



Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended 31 March 2015



Government of Madhya Pradesh  
*Report No. 2 of the year 2016*

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Government of Madhya Pradesh – Report No. 2 of the year 2016

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## **PREFACE**

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2015 has been prepared for submission to the Governor of Madhya Pradesh under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts of major Revenue earning Departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to period subsequent to 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# OVERVIEW

## OVERVIEW

This Report contains 29 paragraphs including three Performance Audits involving ₹ 614.76 crore. The Departments/Government have accepted audit observations involving ₹ 153.15 crore out of which ₹ 1.06 lakh was recovered. Some of the major findings are mentioned below:

### I General

The total receipts of the State Government for the year amounted to ₹ 88,640.78 crore against ₹ 75,749.24 crore for the previous year. Out of this, 53 *per cent* was raised by the State through tax revenue (₹ 36,567.31 crore) and non-tax revenue (₹ 10,375.23 crore). The balance 47 *per cent* was received from the Government of India as State's share of divisible union taxes (₹ 24,106.80 crore) and grants-in-aid (₹ 17,591.44 crore).

(Paragraph 1.1.1)

We test checked records of 515 units of Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining receipts, Forest Receipts and Electricity Duty during the year 2014-15 and observed underassessment/short levy/loss of revenue amounting to ₹ 1,486.50 crore in 13,55,453 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 411.49 crore involved in 2,49,393 cases which were pointed out in audit during 2014-15 and collected ₹ 4.85 crore in 654 cases.

(Paragraph 1.9)

### II Commercial Tax

Performance Audit on "**System of assessment under VAT**" revealed the following:

The Assessing Authorities (AAs) underdetermined the taxable turnover of the dealers as against the aggregate turnover of the dealers recorded in their audited books of accounts, sale list and other records available in the case files. As a result, turnover aggregating ₹ 499.41 crore was not assessed to tax resulting in non-levy of tax of ₹ 82.08 crore including penalty of ₹ 41.84 crore in 160 out of 9,063 assessment cases test-checked in 30 offices.

(Paragraph 2.2.11)

The AAs levied incorrect rates of tax on turnover of ₹143.54 crore which resulted in non/short levy of VAT amounting to ₹ 38.57 crore including penalty of ₹ 26.80 crore in 51 out of 5,044 assessment cases test-checked in 24 offices.

(Paragraph 2.2.12)

The AAs while determining the turnover deducted the amount of tax from the aggregate of sale price although the amount of tax was not included in aggregate of sale price. This resulted in short levy of tax of ₹ 32.22 crore in 27 out of 5,469 assessment cases test-checked in 17 offices.

(Paragraph 2.2.13)

Dealers sold taxable commodity and claimed it as tax free. AAs while assessing the cases had also not levied tax treating them incorrectly as tax free

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goods. This resulted in non-levy of tax of ₹ 1.82 crore including penalty of ₹ 1.26 crore in nine out of 4,068 assessment cases test-checked in seven offices.

**(Paragraph 2.2.14)**

Allowance of ITR on purchases over and above the purchases certified in the Audited Accounts, ITR on non-eligible goods and non-reversal/less reversal of ITR in the event of the goods stock transferred out of State etc. resulted in incorrect/excess allowance of ITR of ₹ 10.37 crore in 79 cases out of 13,840 assessment cases test-checked in 31 offices.

**(Paragraph 2.2.15)**

Interstate sales turnover of ₹ 267.72 crore was assessed without submission of C/F-form and also against defective C/F-form. This resulted in short levy of tax of ₹ 11.86 crore including penalty of ₹ 1.22 crore in 29 out of 1,629 assessment cases test-checked in 17 offices.

**(Paragraph 2.2.17.1)**

Irregular grant of deduction in respect of transit sale under Section 6(2) of CST Act involving turnover of ₹ 229.21 crore resulted in short levy of tax of ₹ 9.87 crore including penalty of ₹ 9.33 lakh in seven out of 99 assessment cases test-checked in five offices.

**(Paragraph 2.2.17.3)**

The AAs allowed adjustment of TDS from assessed tax for the sale of soyabean and cotton against TDS certificates covering transactions of more than one calendar month. This resulted in irregular adjustment of TDS of ₹ 4.45 crore in 40 out of 4,226 assessment cases test-checked in 13 offices.

**(Paragraph 2.2.18)**

### **III State Excise**

Issuance of export/transport permits without recovering the prescribed duty/without obtaining the sufficient bank guarantee and solvent securities resulted in non-realisation of duty of ₹ 8.54 crore.

**(Paragraph 3.3)**

The Department did not impose penalty amounting to ₹ 1.27 crore for not maintaining the minimum stock of bottled country liquor at the country liquor warehouses as required under the Rules.

**(Paragraph 3.4.1)**

The Department did not recover penalty of ₹ 81.11 lakh from six licensees on wastage of 67,577.11 proof litre of foreign liquor and 51,413.57 bulk litre of beer, which was 41,470.55 PL foreign liquor and 30,624.46 BL of beer in excess of admissible limit.

**(Paragraph 3.4.2)**

## IV Taxes on Vehicles

Buses having wheelbase of 3,800 mm, 4,200 mm and 5,639 mm were registered with less seating capacity than the seating capacity prescribed by the registration authority, resulting in loss of revenue of ₹ 29.92 lakh.

(Paragraph 4.3)

Motor vehicle tax in respect of 349 public service vehicles kept for use as reserve, 582 goods vehicles, 134 maxicabs/taxicabs, 525 Earthmovers/Harvesters and eight stage carriage vehicles amounting to ₹ 4.56 crore and penalty of ₹ 2.57 crore thereon was neither paid by the vehicle owners nor demanded by the TAs.

(Paragraph 4.4)

The Department failed to recover trade fee amounting to ₹ 2.06 crore on 2,17,408 two wheelers and 57,361 four wheelers from dealers of vehicles, registered between April 2011 and March 2014.

(Paragraph 4.5)

## V Land Revenue

Performance Audit on "**Land Revenue Receipts in Madhya Pradesh**" revealed the following:

Land was allotted to private institutions for establishment of Private University, higher education complex and for establishment of petrol pumps at lower prices in contravention of the provisions of Revenue Book Circular (RBC) resulting in short realisation of revenue of ₹ 29.80 crore.

(Paragraph 5.2.8)

Out of 15,590 permanent lease cases of *nazul* land pending for renewal during the period 2010-11 to 2014-15, applications for renewal were received in 917 cases. No action for renewal of the remaining 14,673 cases which expired between 1962-63 and 2014-15 was taken by the Department.

(Paragraph 5.2.9)

In 12 Collectorates, the SDOs did not levy *panchayat upkar* on premium and ground rent on land situated in *gram panchayat* area depriving the Government of revenue of ₹ 14.33 crore in 1,063 cases.

(Paragraph 5.2.15)

In three Collectorates, SDO (Revenue) did not discharge their duties as Public Officer by non-impounding the cases of unduly stamped instruments, resulting in non recovery of Stamp Duty, Registration fees and penalty thereon amounting to ₹ 4.84 crore.

(Paragraph 5.2.16)

In 14 Collectorates, an amount of ₹ 264.80 crore of various heads of land revenue was pending for more than 30 days. No action was taken for recovery of outstanding revenue and levy of penalty up to 100 *per cent*.

(Paragraph 5.2.19)

Land revenue leviable on 252 major minerals leases having an area of 18,099.241 hectare land was not assessed which resulted in non-recovery of ₹ 31.15 crore.

**(Paragraph 5.2.20)**

There were four Commissionerate offices covered under Performance Audit, out of which Indore and Bhopal Commissionerates planned internal audit of 120 and 47 subordinate offices respectively and no audit plan was drawn in Sagar division. In Indore division, 60 offices were audited, while no audit was undertaken in Bhopal Division. Ujjain Commissionerate was the only one to achieve 90 per cent of targeted units. Besides, monthly *tauzi* were not being prepared by Tahsil offices to check the correctness of the figures shown in the monthly statements.

**(Paragraph 5.2.23)**

## **VI Stamps and Registration Fees**

Cases referred by Sub registrar for determination of market value of properties had not been finalised by the Collector of Stamps (District Registrar), though the stipulated period of three months for disposal of referred cases had lapsed, resulting in non realisation of Stamp duty and Registration fees of ₹ 6.33 crore.

**(Paragraph 6.3)**

In 27 instruments, though the market value of the property was higher as per guidelines for the respective years, the SRs did not refer these instruments to the Collector of Stamps, for the determination of correct value of the properties. This resulted in short levy of Stamp duty and Registration fees of ₹ 51.56 lakh.

**(Paragraph 6.4)**

The registration authorities levied only ₹ 2.33 crore as stamp duty and ₹ 1.65 crore as registration fees against leviable stamp duty and registration fees of ₹ 2.55 crore and ₹ 1.91 crore respectively on 17 documents of lease deeds resulting in short realisation of stamp duty and registration fees of ₹ 21.89 lakh and ₹ 26.10 lakh respectively.

**(Paragraph 6.5)**

In 17 instruments of Power of Attorney (POA), these instruments were treated as POA to sell without consideration for a period not exceeding one year, though the power to sell, gift, exchange or permanent alienation of immovable property was given without explicitly mentioning that the power is given for a period not exceeding one year, resulting in short levy of stamp duty and registration fees of ₹ 28.27 lakh.

**(Paragraph 6.6)**

Plots in lieu of security for development work to be carried out by the coloniser were not mortgaged on which, the estimated development expenditure was calculated at ₹ 15.10 crore based on rates of Madhya Pradesh Housing Board applicable for that area/zone, resulting in non-levy of Stamp

duty and Registration fees on the cost of estimated development expenditure of ₹ 27.18 lakh.

**(Paragraph 6.7)**

## **VII Mining Receipts**

Two hundred ten mining lessees had paid ₹ 5.67 lakh of rural infrastructure and road development tax against the payable amount of ₹ 6.47 crore for the period 2013-14. This resulted in short realisation of revenue amounting to ₹ 6.41 crore.

**(Paragraph 7.3)**

The Department failed in safeguarding the revenue interest of the State as instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of mining leases were executed on stamp papers of ₹ 100 resulting in short realisation of Stamp Duty and Registration Fees of ₹ 4.01 crore.

**(Paragraph 7.4)**

The Department recovered dead rent amounting to ₹ 9.11 lakh against the recoverable amount of ₹ 1.31 crore as per the provisions of Madhya Pradesh Minor Mineral Rules, 1996, while in the cases of mining leases, 53 lessees holding mining lease had not paid the amount of dead rent of ₹ 57.09 lakh due for the period January 2013 to January 2014 resulting in non- realisation of dead rent of ₹ 1.79 crore.

**(Paragraph 7.5)**

Two lessees had paid royalty of ₹ 5.83 crore between January 2012 and December 2013 for consumption/transportation of minerals against the payable amount of royalty of ₹ 6.81 crore, while in the cases of royalty on quarry leases, 34 lessees had paid royalty of ₹ 1.09 crore in respect of minerals removed between January 2009 and December 2014 against payable amount of ₹ 1.74 crore, resulting in short realisation of royalty of ₹ 1.63 crore.

**(Paragraph 7.6)**

The Department could recover contract money of only ₹ 3.34 lakh in 28 cases, against recoverable amount of ₹ 65.74 lakh resulting in non/short realisation of contract money of ₹ 62.40 lakh.

**(Paragraph 7.7)**

## **VIII Forest Receipts**

Performance Audit on "**Forest Receipts in Madhya Pradesh**" revealed the following:

The production of timber and fuel wood was 11 to 95 *per cent* below the estimated production in 250 coupes of nine Divisions. Further, in 426 other coupes of eight Divisions, though variation in overall production was within 10 *per cent* of the estimation, the production of timber which is more valuable was 11 to 100 *per cent* short of estimation. This resulted in loss of ₹ 69.23 crore.

**(Paragraph 8.2.9)**

The Forest Department did not reconcile data regarding the quantity of minerals extracted and transported through forest area with the Mining Department. This resulted in short recovery of transit fee for transportation of minerals by ₹ 12.23 crore.

**(Paragraph 8.2.12)**

The e-auction was not implemented even after 9 years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

**(Paragraph 8.2.16)**

Forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore.

**(Paragraph 8.2.18)**

The forest produce sent from coupe and seized in illicit felling were found short on transportation to depot resulting in loss of ₹ 2.07 crore.

**(Paragraph 8.2.20 and 8.2.21)**

Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

**(Paragraph 8.2.23)**

VAT recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in overstatement of receipt and expenditure.

