to requisition and indenting of stamps, their correct accountal and framing of budget estimates.
- to ascertain whether the provisions of the Act/ Rules and instructions issued thereunder were followed by the Departmental authorities.
- to examine the existence and adequacy of internal control mechanism so as to safeguard the Government interest against the misuse of stamps.

6.2.4 Scope of Audit

A test check of records of the IGR, Jharkhand, Ranchi, seven Registration districts³, seven treasuries³ and three Sub-registration offices⁴ (Sub-divisions) for the period from 1993-94 to 2002-03 was conducted to ascertain the leakage of revenue under stamp duty between February and July 2004. Besides, records relating to purchase of Insurance Stamps by two Divisional Offices (Hazaribagh and Jamshedpur) of Life Insurance Corporation of India (LIC) were examined. Further, information regarding procurement/ supply of stamps by CSD Patna prior to reorganisation of the State was also obtained from the office of the IGR, Bihar, Patna for the treasuries falling under the area of Jharkhand State.

¹ Bokaro, Chaibasa, Chatra, Deoghar, Dumka, Daltonganj, Dhanbad, Godda, Garhwa, Giridih, Gumla, Hazaribagh, Jamshedpur, Koderma, Lohardaga, Pakur, Ranchi and Sahebganj at Raj Mahal.

² Gola, Ghatshila, Hussainabad, Jamtara, Jamua, Khunti, Latehar, Raj Danwar, Simdega, Saraikela and Tenughat.

³ Bokaro, Dhanbad, Gumla, Hazaribagh, Jamshedpur, Lohardaga and Ranchi.

⁴ Gola, Ghatshila and Khunti.

6.2.5 Budget estimates and actuals

A comparison of budget estimates (BE) for the year 2000-01 to 2002-03 *vis-a-vis* actual receipts under the major head “0030 Stamp & Registration” corresponding to minor head 102 – Non Judicial Stamp is as follows:

(Rupees in crore)					
Sl. No.	Year	Budget estimates	Actual receipt	Variation Increase (+)/ Decrease (-)	Percentage
1	15.11.2000 to 31.3.2001	13.36	7.28	(-) 6.08	(-) 45.51
2	2001-02	26.43	19.95	(-) 6.48	(-) 24.52
3	2002-03	46.20	55.56	(+) 9.36	20.25

The above table indicates that there was huge variation between the BE and actual receipts. Examination of budget files in the Registration Department indicated that no budget estimates were prepared and submitted to the Finance Department for the years 2000-01 and 2001-02.

After this was pointed out, the Department accepted the fact in May 2004 that no budget was prepared by the Department for the years 2000-01 and 2001-02. However, Budget was prepared for the year 2002-03 by the Department and submitted to the Finance Department. An examination of these estimate further revealed a huge variation of 20.25 *per cent* for the year 2002-03 indicating therein the BE were not realistic.

6.2.6 Incorrect assessment of requirement of stamps

As per Bihar Stamp (BS) Rules, 1954 as adopted by the Government of Jharkhand and the instructions issued thereunder, each District Treasury Officer is required to send a requisition of stamps required by his treasury and by the sub- treasury (ies) falling under his jurisdiction, to IGR. These indents are required to be sent to IGR not later than 15th of the month in which these are due to be sent to CSD Nasik.

It was noticed from the information made available by the IGR to audit that for the first time in 2001-02 assessment of requirement was made on the basis of indents received from five local depots⁵. While for the succeeding years the information on which these were based were not made available. The position of purchase and sale of stamps was as under:-

(Rupees in crore)				
Year	Total indents for supply of stamps	Total supply from Government Press, Nasik and Hyderabad	Total Sale	Balance
2000-01 (15.11.2000 to 31.3.2001)	226.20	13.29	7.28	6.01
2001-02	412.16	412.84	19.95	392.89
2002-03	693.85	326.56	55.56	271.00
Total	1,332.21	752.69	82.79	669.90

⁵ Chaibasa, Gumla, Jamshedpur, Ranchi and Sahebganj.

The above table clearly indicates that indents made were abnormally high in comparison to the sale of previous years. Consequently a huge quantity of stamps was lying in the stock of the depot at the end of each year.

After this was pointed out to the Government, it was stated that efforts to improve stamps indent management were being taken.

6.2.7 Utilisation of Non-Judicial Stamp papers in excess of issue by Treasury

As per provisions of the BS Rules, stamps shall be sold only from the Government Treasury either to an individual or to a licensed vendor. Further, as per notification issued in May 1994 by Board of Revenue, stamps issued by a treasury of one district could not be used in other districts *w.e.f.* 1.6.1994.

It was noticed that in the offices of the DSR, Bokaro, Dhanbad, Hazaribagh and Ranchi that during years 1993-94, 1994-95, 1995-96 and 1999-2000 stamps worth Rs 12.94 crore were issued by the treasuries while stamps valued at Rs 14.76 crore were used in Registration offices. Thus, there was excess consumption of Non-Judicial Stamps/Stamp Papers valued at Rs. 1.81 crore as detailed below:

(Rupees in lakh)				
Year	Name of the offices	Value of Stamps issued from treasury	Value of Stamps used in Registration offices	Excess consumption
1993-94	Bokaro	Nil	122.12	
	Dhanbad	151.73	166.62	
	Total	151.73⁶	288.74	137.01
1994-95	Bokaro	71.83	114.11	
	Dhanbad	140.39	122.41	
	Total	212.22	236.52	24.30
1995-96	Dhanbad	197.14	203.67	6.53
1999-2000	Ranchi	733.09	746.66	13.57
Grand Total		1,294.18	1,475.59	181.41 say 1.81 crore

After this was pointed out the DSR, Bokaro stated that the District Treasury, Bokaro had started selling stamp/stamp papers from June 1994 and these stamp papers were purchased from the District Treasuries, Hazaribagh and Dhanbad. However, the Treasury Officer Hazaribagh stated that no stamps were issued to vendors of Bokaro during this period.. The DSR, Ranchi stated in October 2004, that the matter was under examination. Final reply had not been received (April 2005).

The above facts revealed that the possibility of misuse of stamps could not be ruled out.

⁶ The DSR Bokaro, on the basis of undelivered documents, stated that stamps valued at Rs 2.90 lakh were issued from Hazaribagh treasury.

6.2.8 Lack of internal control

As per provisions of Bihar Stationery Manual and Bihar Stamp Rules, 1954, as adopted by Jharkhand, licenses granted to a stamp vendor is required to be renewed in April every year. The vendors are required to maintain a register of purchase/sale of stamps duly authenticated by the DC (Stamp).

During the course of audit it was noticed that in the offices of five DC (Stamp)⁷ neither the licences of the stamp vendors were renewed nor the registers of the stamp vendors were examined and authenticated by the appropriate authority.

- As per instruction issued in June 1994 by the Secretary Board of Revenue, Registering Authorities were authorised to conduct surprise check and submit their findings to the Collector.

In the offices of six DSRs⁸ it was noticed that no surprise checks were conducted by Registering Authority.

- As per circular issued by the Secretary Board of Revenue in June 1994, all the Treasury Officers were required to submit a consolidated statement of sale of stamps made to vendors and private parties separately to the Dy. Collector (Stamp) and Dy. Collector (Legal Section) for examination. Further, stamp vendors were required to submit a statement of stock and sale of stamps (denomination wise) in two copies, one for treasury officer and another for DC (Stamp) to the treasury officer every month on 5th of the following month.

In the offices of four DC (Stamp)⁹, it was noticed that neither statements of sale and purchase of stamps were submitted by the Stamp Vendors, to the DC (Stamp) and Treasury Officer for examination nor it was called for by the DC (Stamps) and Treasury Officer. Further, in six Treasury Offices¹⁰ it was noticed that no consolidated statement showing sale of stamps/ stamp papers were sent to the DC (Stamp) and DC (Legal Section) by Treasury Officer. Consequently no report was sent to the Collector regarding the quantity and value of stamps sold to the vendors and to private parties.

Thus the prescribed procedure was neither followed nor any action was initiated by the Collector for execution of his instructions.

After this was pointed out, the DSRs Bokaro, Hazaribagh, Jamshedpur and Lohardaga stated that henceforth, instructions would be followed. The Treasury Officers, Bokaro and Jamshedpur stated that the said circular issued in June 1994 was not available in the office and would be followed in future. Other Treasury Officers also stated that action would be taken as per directions/instructions.

⁷ Bokaro, Dhanbad, Gumla, Lohardaga and Ranchi.

⁸ Bokaro, Dhanbad, Hazaribagh, Jamshedpur, Lohardaga and Ranchi.

⁹ Hazaribagh, Jamshedpur, Lohardaga and Ranchi.

¹⁰ Bokaro, Dhanbad, Hazaribagh, Jamshedpur, Lohardaga and Ranchi.

6.2.9 Irregularities in purchase/ sale of Insurance Stamps by stamps vendors

BS Rules required licensed vendors to purchase stamps from the authorised treasury and sell the same at the authorised place. The names of the treasury, place from which the stamps are required to be purchased/ sold were mentioned in their licence. The sale/ purchase of stamps by the vendors at a place other than the places mentioned in their licenses is not permissible under the rules.