**(Paragraph 8.2.29)**

There was lack of preparation/ maintenance of necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders etc., and regular reconciliation of remittances.

**(Paragraph 8.2.19, 8.2.27, 8.2.31 and 8.2.32)**

The rate of handling charge levied on private producers was not revised for eight years.

**(Paragraph 8.2.33)**



# **CHAPTER – I**

## **GENERAL**

## Chapter-I General

### 1.1 Trend of revenue receipts

**1.1.1** The tax and non-tax revenue raised by the Government of Madhya Pradesh during the year 2014-15, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grant-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table-1.1**.

**Table - 1.1**  
**Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1	2	3	4	5	6	7
<b>1.</b>	<b>Revenue raised by the State Government</b>					
	• Tax revenue	21,419.33	26,973.44	30,581.70	33,552.16	36,567.31
	• Non-tax revenue	5,719.77	7,482.73	7,000.22	7,704.99	10,375.23
	<b>Total</b>	<b>27,139.10</b>	<b>34,456.17</b>	<b>37,581.92</b>	<b>41,257.15</b>	<b>46,942.54</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	15,638.52	18,219.14	20,805.16	22,715.27	24,106.80 <sup>1</sup>
	• Grants-in-aid	9,076.56	9,928.77	12,040.20	11,776.82	17,591.44
	<b>Total</b>	<b>24,715.08</b>	<b>28,147.91</b>	<b>32,845.36</b>	<b>34,492.09</b>	<b>41,698.24</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>51,854.18</b>	<b>62,604.08</b>	<b>70,427.28</b>	<b>75,749.24</b>	<b>88,640.78</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>52</b>	<b>55</b>	<b>53</b>	<b>54</b>	<b>53</b>

(Source: Finance Accounts of the Government of Madhya Pradesh)

The above table indicates that during the year 2014-15, the revenue raised by the State Government (₹ 46,942.54 crore) was 53 per cent of the total revenue receipts. The balance 47 per cent of the receipts during 2014-15 was from the Government of India.

**1.1.2** The details of the tax revenue raised during the period 2010-11 to 2014-15 are given in **Table -1.2**.

<sup>1</sup> For details, please see Statement No.14-“Detailed accounts of revenue and capital receipts by minor heads” in the Finance Accounts of the Government of Madhya Pradesh for the year 2014-15. Figures under the head “Share of net proceeds assigned to States” under Major heads “0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0032-Taxes on wealth, 0037-Customs, 0038-Union Excise duties and 0044-Service Tax” booked in the Finance Accounts under A-Tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

**Table - 1.2**  
**Details of Tax Revenue raised**

(₹ in crore)								
Sl. No.	Head of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+)/ decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Taxes on sales, trade etc.	<u>9320.00</u> 10256.76	<u>11830.00</u> 12516.73	<u>14000.00</u> 14856.30	<u>16500.00</u> 16649.85	<u>19500.00</u> 18135.96	(-) 7.00	(+) 8.93
2.	State excise	<u>3400.00</u> 3603.42	<u>4050.00</u> 4316.49	<u>4800.00</u> 5078.06	<u>5750.00</u> 5907.39	<u>6730.00</u> 6695.54	(-) 0.51	(+) 13.34
3.	Stamps duty	<u>1900.00</u> 2514.27	<u>2000.00</u> 3284.46	<u>3200.00</u> 3944.24	<u>4000.00</u> 3400.00	<u>4000.00</u> 3892.77	(-) 2.68	(+) 14.49
4.	Taxes on goods and passengers	<u>1500.00</u> 1746.20	<u>1815.00</u> 2047.46	<u>2150.00</u> 2395.03	<u>2640.00</u> 2578.74	<u>2900.00</u> 2686.39	(-) 7.37	(+) 4.17
5.	Taxes and duties on electricity	<u>1090.00</u> 1476.32	<u>1370.00</u> 1773.32	<u>1370.00</u> 1477.71	<u>1600.00</u> 1972.20	<u>2050.00</u> 2010.20	(-) 1.94	(+) 1.93
6.	Taxes on Vehicles	<u>1050.00</u> 1198.38	<u>1285.00</u> 1357.12	<u>1400.00</u> 1531.25	<u>1650.00</u> 1598.93	<u>2000.00</u> 1823.84	(-) 8.81	(+) 14.07
7.	Land revenue	<u>182.46</u> 360.81	<u>500.31</u> 279.06	<u>550.00</u> 443.59	<u>572.00</u> 366.23	<u>700.10</u> 243.10	(-) 65.28	(-) 33.62
8.	Others	<u>227.54</u> 263.17	<u>267.69</u> 1398.80	<u>842.00</u> 855.52	<u>670.00</u> 1078.82	<u>1109.50</u> 1079.51	(-) 2.70	(+) 0.06
<b>Total</b>		<u><b>18670.00</b></u> <b>21419.33</b>	<u><b>23118.00</b></u> <b>26973.44</b>	<u><b>28312.00</b></u> <b>30581.70</b>	<u><b>33382.00</b></u> <b>33552.16</b>	<u><b>38989.50</b></u> <b>36567.31</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

It can be seen from the Table 1.2 that there was a variation of (-) 0.51 and (-) 65.28 per cent between the budget estimates and the actual during 2014-15. Further, there was a variation of (-) 33.62 per cent to (+) 14.49 per cent between actuals of 2013-14 and 2014-15 under various heads of taxes.

The following reasons for variation were reported by the concerned Departments.

**State Excise:** The increase (13.34 per cent) over actual of 2013-14 was mainly due to increase in the rate of Security Deposit from eight per cent to 10 per cent.

**Stamp and Registration Fees:** The increase (14.49 per cent) over actual of 2013-14 was mainly due to increase under “Stamps Judicial- Sale of Stamps”, “Registration Fees – Fees for registering” documents.

**Land Revenue:** The decrease (33.62 per cent) over actual of 2013-14 and the decrease (65.28 per cent) over the BE were mainly due to less receipt under “Other Receipts” which was due to unseasonal rains and hailstorm and due to allocation of other important duties to concerned Revenue officers.

**Taxes on vehicles:** The increase (14.07 per cent) over actual of 2013-14 was mainly due to increase in receipts under “Other Receipts”.

**1.1.3** The details of the non-tax revenue raised during the period 2010-11 to 2014-15 are indicated in **Table -1.3**.

**Table - 1.3**  
**Details of non-tax revenue raised**

(₹ in crore)								
Sl. No.	Head of revenue	2010-11	2011-12	2012-13	2013-14	2014-15	Percentage of increase (+)/ decrease (-) in actual of 2014-15 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2014-15	Actual of 2013-14
1.	Non-ferrous mining and metallurgical industries	<u>1650.00</u> 2121.49	<u>2540.00</u> 2038.31	<u>2300.00</u> 2443.39	<u>2220.00</u> 2306.17	<u>2500.00</u> 2813.66	(+) 12.55	(+) 22.01
2.	Interest receipts	<u>167.09</u> 298.56	<u>166.90</u> 1571.41	<u>202.00</u> 301.47	<u>204.15</u> 317.85	<u>1133.60</u> 1260.65	(+) 11.21	(+) 296.62
3.	Forestry and wild life	<u>1000.00</u> 836.61	<u>1027.32</u> 878.81	<u>969.04</u> 910.38	<u>1100.00</u> 1036.80	<u>1250.23</u> 968.77	(-) 22.51	(-) 6.56
4.	Public works	<u>42.31</u> 36.77	<u>55.54</u> 47.92	<u>63.55</u> 33.22	<u>38.49</u> 46.92	<u>49.50</u> 50.82	(+) 2.67	(+) 8.31
5.	Miscellaneous general Services	<u>20.09</u> 143.00	<u>22.07</u> 145.44	<u>19.88</u> 30.40	<u>16.95</u> 33.69	<u>17.48</u> 222.37	(+) 1172.14	(+) 560.05
6.	Other administrative services	<u>113.42</u> 85.14	<u>117.50</u> 106.05	<u>93.49</u> 239.15	<u>184.40</u> 380.22	<u>165.50</u> 140.21	(-) 15.28	(-) 63.12
7.	Police	<u>65.00</u> 62.55	<u>85.00</u> 63.19	<u>100.00</u> 83.59	<u>107.04</u> 71.92	<u>100.00</u> 93.50	(-) 6.5	(+) 30.01
8.	Medical and Public Health	<u>49.54</u> 22.77	<u>40.11</u> 30.16	<u>21.00</u> 44.83	<u>46.65</u> 57.76	<u>56.25</u> 120.16	(+) 113.62	(+) 108.03
9.	Co-operation	<u>8.60</u> 17.05	<u>9.01</u> 11.65	<u>9.59</u> 13.02	<u>10.06</u> 12.24	<u>9.97</u> 16.58	(+) 66.30	(+) 35.46
10.	Major and medium irrigation	<u>82.31</u> 194.89	<u>90.44</u> 263.15	<u>96.18</u> 137.74	<u>116.86</u> 138.48	<u>120.09</u> 137.55	(+) 14.54	(-) 0.67
11.	Other Non-tax receipts	<u>1123.64</u> 1900.94	<u>1845.11</u> 2326.64	<u>3452.27</u> 2763.03	<u>3538.40</u> 3302.94	<u>1356.27</u> 4550.96	(+) 235.55	(+) 37.79
<b>Total</b>		<u><b>4322.00</b></u> <b>5719.77</b>	<u><b>5999.00</b></u> <b>7482.73</b>	<u><b>7327.00</b></u> <b>7000.22</b>	<u><b>7583.00</b></u> <b>7704.99</b>	<u><b>6758.89</b></u> <b>10375.23</b>		

(Source: Finance accounts and Budget Estimates of Government of Madhya Pradesh)

It can be seen from the Table 1.3 that there was a variation of (-) 22.51 and (+) 1172.14 *per cent* between the budget estimates and the actual during 2014-15. Further, there was a variation of (-) 63.12 *per cent* to (+) 560.05 *per cent* between actuals of 2013-14 and 2014-15 under various heads of taxes.

**Non-ferrous mining:** The increase (22.01 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Mineral concession fees, rents and royalties”.

**Interest Receipts:** The increase (296.62 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Interest from Public Sector and other Undertakings”.

**Miscellaneous general services:** The increase (560.05 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Unclaimed Deposits” and “Deduct-Refund”.

**Other Administrative Services:** The decrease (63.12 *per cent*) over actual of 2013-14 was due to decrease in receipts under the sub-head “Fine and forfeitures under administration of justice”.

**Police:** The increase (30 *per cent*) over actual of 2013-14 was mainly due to increase in receipts under “Police supplied to other Govt. and other parties”.

**Medical and Public Health:** The main reason of increase (108.03 *per cent*) over actual of 2013-14 was due to the increase in receipts from Employees’ State Insurance Schemes.

**Co-operation:** The increase (35.46 *per cent*) in receipts was mainly due to increase in receipts under “Audit Fees”.

**Other Non-tax receipts:** The increase in receipts was mainly due to increase in receipt under “General Education-General” under the head “0202-Education, Sports, Art and culture”.

Reason for variations between budget estimates and actual receipts of 2013-14 was not furnished by the remaining Departments concerned despite request (between May and August 2015).

## 1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2015 in respect of some principal heads of revenue amounted to ₹ 1,016.75 crore of which ₹ 488.49 crore was outstanding for more than five years as detailed in the **Table-1.4**.

**Table – 1.4**  
**Arrears of revenue**

(₹ in crore)				
Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Amount outstanding for more than five years as on 31 March 2015	Replies of Department
1.	Taxes on sales, trade etc.	603.91	305.80	Out of ₹ 603.91 crore, Department accepted ₹ 483.73 crore as difficult to recover. Out of ₹ 603.91 crore, ₹ 92.58 crore was pending due to non-recovery of dues through RRC, ₹ 50.75 crore was pending due to court cases, ₹ 108.47 crore was involved in attachment, ₹ 3.47 crore was pending with the departmental authorities, ₹ 83.87 crore was pending from sick mills, ₹ 7.55 crore was recommended for write-off and remaining amount of ₹ 257.22 crore was pending at other stages.