- Two vendors¹¹ were authorised to purchase the stamps from Jamshedpur treasury and sell the same within the court premises of Jamshedpur. However these vendors purchased insurance stamps from places other than Jamshedpur treasury and sold the stamps outside the court premises of Jamshedpur during the period from 1993-94 to 2002-03 as detailed below:

(Rupees in crore)

Purchase			Sale		
(Rupees in Crore)					
Sl. No.	State/ Place	Purchase during the period from 1997-98 to 2002-03	Sl.No.	State/ Place	Sale during the period from 1993-94 to 2002-03
1	Bihar	0.95	1	Bihar	8.12
2	West Bengal	0.67	2	West Bengal	3.07
3	Vendors of Ranchi	0.45	3	Orissa	3.21
	Total	2.07	4	Madhya Pradesh	0.30
			5	Chattisgarh	0.69
			6	Assam	0.14
			7	Hazaribag (LIC Div. Office)	3.18
				Total	18.71

The irregularity escaped the notice of the Department as the vendors neither furnished the sale and purchase statements nor were these demanded by the Department till these were requisitioned by the audit. This clearly indicates that check over the stamps vendors as provided in respect of purchase/ sale of Insurance stamps were not exercised by the DC (Stamp).

After this was pointed out, the Deputy Collector incharge Legal Section, Jamshedpur stated that the matter would be examined and reply would follow.

- In the offices of the Divisional Manager, LIC, Hazaribagh and Jamshedpur, it was noticed that during the period 1994-95 to 2002-03 insurance stamps amounting to Rs. 6.89 crore were purchased through agencies namely, M/s Stampex (India), Jamshedpur and Amol Enterprises, Pune. Scrutiny of records of the DC (Stamp), Jamshedpur and information received from Maharashtra revealed that no licence in the name of these agencies were issued.

¹¹ Partners of M/s Stampex India viz. (i) Shri Saroj Chanda and (ii) Shri Pradeep Ghosh.

After this was pointed out, while the Divisional Manager LIC, Hazaribagh stated that no specific orders were received from higher authority prior to November 2003 for purchase of insurance stamps from Government Treasury or licenced vendor/agency, the Divisional Manager, LIC, Jamshedpur stated that his Department had approached Jamshedpur treasury to purchase stamp directly from the treasury but the request was turned down by the Treasury Officer compelling him to purchase stamps from stamp vendor/firm. It was further stated that instruction(s) had been issued to stop purchasing of stamps from stamp vendor. Purchase of insurance stamps from unauthorized agencies was not only irregular but also resulted in loss of Rs 40.78 lakh as commission paid to vendors.

However, the Government stated in November 2004 that Divisional Manager, LIC Jamshedpur approached the Jamshedpur Treasury first time in February 2004 for Insurance Stamp and he had never applied earlier for purchase of stamps.

6.2.10 Discrepancies between vendor's account and records of LIC of India

It was revealed that the above vendors sold insurance stamps to six Divisional offices of LIC, two of Jharkhand, three of Bihar and one of Chattisgarh. A cross verification of vendors records with the information collected from LIC Divisional Offices revealed that the offices had purchased stamps worth Rs 8.52 crore whereas M/s. Stampex (India) sold insurance stamps valued at Rs 9.88 crore to these LIC divisions during the period between 1998-99 and 2002-03 resulting in discrepancy of Rs 1.36 crore as detailed below:

(Rupees in crore)				
Name of the State/ Place	Period	Sale to LIC as per vendor(s) account	Receipt of Insurance stamps by LIC	Difference
Bihar (Patna, Muzaffarpur and Bhagalpur)	1999-2000 to 2002-03	6.18	4.92	1.26
Hazaribagh	1995-96 to 2002-03	0.52	0.45	0.07
Jamshedpur	1999-2000 to 2002-03	2.49	2.48	0.01
Chattisgarh	1998-99 to 2000-01	0.69	0.67	0.02
	Total	9.88	8.52	1.36

After this was pointed out the DC (Stamp) and LIC Divisional Office, Hazaribagh stated that the matter would be examined and reply would follow whereas LIC Divisional office, Jamshedpur stated (September 2004) that the discrepancy of Rs 1.36 lakh might be due to recording mistake by the vendors.

6.2.11 Excess usage/consumption of Insurance Stamps

The rate of stamp duty as applicable on the policies of insurance has been given in Schedule I under Section 3 of Indian Stamp Act, 1899. As per article 47 (D) III of schedule I for every sum insured exceeding Rs 500 but not exceeding Rs 1,000 and also for every Rs 1000 or part thereof in excess of Rs 1,000, forty *naye* paise is leviable in the shape of stamp.

Scrutiny of the records of Divisional Office, LIC Hazaribagh revealed that during the period from 1998-99 to 2002-03 the office had executed 12,25,499 numbers of policies for assured value of Rs.7,681.12 crore. As per statement furnished by the Divisional Office of LIC, Insurance stamps worth Rs 3.07 crore were required to be affixed for execution of these policies where as the office had purchased Insurance stamps worth Rs 2.68.crore only. Thus, there was a loss of Government revenue of Rs. 0.39 crore due to short purchase of insurance stamps.