2.	State Excise	76.64	68.53	An amount of ₹ 10.17 crore was not recovered due to stay by the Hon'ble Court and ₹ 46.26 crore was not recoverable for which action has been initiated to write off the amount as irrecoverable.
3.	Stamp and Registration	168.92	89.96	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and August 2015).
4.	Non-ferrous mining and metallurgical industries	10.32	Not furnished	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and August 2015).
5.	Taxes and duties on Electricity	156.96	24.20	Out of ₹ 156.96 crore, ₹ 125.25 crore was pending due to non-recovery of dues through RRC, ₹ 9.23 crore was pending due to court cases and ₹ 23 lakh was pending with the departmental authorities, ₹ 3.67 crore was pending from sick cloth mills and other remaining amount of ₹ 18.58 crore was pending at other stages.
<b>Total</b>		<b>1016.75</b>	<b>488.49</b>	

It would be seen from the Table 1.4 that 59 per cent of the total arrears of revenue pertains to the Commercial Tax Department. Moreover, approx 80 per cent of the arrears of Commercial Tax Department has been stated as difficult to recover.

### 1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Tax Department in respect of sales tax, profession tax, entry tax, luxury tax and tax on works contracts is detailed below in **Table-1.5**.

**Table – 1.5**  
**Arrears in assessments**

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
Taxes on Sales, Trade, etc.	2012-13	88,124	2,32,539	3,20,663	2,00,552	1,20,111	62.54
	2013-14	1,20,111	2,78,856	3,98,967	2,30,404	1,68,563	57.75
	2014-15	1,68,563	3,42,803	5,11,366	3,42,242	1,69,124	66.93
Profession tax	2012-13	63,411	89,708	1,53,119	1,05,945	47,174	69.19
	2013-14	47,174	96,790	1,43,964	89,473	54,491	62.15
	2014-15	54,491	89,140	1,43,631	1,03,005	40,626	71.72
Entry tax	2012-13	62,066	1,93,494	2,55,560	1,64,443	91,117	64.35
	2013-14	91,117	2,28,794	3,19,911	1,87,253	1,32,658	58.53

Head of revenue	Year	Opening balance	New cases due for assessment during the year	Total assessments due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 6 to 5
1	2	3	4	5	6	7	8
	2014-15	1,32,658	3,06,952	4,39,610	2,89,572	1,50,038	65.87
Luxury tax	2012-13	420	1,337	1,757	871	886	49.57
	2013-14	886	1,517	2,403	1,256	1,147	52.27
	2014-15	1,147	1,831	2,978	2,037	941	68.40
Tax on works contracts	2012-13	2,620	7,371	9,991	6,305	3,686	63.11
	2013-14	3,686	7,793	11,479	5,192	6,287	45.23
	2014-15	6,287	12,724	19,011	9,164	9,847	48.20

Thus, there has been an increase in disposal of assessment cases relating to Sales tax/VAT, Entry tax and luxury tax during 2014-15 as compared to the previous year but was lower than the achievement in 2012-13 in the case of Tax on works contracts.

#### 1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table-1.6**.

**Table - 1.6**  
**Evasion of Tax**

Sl. No.	Head of revenue	Cases pending as on 31 March 2014	Cases detected during 2014-15	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc. raised		Number of cases pending for finalisation as on 31 March 2015
					Number of cases	Amount of demand (₹ in crore)	
1.	Taxes on sales, trade etc. and Entry Tax	269	352	621	274	269.10	347
2.	Stamp and Registration fees	13576	12036	25612	10368	32.98	15244
	<b>Total</b>	<b>13845</b>	<b>12388</b>	<b>26233</b>	<b>10642</b>	<b>302.08</b>	<b>15591</b>

It would be seen from the above table that the number of cases pending is high at the end of the year in respect of Stamp duty and Registration fees.

#### 1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2014-15, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2014-15 as reported by the Departments are given in **Table-1.7**.

**Table - 1.7**  
**Details of pendency of refund cases**

(₹ in crore)									
Sl. No.	Particulars	Taxes on Sales, Trade, etc.		Taxes and duties on electricity		Stamps and Registration Fees		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	512	65.16	169	4.18	1482	4.8	11	0.27
2.	Claims received during the year	5475	1134.12	27	4.48	882	12.52	14	0.82
3.	Refunds made during the year	5368	1067.66	22	1.30	759	9.51	15	0.90
4.	Balance outstanding at the end of year	619	131.62	174	7.36	1605	7.81	10	0.19
5.	Percentage of refund (3 to 1+2)	89.66	89.03	11.22	15.01	32.11	54.91	60	82.57

It can be seen from the above table that the progress in issuance of refunds was slow in Energy Department and Stamps and Registration Department.

### **1.6 Response of the Government / Departments towards audit**

The Accountant General (Economic & Revenue Sector Audit), MP, conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of inspection reports issued upto December 2014 disclosed that 18,181 paragraphs involving ₹ 8,450.35 crore relating to 4,273 IRs remained outstanding at the end of June 2015 as mentioned below along with the corresponding figures for the preceding two years in **Table-1.8**.



**Table - 1.8**

**Details of pending Inspection Reports**

	June 2013	June 2014	June 2015
Number of IRs pending for settlement	3,695	3,757	4,273
Number of outstanding audit observations	14,752	16,280	18,181
Amount of revenue involved (₹ in crore)	6,783.96	7,520.60	8,450.35

**1.6.1** The Department-wise details of the IRs and audit observations outstanding as on 30 June 2015 and the amounts involved are mentioned in the **Table-1.9**.

**Table - 1.9**

**Department-wise details of IRs**

(₹ in crore)					
Sl. No	Name of the Department	Nature of receipts	Numbers of outstanding IRs	Numbers of outstanding audit observations	Money value involved
1.	Finance	Taxes on Sales, Trade etc.	1,215	6,370	1,297.76
2.	Energy	Taxes and duties on electricity	64	222	494.10
3.	Excise	State Excise	279	1,110	997.73
4.	Revenue	Land Revenue	1,179	3,897	2,743.34
5.	Transport	Taxes on vehicles	474	2,815	404.11
6.	Stamp and Registration	Stamp duty and Registration fees	576	1,903	589.69
7.	Mines and Geology	Non-ferrous mining and metallurgical industries	286	1,472	1,904.21
8.	Entertainment	Entertainment duty	200	392	19.41
<b>Total</b>			<b>4,273</b>	<b>18,181</b>	<b>8,450.35</b>

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs, for 130 IRs issued during 2014-15. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and the Departments did not initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

**The Government may consider having an effective system for prompt and appropriate response to audit observations.**

**1.6.2 Departmental audit committee meetings**

The Government sets up audit committees to monitor and expedite progress of the settlement of the IRs and paragraphs in the IRs. No audit committee meeting (ACM) was held during the year 2014-15.

**It is recommended that the Government may ensure convening of ACMs by all the Departments for effective and expeditious settlement of outstanding paragraphs.**

**1.6.3 Non-production of records to audit for scrutiny**

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance and intimations are issued, usually one

month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2014-15, 3,953 assessment files, returns, refunds, registers and other relevant records were not made available to audit. The tax effect could not be computed in all the cases. Break up of these cases are given in **Table-1.10**.

**Table - 1.10**  
**Details of non-production of records**

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited	Tax Amount
Land Revenue	2014-15	63	-
Excise	2014-15	6	-
Commercial Tax	2014-15	3,884	-
<b>Total</b>		<b>3,953</b>	

#### **1.6.4 Response of the Department to the draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the AG to the Principal Secretaries / Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Department / Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Twenty six draft paragraphs and three Performance Audits (PAs) were sent to the Principal Secretaries / Secretaries of the respective Departments by name between April and July 2015. The Principal Secretaries/Secretaries of the Departments did not send replies to any draft paragraphs including PAs despite issue of reminders and the same have been included in this Report without the response of the Department/Government. However, responses received for PAs during exit conferences held with the Government, have been appropriately included at relevant places in the Report.

#### **1.6.5 Follow up on the Audit Reports summarised position**

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATR) on the recommendations of the Public Accounts Committee (PAC) should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Two hundred forty seven paragraphs included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Madhya Pradesh for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the State Legislature Assembly between March 2011 and July 2015. Action taken explanatory notes in respect of 124 paragraphs from State Revenue Departments (Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fee and Mining) had not been received so far (March 2015).

The PAC discussed 27 selected paragraphs pertaining to the Audit Reports for the years from 2009-10 to 2013-14 and has not made any recommendations.

### 1.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the Inspection Reports / Audit Reports by the Department / Government, the action taken on the Draft Paragraphs and PAs included in the Audit Reports of the last 10 years for **State Excise Department** is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the **State Excise Department** under revenue head 0039 and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

#### 1.7.1 Position of Inspection Reports

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2015 are tabulated in **Table-1.11** below:

**Table - 1.11**  
**Position of Inspection Reports**

(₹ in crore)												
Year	Opening Balance			Addition during the year			Clearance during the quarter			Closing balance at the end of 31 March 2015		
	IRs	Paras	Money value	IRs	Par as	Money value	IRs	Par as	Money value	IRs	Paras	Money value
2005-06	353	1,191	604.59	27	153	70.02	09	72	44.56	371	1,272	630.05
2006-07	371	1,272	630.05	24	127	65.64	15	116	46.19	380	1,283	649.50
2007-08	380	1,283	649.50	31	173	89.51	23	251	154.55	388	1,205	584.46
2008-09	388	1,205	584.46	43	242	98.48	58	307	184.27	373	1,140	498.67
2009-10	373	1,140	498.67	45	302	181.53	72	348	109.70	346	1,094	570.50
2010-11	346	1,094	570.50	23	168	146.02	165	474	71.35	204	788	645.17
2011-12	204	788	645.17	26	173	85.89	28	178	118.50	202	783	612.56
2012-13	202	783	612.56	36	226	159.11	4	88	58.01	234	921	713.66
2013-14	234	921	713.66	29	188	198.37	4	81	45.31	259	1,028	866.72
2014-15	259	1,028	866.72	30	164	185.00	0	27	21.83	289	1,169	1,029.89

The Government arranges ad-hoc Committee meetings between the Department and AG's office to settle the old paragraphs. As would be evident from the above table, against 353 outstanding IRs with 1,191 paragraphs as on start of 2005-06, the number of outstanding IRs declined to 289 with 1,169 paragraphs at the end of 2014-15. The marginal settlement of outstanding IRs and paragraphs is indicative of the fact that adequate steps were not taken by the Department to reduce the number of outstanding IRs and paragraphs except in 2010-11.

#### 1.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned in **Table-1.12**.

**Table - 1.12**  
**Recovery of accepted cases**

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2015
2004-05	9	9.60	4	0.88	0	0.04
2005-06	7	7.67	5	2.62	0.30	0.55
2006-07	1 Review	4.57	1	1.62	0.29	0.65
2007-08	11	7.95	5	1.82	0.15	0.21
2008-09	18	21.68	8	1.80	0.005	0.64
2009-10	9	5.09	5	3.90	0.007	0.35
2010-11	8	38.74	1	6.73	0.007	0.007
2011-12	1+1 review	49.31	1	2.24	0.008	0.008
2012-13	1 (PA)	42.47	3	17.08	0.05	2.32
2013-14	8	60.43	3	4.31	0.02	0.02

It is evident from the above table that the progress of recovery even in accepted cases was very slow during the last 10 years. The recovery of accepted cases was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government.

**The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.**

### **1.7.3 Action taken on the recommendations accepted by the Department/Government**

The draft PAs conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These PAs are also discussed in an exit conference and the Department's/Government's views are included while finalising the PAs for the Audit Reports.

The following PA on the State Excise Department featured in the last five years' Reports. The number of recommendations is given in **Table-1.13**

**Table - 1.13**

Year of Report	Name of the PA	No. of recommendations	Summary of recommendations
2011-12	Collection of Excise receipts on liquor	4	<ol style="list-style-type: none"> <li>1. Introducing provisions in the distillery rules for control over molasses and other bases kept in the distillery for production of alcohol;</li> <li>2. fixing norms for minimum yield of beer;</li> <li>3. making necessary provision for recovery of <i>Ahata</i> licence fee on revised annual value of shops worked out after adjustment of licence fee; and</li> <li>4. strengthening the internal audit mechanism.</li> </ol>

All the above recommendations of the PA were accepted by the Department during the exit conference. However, no information on its implementation has been received so far (November 2015).

## **1.8 Audit Planning**

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters.

The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in Government revenues and tax administration i.e. budget speech, white paper on State finances, Reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during past five years etc.

During the year 2014-15, there were 1,039 units, of which 443 units were planned and 434 units had been audited, which is 98 *per cent* of the total auditable units. Due to shifting of RSA Wing to Bhopal eight units of Commercial Tax Department could not be audited as planned. One unit of Mining Department could not be audited as planned due to de-allocation of M/s. MP Monnet Mining Co. Ltd.

Besides, the compliance audit mentioned above, three PAs were also taken up to examine the efficacy of the tax administration of these receipts.

## **1.9 Results of audit**

### **Position of local audit conducted during the year**

We test-checked records of 515 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining receipts, Forest Receipts and Electricity Duty during the year 2014-15 and observed underassessment/short levy/loss of revenue amounting to ₹ 1,486.50 crore in 13,55,453 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 411.49 crore involved in 2,49,393 cases which were pointed out in audit during 2014-15 and collected ₹ 4.85 crore in 654 cases.

### **1.10 Coverage of this Report**

This Report contains 29 paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years, which could not be included in earlier reports) including three Performance audits, involving financial effect of ₹ 614.76 crore.

The Departments/Government have accepted audit observations involving ₹ 153.15 crore out of which ₹ 1.06 lakh was recovered. The replies in the remaining cases have not been received. These are discussed in succeeding Chapters II to VIII.

# **CHAPTER – II**

# **COMMERCIAL TAX**

## Chapter-II Commercial Tax

### 2.1 Results of Audit

We test checked records of 106 units of Commercial Tax Department (24 Divisional offices, 22 Regional offices and 60 Circle offices) involving total revenue of ₹ 12,381.79 crore out of 134 units during the year 2014-15 and found underassessment of tax and other irregularities involving ₹ 296.08 crore in 855 cases, which fall under the following categories as mentioned in the **Table-2.1**.

**Table - 2.1**

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Performance Audit on “ <b>System of assessment under Value Added Tax</b> ”	1	213.30
2.	Non/Short levy of tax	204	10.04
3.	Application of incorrect rate of tax	123	10.63
4.	Incorrect determination of taxable turnover	84	4.83
5.	Incorrect grant of exemption/deduction	118	6.52
6.	Other irregularities	325	50.76
	<b>Total</b>	<b>855</b>	<b>296.08</b>

The Department accepted underassessment of tax and other irregularities of ₹ 51.67 crore in 206 cases, which were pointed out in audit during the year 2014-15 and reported realisation of ₹ 11.00 lakh in 17 cases.

Audit findings of the Performance Audit on “**System of assessment under Value Added Tax**” having money value of ₹ 213.30 crore and a few other illustrative audit observations involving ₹ 62.38 crore are highlighted in the succeeding paragraphs.

## 2.2 Performance Audit on “System of assessment under VAT”

### Highlights

The Performance Audit on "System of assessment under Value Added Tax" was conducted between October 2014 and June 2015. We found non-compliances of the provisions of the Act such as underdetermination of taxable turnover, incorrect application of tax rates, invalid/incorrect exemptions etc. involving financial effect of ₹ 213.30 crore. Some of the important findings are mentioned below:

The Assessing Authorities (AAs) underdetermined the taxable turnover of the dealers as against the aggregate turnover of the dealers recorded in their audited books of accounts, sale list and other records available in the case files. As a result, turnover aggregating ₹ 499.41 crore was not assessed to tax resulting in non-levy of tax of ₹ 82.08 crore including penalty of ₹ 41.84 crore in 160 out of 9063 assessment cases test-checked in 30 offices.

**(Paragraph 2.2.11)**

The AAs levied incorrect rates of tax on turnover of ₹143.54 crore which resulted in non/short levy of VAT amounting to ₹ 38.57 crore including penalty of ₹ 26.80 crore in 51 out of 5044 assessment cases test-checked in 24 offices.

**(Paragraph 2.2.12)**

The AAs while determining the turnover deducted the amount of tax from the aggregate of sale price although the amount of tax was not included in aggregate of sale price. This resulted in short levy of tax of ₹ 32.22 crore in 27 out of 5469 assessment cases test-checked in 17 offices.

**(Paragraph 2.2.13)**

Dealers sold taxable commodity and claimed it as tax free. AAs while assessing the cases had also not levied tax treating them incorrectly as tax free goods. This resulted in non-levy of tax of ₹ 1.82 crore including penalty of ₹ 1.26 crore in nine out of 4068 assessment cases test-checked in seven offices.

**(Paragraph 2.2.14)**

Allowance of ITR on purchases over and above the purchases certified in the Audited Accounts, ITR on non-eligible goods and non-reversal/less reversal of ITR in the event of the goods stock transferred out of State etc. resulted in incorrect/excess allowance of ITR of ₹ 10.37 crore in 79 cases out of 13840 assessment cases test-checked in 31 offices.

**(Paragraph 2.2.15)**

Interstate sales turnover of ₹ 267.72 crore was assessed without submission of C/F-form and also against defective C/F-form. This resulted in short levy of tax of ₹ 11.86 crore including penalty of ₹ 1.22 crore in 29 out of 1629 assessment cases test-checked in 17 offices.

**(Paragraph 2.2.17.1)**

Irregular grant of deduction in respect of transit sale under Section 6(2) of CST Act involving turnover of ₹ 229.21 crore resulted in short levy of tax of ₹ 9.87



crore including penalty of ₹ 9.33 lakh in seven out of 99 assessment cases test-checked in five offices.

**(Paragraph 2.2.17.3)**

The AAs allowed adjustment of TDS from assessed tax for the sale of soyabean and cotton against TDS certificates covering transactions of more than one calendar month. This resulted in irregular adjustment of TDS of ₹ 4.45 crore in 40 out of 4226 assessment cases test-checked in 13 offices.

**(Paragraph 2.2.18)**

### 2.2.1 Introduction

Madhya Pradesh Value Added Tax (MPVAT) Act, was introduced (2006) with a view to bring more efficiency in the tax administration, equal opportunity of competition amongst the dealers and fairness in the taxation system.

The MPVAT Act governs the levy and collection of VAT in Madhya Pradesh at every point of sale. Under the provisions of the MPVAT Act, the cascading effect of taxation at each stage of transaction of commodity till it reaches the final consumer was attempted to be minimised by setting off the amount of input tax (tax paid on purchase) termed as Input Tax Rebate (ITR) at each stage against the output tax (tax payable on the sale).

VAT is payable, when there is sale of taxable goods by a registered dealer within the state in the course of his business. The tax so charged or collected is shown separately in the books of accounts and should not form a part of the turnover of the dealer. Various commodities are classified into five<sup>1</sup> main categories under the Act for the purpose of application of different rates of VAT on their transactions.

Interstate transactions of goods are administered under Central Sales Tax Act, 1956 (CST Act). Interstate transactions of goods supported by the declaration forms are exempted/taxable at concessional rate of tax and inter-state transactions not supported by declaration forms are taxable at the rate of tax specified in the schedule of MPVAT Act.

### 2.2.2 System of Assessment under MPVAT Act

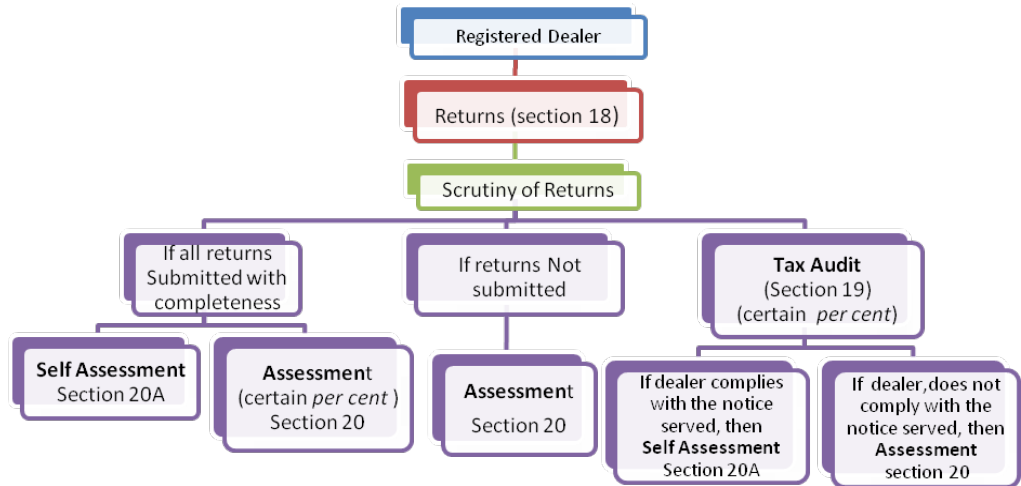
VAT collection and control procedures are based on self-assessment system. The overall objective of the VAT assessment system is to maximise the collection of VAT revenue by maximising the level of voluntary compliance and by deterring evasion. The dealer calculates his own liability and makes his payment of the tax due while the Commercial Tax Department (CTD) reviews the returns submitted by the dealer subsequently by means of Tax Audit and assessments to ensure that tax legally due is declared and paid by the tax payers.

System of Assessment under MPVAT Act comprises of Self Assessment, Assessment, Tax Audit, Re-assessment or revision of assessment and Special

<sup>1</sup> Tax free commodities are mentioned in Schedule-I, one *per cent* rate of tax –as mentioned in part I of Schedule II, four/five *per cent* rate of tax- as mentioned in part II of schedule II and 12.5/13 *per cent* rate of tax – as mentioned in part IV of schedule II. Apart from this there are certain commodities under part III of Schedule II which are one time taxable as per the rate of tax mentioned therein.

provision for assessment of cases relating to detection and prevention of tax evasion. The system and process of assessment has been shown in **chart 1** below:

**Chart 1: System and process of assessment**



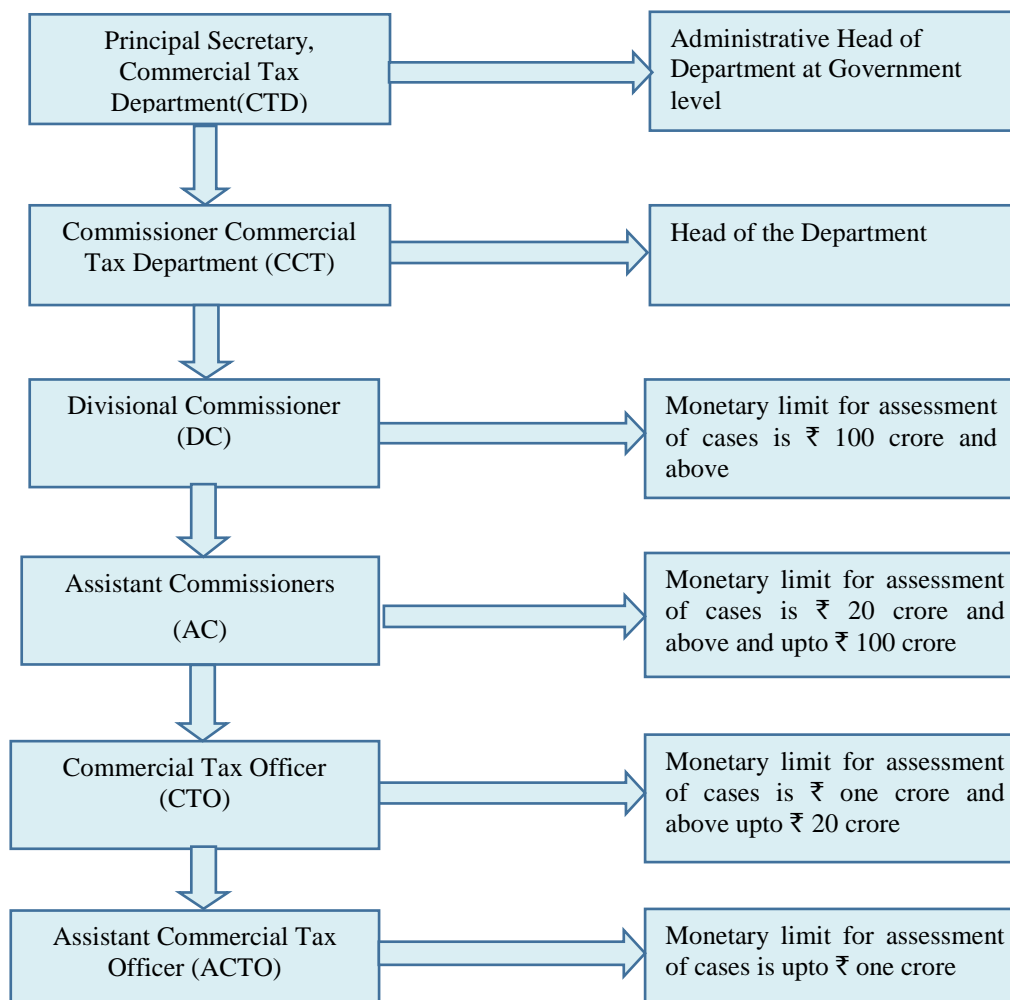
However, where sale or purchase of goods liable to tax under the MPVAT Act have been under-assessed/wrongly assessed or escaped assessment, the original assessment is re-opened (under Section 21) and in its place, a fresh assessment is made. Reassessment is an exercise to correct any mistake apparent in the assessment order. While re-assessing a dealer, the assessing authority does not merely assess him on the escaped turnover but he assesses him on his total estimated turnover and in that process, if required, he can resort to best judgment assessment also.