After this was pointed out, the Sr. Divisional Manager, LIC of India, Hazaribagh stated that the matter is under verification. Further reply has not been received (April 2005).

6.2.12 Unauthorised payment of commission to vendors

According to the provisions of BS Rules licenced vendors shall not sell stamps of any description or at any places other than the descriptions and places mentioned in their licences.

Scrutiny of licenses issued to two vendors by DC (Stamp), Jamshedpur revealed that the vendors were allowed to sell adhesive stamps not exceeding Rs. 50/- each procured from Jamshedpur Treasury only. But it was noticed that during the period 1998-99 to 2002-03 the vendors were allowed by the Treasury officer, Jamshedpur to purchase Insurance stamps (adhesive) of Rs. 2.08 crore of Rs. 100 denomination each from the Treasury. Sale of adhesive stamps of higher denomination by the Treasury Officer to the vendors was irregular and resulted in a loss of revenue of Rs 12.47 lakh in the shape of commission allowed to vendors calculated at the rate of six *per cent*.

After this was pointed out, the Treasury Officer, Jamshedpur stated in September 2004 that the monetary limit for sale of judicial or non- judicial stamp by vendors was enhanced from May 1994 to Rs 4000/-. The reply was not tenable as per terms and conditions of licences stipulated authorising him to sell adhesive stamps upto Rs 50/- only. Besides, the limit was required to be enhanced by Board of Revenue, but no such authority was produced to audit.

6.2.13 Recommendations

The above facts indicate that the Department had failed to arrest the leakage of Government revenue. The monitoring at the apex level to safeguard the State Finance was also lacking. In view of this Government may consider taking following steps to improve the effectiveness of the system.

- Introduce stringent reporting system to monitor the proper indenting of stamps, framing of budget estimates and all matters relating to sale and purchase of stamps.
- Install strong internal controls to ensure that rules and procedures prescribed by the Government/ Department are strictly adhered to.
- Ensure strict compliance of purchase/ sale provisions of judicial and non-judicial stamps of BS Rules by the concerned authorities.

The matter was reported to the Department/ Government in August and November 2004; their final reply is awaited (April 2005).

6.3 Non-collection of differential stamp duty in respect of referred cases

Under Section 47 – A (I) of the Indian Stamp Act, 1899, the registering officer, while registering any instrument of conveyance, exchange, gift partition or settlement has reason to believe that the market value of the property, which is the subject matter of such instrument has not been rightly set forth in the instrument, he may refer the same to the Collector for determination of the market value of such property and proper duty payable thereon.

Test check of records of six districts relating to the period from 1998-99 to 2002-2003 revealed that 106 cases were referred by six District Sub Registrars (DSRs) to their respective Collectors for determination of the market value of the property. These cases were not disposed of by them. Consequently differential amount of stamp duty of Rs 62.42 lakh remain uncollected as detailed below:-

(Rupees in lakh)			
Sl. No.	Name of the Office	Non collection of differential stamp duty No. of cases.	Amount
1	Hazaribagh	62	23.30
2	Dhanbad	27	31.07
3	Koderma	2	1.44
4	Bokaro	10	4.91
5	Dumka	1	1.50
6	Chaibasa	4	0.20
	Total	106	62.42

After this was pointed out, between August and December 2003, concerned DSRs stated that action would be taken for early disposal of pending cases. Further reply has not been received (April 2005).

The matter was reported to Government in May 2004. The Government stated in February 2005 that concerned collectors and departmental officers had been directed to take necessary action for speedy disposal of the cases. Their final reply is awaited (April 2005).

ENTRY TAX

6.4 Non-levy of Entry tax

Under provisions of the Bihar Tax on Entry of Goods in Local Areas for Consumption, Use or sales Therein Act, 1993 (adopted by the Government of Jharkhand) a tax on entry of schedule goods into a local area for consumption, use or sale shall be levied on the import value of such goods at the prescribed rate. By a notification issued in February 1993, tax on entry of Vanaspati and tobacco products is leviable at the rate of five and three *per cent* respectively.

In two Commercial Taxes Circles¹² in case of four dealers it was noticed that tax on entry of goods viz Vanaspati and Tobacco products valued at Rs 10.35 crore was not levied between November 1996 and 2000-01, assessed between March 2000 and November 2001. This resulted in non- levy of entry tax amounting to Rs 51.12 lakh.

After this was pointed out in audit between December 2002 and April 2003, the Departments agreed to examine the case. Further reply has not been received (April 2005).

The matter was reported to Government in May 2004; their reply has not been received (April 2005).

¹² Adityapur and Ranchi Special Circle.