Further Section 9(2) the Central Sales Tax (CST) Act, 1956, provides that the authorities empowered to assess, reassess, collect and enforce payment of tax, including any interest or penalty, payable by a dealer under the CST Act for this purpose may exercise all or any of the powers they have under the MPVAT Act including provisions relating to assessment.

### 2.2.3 Organisational setup

The Commercial Tax Department is headed by Principal Secretary at the Government level. The Commercial Tax Department (CTD) functions under overall control of the Commissioner of Commercial Tax (CCT) assisted by a Director. The Department is divided in four zones; each headed by a Zonal Additional Commissioner. Each zone comprises divisional offices headed by 15 divisional Deputy Commissioners (DCs). Under these divisions, there are 33 Regional Assistant Commissioner (RACs) offices and 80 circle offices headed by Commercial Tax Officers (CTOs)/Assistant Commissioners (ACs). The hierarchy and responsibilities of the Department thereupon is shown in **Chart 2** below:

Chart 2: Chart showing organisational set up



#### 2.2.4 Audit scope and methodology

With a view to evaluate the efficiency and effectiveness of the system and procedures related to assessment of taxes and collection of revenue, records of Circle, Regional and Divisional offices, were examined for the period 2010-11 to 2014-15. Besides, information was also collected from the office of Commissioner, Commercial Tax Department.

The Performance Audit (PA) covering a period of five years from 2010-11 to 2014-15, has been carried out (from October 2014 to June 2015) for the assessments done by the Assessing Authorities (AAs) between 1 April 2013 and 31 March 2015<sup>2</sup>, in randomly selected 33 units<sup>3</sup> (10 Divisional, three Regional and 20 Circle Offices) out of total 130 units. A total of 12,466 cases out of 12,958 assessed cases were examined in audit.

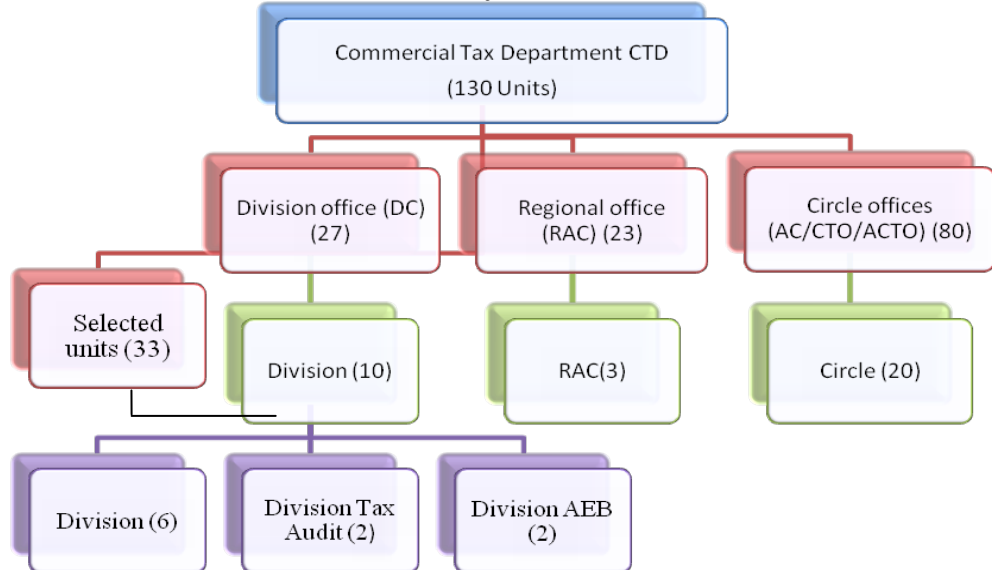
<sup>2</sup> Cases which were not produced in the previous audit but produced during performance audit have also been examined/incorporated in the PA

<sup>3</sup> **Circle offices (20):** Bhopal-I, Bhopal-III, Bhopal-V, Dewas, Gwalior-I, Gwalior-II, Indore VII, Indore IX, Indore X, Indore XI, Indore XII, Indore XIII, Indore XIV, Khargone, Mandideep, Ratlam-I, Satna-I, Sendhwa, Ujjain-I and Waidhan,  
**Regional offices (03):** Bhopal-I, Bhopal-II and Sagar-II

**Divisional offices (10):** Bhopal Anti Evasion Bureau (AEB), Bhopal-Tax Audit Wing (TAW), Bhopal-I, Bhopal-II, Indore TAW-I, Indore-I, Jabalpur (AEB), Jabalpur-II, Ratlam and Satna .

Hierarchy and selection of units has been shown in the flow **Chart 3** below:

**Chart 3: Hierarchy and selection of units**



### 2.2.5 Audit objectives

The PA was conducted to:

- check the compliance with Acts/Rules in assessments and examine whether instructions/orders contained in circulars/notifications were scrupulously followed,
- ascertain whether exemptions/concessions were supported by genuine and valid declaration forms,
- check whether correctness/timeliness of the information furnished in the tax returns/audited accounts was ensured, and
- evaluate whether provisions of MPVAT Act and rules were adequate to prevent leakage of revenue.

### 2.2.6 Audit criteria

The audit findings are based on the following criteria

- MP VAT Act, 2002 (MPVAT Act);
- MP Value Added Tax Rules, 2006 (MPVAT Rules);
- Central Sales Tax Act, 1956 (CST Act);
- Central Sales Tax (Registration and Turnover) Rules, 1957 (CST Rules) and
- Rules, Circulars, Exemption Notification and Instructions issued by the Department and State Government from time to time.

### 2.2.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the cooperation of the CTD for providing necessary information and records to audit. The scope and methodology of audit was discussed with the Principal Secretary of the Department in an entry conference held on 18 February 2015. The draft Performance Audit was forwarded in July 2015 to the State Government.

The findings of the Performance Audit were discussed with the Principal Secretary of the Department in an exit conference held on 7 October 2015. The views of the Government/Department have been suitably incorporated in the Performance Audit. All the five recommendations of the audit were accepted by the Department.

### 2.2.8 Registered Dealers and conducting of survey of unregistered dealers

Year-wise position of registered dealers under MPVAT Act and percentage of their growth during the years 2010-11 to 2014-15 is shown in **Table 2.2** below:

**Table- 2.2**

Year	Registered dealers at the beginning of the year	Dealers registered during the year	Number of dealers whose registration cancelled during the year	Registered dealers at the end of the year	Percentage of growth of registered dealers over previous year
2010-11	232858	17678	9855	240681	-
2011-12	240681	28790	13644	255827	6.92
2012-13	255827	27903	20965	262765	2.71
2013-14	262765	26150	22454	266461	1.40
2014-15	266461	35378	24258	277581	4.17

(Source: - Information furnished by the Department)

It can be seen from the above table that the percentage of growth of registered dealers during the last five years ranged between 1.40 and 6.92 *per cent*. Regarding survey conducted by the Department to bring new dealers under tax net, no specific reply was furnished by the Department. It was however replied (October 2015) that continuous effort have been made through gathering of data from Income Tax Department, Central Excise Department and other Government Departments to bring new dealers under tax net.

Non furnishing of specific reply regarding survey is indicative of the fact that no effort was made by the Department by conducting survey of unregistered dealers who are liable to pay tax to increase the tax base.

### 2.2.9 Trend of revenue receipts

Actual receipt under Value Added Tax (VAT) and Central Sales Tax (CST) during the year 2010-11 to 2014-15, is shown in **Table 2.3** below:

**Table- 2.3**

Year	Budget estimate	Total Receipt (VAT and CST)	Variations excess/ Shortfall	Percentage of variations w.r.t budget estimate ( <i>per cent</i> )	Percentage growth of actual receipts over previous year
2010-11	9320.00	10256.76	936.76	10.05	-
2011-12	11830.00	12516.73	686.73	5.80	(+) 22.03
2012-13	14000.00	14856.30	856.30	6.11	(+) 18.69
2013-14	16500.00	16649.85	149.85	0.90	(+) 12.07
2014-15	19500.00	18135.96	(-) 1364.04	(-) 7.00	(+) 8.92

(Source: Finance Accounts of Government of Madhya Pradesh)

It may be seen from the above table that though there was continuous growth of revenue from year to year but the percentage of growth of revenue was in downward trend and declined from 22.03 to 8.92 per cent during the last five years in spite of increase in number of registered dealers and increase in rate of tax. Moreover the actual receipts during 2014-15 were less than the Budget estimate by seven per cent.

During the exit conference, on the issue of downward trend of revenue the Department stated (October 2015) that due to slump in the market and due to fall in the prices of the petrol and diesel (which contribute to approximately 34 per cent of the VAT revenue) the revenue growth slowed down.

### 2.2.10 Arrears of Revenue

Details of arrears of revenue and arrears outstanding for more than five years are shown in **Table 2.4** below:

**Table-2.4**

(₹ in crore)

Period	Opening Balance at the beginning of the year	Addition during the Year	Total	Recovery during the year	Closing Balance at the end of the year	Amount outstanding for more than five years at the end of the year
2010-11	586.95	1214.02	1800.97	1271.17	529.80	194.53
2011-12	529.80	1667.19	2196.99	1679.06	517.93	202.45
2012-13	517.93	1748.39	2266.32	1708.57	557.75	180.75
2013-14	557.75	1898.24	2455.99	1879.52	576.47	320.92
2014-15	576.47	2761.02	3337.49	2733.58	603.91	305.80

(Source: - Information furnished by the Department)

It may be seen from the above table that arrears of revenue had increased from ₹ 529.80 crore in 2010-11 to ₹ 603.91 crore in 2014-15 and also shown increasing trend in last five years except the year 2011-12. Similarly arrears outstanding for more than five years had also considerably increased from ₹ 194.53 crore in 2010-11 to ₹ 305.80 crore in 2014-15. Moreover arrears of revenue as on 31 March 2015 amounted to ₹ 603.91 crore, out of which ₹ 483.73 crore pertains to arrears under the category of difficult cases such as court cases, appeal cases, sick units etc.

During the exit conference, Department stated (October 2015) that across the country the most updated assessment system is of MPCTD. This has been achieved by simplifying the procedure for assessment and Department is satisfied with the pace of recovery and also expecting to recover the same by end of this Financial Year.

We do not agree with the reply of the Government as the arrears of revenue, when compared year over year showed increasing trend.

### Audit Findings

The Performance Audit on system of assessment under VAT revealed deficiencies in compliance, violation of the provisions of the Act and Rules,

and also system deficiencies. Such deficiencies led to leakage of revenue as discussed in the subsequent paragraphs.

### 2.2.11 Incorrect determination of turnover

**The AAs underestimated the taxable turnover of the dealers as against the aggregate turnover of the dealers recorded in their audited books of accounts, sale list and other records available in case files. Turnover aggregating to ₹ 499.41 crore was not assessed to tax resulting in non-levy of tax of ₹ 82.08 crore including penalty of ₹ 41.84 crore.**

We test-checked 9,063 cases out of 9,871 assessment cases between October 2014 and June 2015 in eight divisional Offices<sup>4</sup>, three regional offices (Bhopal-I,II and Sagar-II) and 19 circle offices<sup>5</sup> and found that in 160 cases of 157 dealers, assessed between April 2012 and March 2015 for the period 2009-10 to 2012-13, the AAs, while finalising the assessment, determined the taxable turnover of the dealers as ₹ 3,094.65 crore against the aggregate turnover of ₹ 3,594.07 crore recorded in their audited books of accounts, sale list and other records available in the case files.

Plant and machinery sales, excise duty and other miscellaneous taxable value were not included in the taxable turnover of the dealers. Moreover, excess deductions were allowed on account of contract work, job work, sales returns, discounts etc. Thus, turnover aggregating ₹ 499.41 crore was not assessed to tax due to non-observance of provisions of Section 2(z) of the MPVAT Act which prescribes that turnover means aggregate of sale prices received by a dealer in respect of sale or supply of goods made during that period excluding amount of sales return and discount at the time of sale.

This resulted in non-levy of tax of ₹ 40.24 crore. Besides, penalty of ₹ 41.84 crore under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment was attributable to dealers as detailed in **Appendix I**.

During the exit conference, the Department directed the officials to check/rectify the issues within a time frame and also emphasised upon improvement of Internal Checking system for assessments. The Department also stated that there was a need to strengthen the system of assessment by moving towards the platform of e-assessments by incorporating necessary modules in the system. It was also stated that detailed reply/compliance of the audit observations of the Performance Audit would be submitted in due course. Further reply has not been received (November 2015).

### 2.2.12 Application of incorrect rate of tax

**The AAs applied incorrect rates of tax on turnover of ₹ 143.54 crore which resulted in non/short levy of Tax amounting to ₹ 38.57 crore including penalty of ₹ 26.80 crore.**

<sup>4</sup> **Divisional Offices(8):**TAW Bhopal, Bhopal-I, Bhopal-II, Indore-I, Indore-TAW-I, Jabalpur-II, Ratlam and Satna

<sup>5</sup> **Circle offices (19):** Bhopal-I, Bhopal-III, Bhopal-V, Gwalior-I, Gwalior-II, Indore VII, Indore IX, Indore X, Indore XI, Indore XII, Indore XIII, Indore XIV, Khargone, Mandideep, Ratlam, Satna, Sendhwa, Ujjain and Waidhan



We test-checked 5,044 cases out of 5,646 assessment cases between October 2014 and June 2015 in six divisional offices<sup>6</sup>, three regional offices (Bhopal-I,II and Sagar-II) and 15 circle offices<sup>7</sup> and found that while finalising the assessment in 51 cases of 48 dealers, assessed between January 2012 and March 2015 for the period 2009-10 to 2012-13, the AAs applied lower rate of tax on turnover of ₹ 143.54 crore, incorrectly classifying the goods in violation of provision of Section 9 of MPVAT Act and notifications issued thereunder, which provides for levy of tax on goods as specified in Schedule II, depending upon the classification of the goods.

This resulted in short levy of tax of ₹ 11.77 crore. Besides, penalty of ₹ 26.80 crore under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment was attributable to dealer as detailed in **Appendix II**.

During the exit conference, the Department stated (October 2015) that it could be due to difference of opinion in regard to rate of tax for a commodity. It was also stated that in the absence of HSN (Harmonised System of Nomenclature) code there is probability of error related to application of rate of tax. It was also stated that detailed reply of the audit observations of the Performance Audit would be submitted in due course. Further reply has not been received (November 2015).

#### 2.2.13 Short levy of tax due to allowing incorrect deductions

**While assessing the cases the AAs allowed deduction on account of tax assuming that amount of tax was included in aggregate of sale price. However the same was not included in the aggregate of sales price. This resulted in short levy of tax of ₹ 32.22 crore.**

**2.2.13.1** We test-checked 3,229 cases out of 3,543 assessment cases between October 2014 and June 2015 in two divisional offices (Bhopal-II and Jabalpur-II) and 10 circle offices<sup>8</sup> and found in 14 cases of 13 dealers, assessed between May 2013 and February 2015 for the period 2010-11 to 2012-13, that the AAs while determining the turnover, deducted the amount of tax from the aggregate of sale price, although tax was not included in the sale price.

This was in contravention of Section 2(x) (iii) of MPVAT Act, 2002 which provides that no deduction shall be allowed if the amount of tax is not included in the aggregate of sales price. This resulted in short levy of tax of ₹ 47 lakh. Besides, penalty of ₹ 70.14 lakh was also leviable under Section 21(2) of the MPVAT Act as omission leading to short assessment of tax was attributable to dealer, as mentioned in **Appendix III**.

**2.2.13.2** We further test-checked 2,240 cases out of 2,246 assessment cases between October 2014 and June 2015 in divisional office Satna and four circle offices<sup>9</sup>, and found in 13 cases of 12 dealers, assessed between February

<sup>6</sup> **Divisional Offices(6):** Tax Audit Bhopal, Bhopal-I, Bhopal-II, Indore-I, Indore-TAW-I and Satna

<sup>7</sup> **Circle offices (15):**Bhopal-I, Bhopal-III, Bhopal-V, Dewas, Gwalior-I, Gwalior-II, Indore-VII, Indore-X, Indore-XI, Indore-XIII, Mandideep, Sendhawa, Satna-I, Ujjain and Waidhan

<sup>8</sup> **Circle offices (10):**Bhopal-I, Gwalior-I, Gwalior-II Indore-IX, Indore-XI, Indore-XIV, Khargone, Ratlam-I, Satna-I and Ujjain-I

<sup>9</sup> **Circle (4):** Bhopal-V, Indore X , Indore XI, Indore-XIII



2013 and February 2015 for the period between 2011-12 and 2012-13, that in certified VAT audit report<sup>10</sup> submitted by the dealers, cost of goods sold was derived on the basis of net purchases (i.e purchases without VAT) and sale value of goods were computed after adding profit to the cost of goods sold so calculated. As such, the sale value was also net sales (i.e without VAT) but in the certified VAT Audit Report, the sale value was wrongly depicted as sale value with VAT instead of net sales.

During assessment, the AAs allowed incorrect deduction on account of VAT as per certified VAT Audit Report without ascertaining the fact that sales figures shown in VAT Audit Report was actually net sales. This resulted in short levy of tax of ₹ 31.05 crore including penalty of ₹ 23.28 crore under Section 21 (2) of MPVAT Act, as detailed in **Appendix IV**.

During the exit conference (October 2015), the Department agreed to the concern and assured that necessary action would be taken. Further reply has not been received (November 2015).

#### **2.2.14 Non-levy of tax on sales incorrectly treated as tax free**

**Dealers sold taxable commodity and claimed it as tax free. The AAs while assessing the cases also not levied tax treating them incorrectly as tax free goods. This resulted in non-levy of tax of ₹ 1.82 crore including penalty of ₹ 1.26 crore.**

We test-checked 4,068 cases out of 4,093 assessment cases between October 2014 and June 2015 in one divisional office (Ratlam) and six circle offices<sup>11</sup> and found in nine cases of eight dealers, assessed between May 2013 and March 2015 for the period 2010-11 to 2011-12, that dealers sold taxable commodity under Schedule-II i.e. Agricultural Pipes, Sprinkler pipe & fittings, ventilators and tomato sauce, valued at ₹ 10.74 crore.

The AAs did not levy any tax treating them incorrectly as tax free goods due to incorrect classification of taxable goods of Schedule-II as tax free goods under Schedule-I, in contravention of provision of MPVAT Act and notifications issued thereunder. This resulted in short levy of tax of ₹ 55.55 lakh. Besides, penalty of ₹ 1.26 crore under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment of tax was attributable to dealer, as mentioned in **Appendix-V**.

During the exit conference, the Department stated (October 2015) that, it is related to classification of the commodity and application of rate of tax accordingly. The Department assured that, necessary action would be taken if error is found due to gross negligence. Further reply has not been received (November 2015).

**We recommend that the provisions of Acts/Rules may be implemented scrupulously to avoid the leakages of revenue. Further, a strict regime of responsibility fixation may be established for cases of lapses in assessments to have deterrent effect.**

<sup>10</sup> As per Section 39 of the Act every registered dealer whose annual turnover having more than 10 crore, is required to submit VAT Audit report, electronically in Form 41-A w.e.f. 01.04.2012

<sup>11</sup> **Circle (6):** Bhopal-V, Dewas, Indore-IX, Indore XI, Indore XII and Mandideep

### 2.2.15 Input Tax Rebate (Section 14 of the Act)

**Allowance of ITR on purchases over and above the purchases certified in the Audited Accounts, ITR on non-eligible goods and non-reversal/less reversal of ITR in the event of the goods stock transferred out of State etc. resulted in incorrect/excess allowance of ITR of ₹ 10.37 crore.**

We observed irregular grant of ITR in 80 cases of 76 dealers assessed between April 2013 and March 2015 for the period 2011-12 to 2014-15 due to non-observance of provisions of Section 14 of the MP VAT Act as discussed below:

#### 2.2.15.1 Inadmissible grant of ITR against certified purchases.

We test-checked 7,551 cases out of 8,280 assessment cases between October 2014 and June 2015 in five divisional Offices<sup>12</sup> and in 15 Circle Offices<sup>13</sup> assessed between July 2012 and March 2015 for the period 2010-11 to 2012-13, and found that in 34 cases, dealers were eligible to avail the ITR of ₹ 32.47 crore as per the purchases certified in audited accounts.

However the dealers incorrectly claimed and AAs allowed the ITR of ₹ 36.11 crore on purchases over and above the purchases certified in the Audited Accounts. Similarly in 20 cases, dealers were allowed ITR of ₹ 3.71 crore in the absence of purchase list/bills and also where VAT was not charged separately in the bills though dealers were eligible to avail the ITR of only ₹ 2.35 crore.

This was in contravention of provisions of Section 14 (1) read with Rule 9 of MPVAT Act which stipulate that ITR should be allowed to the dealers after due verification of returns submitted by them and purchases shown in certified audited accounts. This resulted in inadmissible grant of ITR of ₹ 4.99 crore. Besides, penalty of ₹ 3.21 crore under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment of tax was attributable to dealer as mentioned in **Appendix VI**.

#### 2.2.15.2 Allowance of ITR on certain goods not admissible for ITR

We test-checked 2,022 cases out of 2,071 assessment cases between October 2014 and June 2015 in two divisional offices (Bhopal-II and Ratlam) and five circle offices<sup>14</sup> and found in seven cases of seven dealers, assessed between April 2013 and September 2014 for the period 2010-11 to 2012-13, that ITR of ₹ 40.64 lakh was incorrectly allowed to the dealers on building material and mustard, also to the dealers who opted for composition.

This was in contravention of the provision of Section 14(6) of the MPVAT Act, which stipulates that no ITR shall be claimed or be allowed to a registered dealer, who opts for composition under Section 11A of the Act and also in respect of plant, machinery, equipments and parts thereof, as may be notified<sup>15</sup> by the State Government. Further as per Section 26-A(4) no ITR shall be

<sup>12</sup> **Divisional offices (5):** Tax Audit Bhopal, Bhopal-I, Bhopal-II, Indore-TAW-I and Satna  
<sup>13</sup> **Circle Offices (15):** Bhopal-I, Bhopal-V, Gwalior-I, Gwalior-II, Indore-IX, Indore-X, Indore-XI, Indore-XII, Indore-XIII, Mandideep, Ratlam-I, Satna-I, Sendhwa, Ujjain-I and Waidhan  
<sup>14</sup> **Circle offices (5):** Indore-IX, Indore-XI, Ratlam-I, Satna-I and Ujjain-I  
<sup>15</sup> Building material is notified under Section 14(6) (vi) by notification no.A-3-95-05-1-V (28) dated 17 August 2007

claimed or allowed in respect of Mustard. This resulted in short levy of tax of ₹ 40.64 lakh. Besides, penalty of ₹ 1.13 crore under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment of tax was attributable to dealer as detailed in **Table 2.5 below**:

**Table-2.5**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment and Name of Commodity	Amount of ITR Claimed/ Accepted	Amount of ITR objected	Amount of penalty
1	Circle-IX Indore	M/s Sai Shakti Agrotech pvt ltd. 23610905610 1074/11 (VAT)	2010-11 September 2013 Building Material (Iron & steel and Welding material)	1499750	184176	552528
2	DC CT Ratlam	Gujrat Ambuja Transport Private limited 23553104439 CS0000031519 (VAT)	2010-11 April 2013 Building Material	94084	94084	0
3	CTO-I Ratlam	G H Bijapur Company Ratlam 23473404795 505/11 (VAT)	2010-11 August 2013 Plant & Machinery (Composition under Section 11A)	2976242	2976242	8928726
4	DCCT II Bhopal	Crompton Greaves Ltd Transformer Div 23644104120 11/11(VAT)	2010-11 June 2013 Cement used in Building Construction	38873	38873	116619
5	CTO Circle I Satna	M/s Chela Ram Mannaram 23167000222 732/13 (VAT)	2012-13 September 2014 Sarson (Mustard)	489396	489396	1468188
6	CTO Circle XI Indore	M/s Mamta Transformers Pvt. Ltd 23981100037 6/12 (VAT)	2011-12 June 2014 Building Material	57631	57631	172893
7	CTO Circle XI Indore	M/s Mamta Transformers Pvt. Ltd 23981100037- 6/12 (VAT)	2011-12 June 2014 Building Material (Composition work)	40721	40721	122163
8	CTO Circle I Ujjain	M/s Lav Narang/ 232826-6638 2092/14 (VAT)	2011-12 August 2014 Building Material	183018	183018	0
<b>Total</b>				<b>53,79,715</b>	<b>40,64,141</b>	<b>1,13,61,117</b>

During the exit conference, the Department stated (October 2015) that the detailed compliance/reply of the audit observations would be submitted in due course. Further reply has not been received (November 2015).

### 2.2.15.3 Non reversal/less reversal of ITR in the event of the goods stock transferred out of State

We test-checked 4,267 cases out of 4,279 assessment cases between October 2014 and June 2015 in three divisional offices (Jabalpur-II, Ratlam and Satna) and eight circle offices<sup>16</sup> and found non reversal/less reversal of ITR in 18 cases of 17 dealers, assessed between April 2013 and February 2015 for the period 2010-11 to 2012-13. In 11 cases ITR of ₹ 8.63 lakh was not reversed while in remaining seven cases, there was short reversal of ITR of ₹ 21.39 lakh with respect to the ratio of sale and stock transfer.

<sup>16</sup> Circle(8):Bhopal-I, Bhopal-III, Bhopal-V, Indore-VII, Indore-X, Indore-XI Indore-XIII & Sendhwa

This resulted in irregular claim and acceptance of ITR of ₹ 30.02 lakh due to non observance of provision of Section 14(1)(a)(6) of the MPVAT Act, which stipulates that in the event of disposal of the goods otherwise than by way of sale within the State of Madhya Pradesh or in the course of inter-State trade or commerce or in the course of export out of the territory of India, he shall be liable to pay the amount of ITR (reversal) at the rate of four *per cent* of the purchase price or net of input tax of such goods, whichever is lower. Penalty of ₹ 32.62 lakh under Section 21(2) of the MPVAT Act was also leviable as omission leading to short assessment of tax was attributable to dealer as mentioned in **Appendix VII**.

During the exit conference, the Department stated (October 2015) that detailed compliance/reply of the audit observations would be submitted in due course. Further reply has not been received (November 2015).

#### 2.2.15.4 Non verification of ITR on Iron and steel and edible oil

**ITR of ₹ 21.22 crore on purchases of Iron and Steel and edible oil was allowed by the AAs without carrying out cross verification of purchases and sales and verification of ITR up to the logical end despite the instructions of the CCT.**

We test-checked 4,610 cases out of 4,720 assessment cases between October 2014 and June 2015 in five divisional offices<sup>17</sup>, three regional offices (Bhopal-I,II and Sagar-II) and nine Circle offices<sup>18</sup> and found in 45 cases of 45 dealers assessed between June 2012 and February 2015 for the period 2009-10 to 2012-13, that ITR of ₹ 21.22 crore on purchases of Iron & steel and edible oil was accepted by the Department.

However, compliance of the circulars<sup>19</sup> issued by the CTD prescribing cross verification of sales and purchases of Iron & steel and edible oil, and verification of ITR on these commodities up to the end point i.e. 'logical end' was not done. Details of cases of non-verification of ITR on Iron and steel and edible oil upto the logical end are mentioned in **Appendix VIII**.

During the exit conference, the Department stated (October 2015) that initially it was not possible to trace it manually, now it was being verified through online system.

The fact however remains that in the cases covered under Performance Audit; compliance of the circulars issued by the CTD regarding verification of ITR on Iron and steel and edible oil upto the logical end was not done.

#### 2.2.16 ITR verification mechanism

**The prevailing system in the Department is not robust to look properly into all the cases of ITR verification.**

There is a separate ITR verification unit in the Department for sanction and verification of ITR in the cases of cash refund. However in other cases there is

<sup>17</sup> **Divisional offices (5):** Bhopal-TAW, Bhopal-I, Bhopal-II, Indore-I & Ratlam

<sup>18</sup> **Circle Offices (9):** Bhopal-I, Bhopal-III, Indore-VII, Indore-IX, Indore-XI, Indore-XIV, Khargone, Mandideep & Ratlam

<sup>19</sup> Circular no. 81/2009-10/30/15/502 Indore dated 9<sup>th</sup> December 2009 and Circular no. 81/2009-10/30/15/588 Indore dated 26<sup>th</sup> October 2010

no mechanism to verify the purchases from selling dealers in order to authenticate the ITR as warranted under Section 14 (6-A) of the MPVAT Act, which stipulated that a rebate of input tax shall be claimed by or be allowed to a registered dealer subject to such restriction and conditions as may be prescribed.

We observed that deficiencies in the compliance issues as discussed in the previous paragraphs establish the fact that the prevailing system in the Department is not robust to look properly into all the cases of ITR verification.

During the exit conference, regarding failure of ITR verification mechanism it was stated by the Department (October 2015) that all the cases of ITR are being cross-verified after 2013-14 electronically. A special cell for ITR verification has been created for this. This has become possible due to implementation of online filing of return by every dealer.

The fact however remains that in the cases covered under Performance Audit; reasonable assurance to the prescribed system, its functioning with respect to verification and acceptance of ITR could not be ascertained in audit.

**We recommend that the Government/Department should ensure that purchase details are properly authenticated/substantiated through the documents and should be in conformity with the audited accounts before accepting claims of ITR.**

#### **2.2.17 Irregular utilisation of declaration forms in inter-State trade**

**There was incorrect allowance of exemption/concessional rate of tax without submission of declaration forms or against defective forms in cases of inter-state transactions. This resulted in non/short levy of tax of ₹ 22.56 crore.**

Under the provisions of the CST Act and rules made thereunder, registered dealers are eligible for certain concessions and exemptions of tax on inter-state transactions on submission of prescribed declarations in form 'C', 'E-1/E-II' and 'F'.

The State Government grant these incentives to dealers for furtherance of trade and commerce, on production of these declaration forms. While completing the assessment, the assessing authority is required to ensure that the concessional rate of tax is allowed only on the basis of genuine and valid statutory form issued by the respective authority of the issuing state during the course of interstate trade otherwise rate of tax applicable to the sale of such goods as prescribed in MPVAT Act shall be leviable.

Under Section 8 of the CST Act read with Rule 12 of CST (Registration and Turnover) Rules 1956 provides for levy of tax at the rate of three *per cent* between April to May 2008 and two *per cent* with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'.

Further, under Section 6-A of the CST Act, consignment sale (branch transfer) shall be exempt from payment of tax on production of statutory Form-F. In the absence of the statutory forms and supporting documents, the tax on these goods is leviable at the rates prescribed in the Act.

Similarly under Section 6(2) of CST Act transit sale (i.e. sale during movement of such goods from one State to another effected by a transfer of documents of title to such goods) shall be exempted from Tax on submission of Form E-I/II and Form-C.

#### 2.2.17.1 Concessions/exemptions allowed without forms and against defective forms

**Interstate sales turnover of ₹ 267.72 crore was assessed without submission of C/F form and also against defective C/F-form. This resulted in short levy of tax of ₹ 11.86 crore including penalty of ₹ 1.22 crore in 29 cases of 28 dealers.**

We test-checked 1,629 cases out of 1,864 assessment cases between October 2014 to June 2015 in seven divisional offices<sup>20</sup> and 10 Circle offices<sup>21</sup> and found in 29 cases of 28 dealers, assessed between August 2012 and February 2015 for the period 2010-11 to 2012-13, that interstate sales turnover of ₹ 267.72 crore was assessed without submission/defective submission of C/F-form.

In 20 cases the dealers availed exemption/concessional rate of tax without submission of 'C'/F' forms. Similarly, in nine cases dealers submitted C/F' form not duly filled and signed by the purchasing dealer/agent containing the prescribed particulars<sup>22</sup> however the dealers availed concessional rate of tax under CST Act. This resulted in short levy of tax of ₹11.86 crore including penalty of ₹1.22 crore as detailed in **Appendix IX**.

During the exit conference, the Department stated (October 2015) that the generation of forms and assessment was being done through online system to rectify the errors. It was also stated that detailed compliance/reply of the audit observations would be submitted in due course. Further reply has not been received (November 2015).

#### 2.2.17.2 Forms covering transactions beyond the prescribed period

**Declaration forms (C & F) covering transactions beyond the prescribed period were accepted and tax was levied at a concessional rate on the entire turnover, resulting in short levy of tax amounting to ₹ 83.31 lakh.**

We test-checked 964 cases out of 1,106 assessment cases between November 2014 and June 2015 in two divisional offices (Bhopal-I and Ratlam), one regional office (Bhopal-I) and eight circle offices<sup>23</sup> and found in 20 cases of 20 dealers assessed between May 2011 and March 2015 for the period 2008-09 to

<sup>20</sup> **Divisional Offices(7):** Bhopal-I, Bhopal TAW, Indore-I, Indore-TAW-I, Jabalpur-II, Ratlam and Satna

<sup>21</sup> **Circle offices (10):** Bhopal-I, Gwalior-I, Gwalior II, Indore VII, Indore IX, Indore-XI, Indore-XII, Indore-XIII, Khargone and Ratlam-I

<sup>22</sup> **In case of 'C' form:** Date from which registration is valid, seal of the issuing authority, purpose of goods purchased, registration no. and date, name of the purchasing dealer along with registration no., signature of the purchasing dealer etc.

**In case of 'F' form:** Date from which registration is valid, seal of the issuing authority, description and quantity of goods, registration no. and date of transferor/transferee, name of the transferee and transferor along with registration no., signature of the transferee, date of delivery of goods etc.

<sup>23</sup> **Circle offices(8):** Bhopal-I, Dewas, Indore-XI, Indore-XII, Indore-XIII, Indore-XIV, Sendhwa and Ujjain-I



2012-13, that declaration forms (C & F) covering transactions beyond the prescribed period were accepted and tax was levied at a concessional rate on the entire turnover.

This was in violation of provisions of Section 8 of CST Act read with Rule 12 of MP (Central) Rule, which stipulate that furnishing of 'C' declaration forms on a quarterly basis with a proviso that a single declaration form can cover all transactions of sale which take place in a quarter of a financial year between the same two dealers. Similarly, the Rules provide for furnishing of 'F' declaration forms on a monthly basis and a single declaration could cover transaction of a particular month. This resulted in short levy of tax amounting to ₹ 83.31 lakh as mentioned in **Appendix X**.

During the exit conference, the Department stated (October 2015) that generation of forms and assessment was being done through online system to rectify the errors. It was also stated that detailed compliance/reply of the audit observations would be submitted in due course. Further reply has not been received (November 2015).

### 2.2.17.3 Irregular grant of deduction in respect of transit sale under Section 6(2) of CST Act

**Irregular grant of deduction in respect of transit sale under Section 6(2) of CST Act involving turnover of ₹ 229.21 crore resulted in short levy of tax of ₹ 9.87 crore including penalty of ₹ 9.33 lakh.**

We test-checked 99 cases out of 215 assessment cases in three divisional offices (Bhopal-II, Jabalpur-II and Indore-I) and two circle offices (Indore-IX and Indore-XII) between October 2014 and June 2015 and found in seven cases of six dealers assessed between June 2012 and September 2013 for the period 2009-10 to 2010-11 that there was violation of the provision of the Section 6 (2) of the Central Sales Tax Act, 1956 Act.

In four cases of three dealers we observed that irregular grant of deduction in respect of transit sale under Section 6(2) of CST Act was allowed though the document of title of goods was not in the favour of purchaser. This resulted in short levy of tax of ₹ 9.46 crore. Similarly in three cases of three dealers turnover valued ₹ 13.76 crore were not supported with E1-C form. The dealers were not entitled for exemption of tax availed by them. The AAs have allowed deduction to the dealers without submission of declarations E-1 and C, which resulted in short levy of tax of ₹ 41.58 lakh including penalty of ₹ 9.33 lakh as mentioned in **Table 2.6 below:**

**Table-2.6**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Transit sale Accepted/ Allowable	Transit sale amount objected	Amount of Tax/ Penalty	Total
1	DCCT-I Indore	M/s Zeppelin Mobile India 23131504267 296/10	2009-10 June 2012	45070098 0	45070098	901402 0	901402
2	DCCT II Bhopal	M/s Sunil Hightech Engineer Limited Betul 23544704217	2010-11 September 2013	118635410 0	118635410	4745416 0	4745416

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Transit sale Accepted/ Allowable	Transit sale amount objected	Amount of Tax/ Penalty	Total
		44/2011 VAT 38/2011 CST					
3	DCCT II Bhopal	M/s Hythro Power Corporation Ltd Betul 23684705692 21/2011 CST,	2010-11 September 2013	<u>1157081365</u> 0	1157081365	<u>80676280</u> 0	80676280
4	DCCT II Bhopal	M/s Hythro Power Corporation Ltd Betul 23684705692 20/2011 ET	2010-11 September 2013	<u>826510373</u> 0	826510373	<u>8265103</u> 0	8265103
			<b>Total (A)</b>	<b>2147297246</b>	<b>2147297246</b>	<b><u>94588201</u></b> 0	<b>94588201</b>
5	Circle- IX Indore	M/s Parag Enterprises/23 890902352/C S0000000011 737	2010-11 May-2013	<u>9581125</u> 7189505	2391621	<u>310910</u> 932730	1243640
6	Circle XII Indore	M/s Union Enterprises 23601204812 CS000000074 952 CST	2010-11 September 2013	<u>6972550</u> 0	6972550	<u>348628</u> 0	348628
7	DCCT II Jabalpur	M/s Mahaveer Coal Resources Pvt Ltd 23787206297 2/11 CST	2010-11 September 2013	<u>128298387</u> 0	128298387	<u>2565968</u> 0	2565968
			<b>Total (B)</b>	<b><u>144852062</u></b> <b>7189505</b>	<b>137662558</b>	<b><u>3225506</u></b> 0	<b>4158236</b>
<b>Grand Total (A+B)</b>				<b>2292149308</b>	<b>2292149308</b>	<b><u>97813707</u></b> 0	<b>98746437</b>

During the exit conference, the Department stated (October 2015) that generation of forms and assessment was being done through online system to rectify the errors. It was also stated that detailed compliance/reply of the audit observations would be submitted in due course. Further reply has not been received (November 2015).

**We recommend that submission of prescribed forms with completeness for the verification of inter-state transactions may be ensured.**

### 2.2.18 Adjustment of irregular TDS against assessed tax

**The AAs allowed adjustment of TDS from assessed tax for the sale of soyabean and cotton against TDS certificates covering transactions of more than one calendar month. This resulted in irregular adjustment of TDS of ₹ 4.45 crore.**

We test-checked 4,226 cases out of 4,304 assessment cases in two divisional offices (Tax Audit Wing Bhopal and Indore-I), three regional office (Bhopal-I,II and Sagar-II), and eight circle offices<sup>24</sup> between October 2014 to June 2015 and found in 40 cases of 39 dealers assessed between February 2013 and February 2015 for the period 2009-10 to 2012-13 that the AAs allowed

<sup>24</sup> Circle offices (8): Bhopal-III, Dewas, Gwalior-II, Indore-X, Indore-XIV, Khargone, Mandideep and Sendhwa



adjustment of TDS for the sale of notified goods<sup>25</sup> against TDS certificates covering transactions of more than one calendar month.

This was in violation of the provisions of Section 26-A of the MPVAT Act which stipulates that the TDS certificate may cover the transactions effected during a period of one calendar month. This resulted in irregular adjustment of TDS of ₹ 4.45 crore, as mentioned in **Appendix XI**.

During the exit conference, the Department stated (October 2015) that revised TDS were being obtained from the concerned dealers. Further reply has not been received (November 2015).

### **2.2.19 Assessment of cases in the absence of complete documents**

Submission of Audited account along with requisite documents, mandatory forms and correct/complete declarations are necessary so that turnover reported, the ITR and exemptions claimed, if any, can be validated in the assessment. It was however noticed that the assessments were carried out by the AAs without such requisite documents as discussed below:

#### **2.2.19.1 Non-submission of certified Audited Accounts**

**The AAs finalised 33 assessment cases having total turnover of ₹ 1,380.21 crore based on the facts and figures mentioned in the accounts which were not duly authenticated by Chartered Accountant. However, the minimum prescribed penalty of ₹ 10,000 was imposed in 30 cases out of the 33 assessments, which was not sufficient to have a deterrent effect against non submission of audited accounts by the dealer.**

We test-checked 677 cases out of 840 assessment cases between November 2014 and June 2015, in four divisional offices<sup>26</sup> and eight circle offices<sup>27</sup> and found in 33 cases of 33 dealers assessed between June 2012 and March 2015 for the period 2009-10 to 2012-13, that the dealers did not submit the Audit Reports certified by the Chartered Accountant (CA).

However, AAs finalised the assessments in these cases having total turnover of ₹ 1,380.21 crore based on the facts and figures mentioned in the accounts which were not duly authenticated by Chartered Accountant.

Although penalty was imposed in 30 cases out of the above, as per Section 39 of MPVAT Act which stated that every dealer whose turnover in a year exceeds<sup>28</sup> ₹ one crore shall get his account audited by a Chartered Accountant and furnish the report of such audit in such manner and with in such time as prescribed. The Act further provided that if the said provisions are not complied, a penalty equal to 0.1 *per cent* of the turnover in the year or ₹ 10,000, whichever is less, may be imposed on the dealer.

However, mere imposition of nominal penalty of ₹ 10,000 was not sufficient to have a deterrent effect against non-submission of audited accounts by the dealer.

<sup>25</sup> Soyabean, Mustard and Cotton

<sup>26</sup> Divisional Offices (4): Bhopal-II, Indore-I, TAW-I Indore and Ratlam

<sup>27</sup> Circle (8): Bhopal-I, Bhopal-V, Indore XI, Indore XII, Indore-XIII, Indore-XIV, Ratlam and Waidhan.

<sup>28</sup> Up to 09.08.2010 “₹ 40 lakh” and 10.08.2010 to 31.03.2011 ₹ 60 lakh

During the exit conference (October 2015), the Department accepted the observation and assured if such negligence was being done then proper action would be taken as per provisions of Act and would issue necessary instructions. Further reply has not been received (November 2015).

**We recommend that the Department may enhance the amount of penalty to make penal provision stringent and sufficient to have a deterrent effect, for non submission of audited accounts.**

#### **2.2.19.2 Non bifurcation of opening and closing stock and misclassification of purchases and sales in the audited account**

**In 37 cases of 35 dealers assessments were carried out without ensuring proper tax compliance and Item/commodity-wise bifurcation of opening, closing stock and reporting of purchases and sales with its correct classification.**

We test-checked 796 cases out of 861 assessment cases in between November 2014 and March 2015 in two divisional offices (Indore-I and Ratlam), one regional office (Bhopal-I) and 11 circle offices<sup>29</sup> and found in 37 cases of 35 dealers assessed between June 2012 and February 2015 for the period 2009-10 to 2012-13, that bifurcation of opening stock, closing stock and reporting of purchases and sales with its correct classification was not mentioned in the audited account as required under Section 39 of the MPVAT Act.

However, the assessments were carried out without ensuring proper tax compliance. Item/commodity-wise bifurcation of opening, closing stock and reporting of purchases and sales with its correct classification should have been done for assessment as the misclassification may have cascading effect, as already elaborated in the preceding paragraphs.

During the exit conference (October 2015), the Department accepted the observation and assured if such negligence was being done then proper action would be taken as per provisions of Act and would issue necessary instructions. Further reply has not been received (November 2015).

#### **2.2.19.3 Non submission of Form 49**

**AAs while finalising the assessment did not ensure that Form-49 (from check posts) were received and attached with the concerned case files, in order to prevent evasion of tax on goods imported inside and exported outside MP.**

In order to prevent evasion of tax on goods imported inside and exported outside MP, the CTD has prescribed Form-49 for declaration of notified goods under Section 57(2). Form-49 duly authenticated by the check posts are required to be obtained and submitted with the concerned case files of the dealers in order to certify the physical verification of goods in accordance with the departmental norms.

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<sup>29</sup> Circle (11): Bhopal-I, Bhopal-III, Gwalior-II, Indore VII, Indore IX, Indore X , Indore-XI, Indore-XII, Indore-XIII Ratlam-I and Sendhwa

As per notification<sup>30</sup>, Form-49 should compulsorily be submitted and attached with each case file along with returns to make it self sufficient for any sort of future scrutiny in the interest of revenue. It should be mentioned in the order sheet of the case file that the purchases and sales of the dealer have been verified/compared with the details mentioned in Form-49 (received from check posts).

We test-checked 3,392 cases out of 3,628 assessment cases between October 2014 and March 2015 in three divisional offices (Bhopal-I, II and Indore-I) and eight Circle offices<sup>31</sup> and found in 32 cases of 31 dealers, assessed between June 2012 and February 2015 for the period 2009-10 to 2012-13, that the AAs while finalising the assessment, did not ensure that the supporting documents, viz Form-49 (from check posts) were received and attached with the concerned case files. In the absence of such basic documents, out of state purchases (commodity and quantum) of the dealers could not be reconciled with the records/schedule submitted by the dealers.

During the exit conference, the Department stated (October 2015) that the now it was being done through computerised system because goods entering into the state with the help of Form 49 were being captured electronically at the check posts and for analysis purpose it was available electronically to the officers.

## **2.2.20 Internal Control Mechanism**

### **2.2.20.1 Absence of Internal Audit**

Internal audit is a vital component of the internal control mechanism and is intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. This also helps in creation of reliable financial and management information system for prompt and efficient services and for adequate safeguard against evasion of tax, prevention of excess refund and other irregularities, therefore it is a vital tool of Internal Control Mechanism.

Audit scrutiny revealed that internal audit wing was absent in the CTD. This was also pointed out in earlier Audit Reports however system of Internal Audit has not been established.

The Department accepted (April 2015) the facts regarding absence of separate Internal Audit Wing in the CTD.

### **2.2.20.2 Non-adherence to the criteria of Tax Audit under Section 19 of the Act**

**Details of the cases selected for Tax audit were neither available in selected Tax Audit offices Bhopal and Indore-I nor provided by the CCT. Moreover completion of tax audit was not carried out within the time frame.**

<sup>30</sup> Circular No./CT/VAT/15/06/1/Tech./294 Indore Dated 02.08.2006 and circular No. 4/2012-13/30/15/300 dated 27.04.2012

<sup>31</sup> Circle(8):Bhopal-I, Bhopal-III, Bhopal-V, Gwalior-II, Indore IX, Indore XII, Indore-XIII and Waidhan

Section 19 of the VAT Act and the circular<sup>32</sup> issued by the CCT provides for random selection of cases on the basis of parameters fixed for Tax Audit. It should be ensured that selection procedure and completion of tax audit should be carried out within the timeframe and as per the criteria fixed by the CCT. We observed in selected two Divisional Commissioner, Tax Audit offices Bhopal and Indore-I that year wise list of units selected for Tax Audit, on the basis of parameters/objective criteria issued every year by the Commissioner, were neither available with the division offices nor provided by the Commissioner office. It was intimated by the DC Tax Audit Bhopal and Indore that the cases for tax audit were being selected by the Commissioner office. However, at Commissioner Office the requisite details were not provided to audit. Therefore it could not be ascertained in PA that selected cases were taken up for Tax audit.

However year-wise position of number of cases available for Tax Audit and cases not taken up for Tax audit by DC Tax Audit Bhopal and Indore-I, during the year 2012-13, 2013-14 and 2014-15, were shown in **Table 2.7** below:

**Table-2.7**

Year	Name of Tax Audit Wing	Cases pending in the beginning of the year	Addition during the year	available Cases for Tax audit during the year	Cases Audited during the year	No. of cases not audited during the year	Percentage of cases not audited w.r.t the cases available for tax audit during the year
2012-13	Indore I	187	567	754	594	160	21.22
	Bhopal	314	1840	2154	541	1613	<b>74.88</b>
2013-14	Indore I	160	929	1089	722	367	33.70
	Bhopal	1613	1062	2675	2318	357	13.34
2014-15	Indore I	367	159	526	456	70	<b>13.30</b>
	Bhopal	357	560	917	615	302	32.92
<b>Total</b>		<b>2998</b>	<b>5117</b>	<b>8115</b>	<b>5246</b>	<b>2869</b>	

(Source: - Information furnished by the Department)

It is evident from the above table that cases ranging between 13.30 *per cent* and 74.88 *per cent* were not audited by the Tax Audit wings during the year 2012-13, 2013-14 and 2014-15.

Moreover in the absence of list of selected units, it could not be assured in audit that the selection criteria fixed by the CCT was scrupulously followed.

The Department stated (June 2015) that details regarding selection/list of units for tax audit selected on the basis of criteria were not available. It was intimated that the same was being compiled and would be submitted to audit.

During the exit conference, the Department stated (October 2015) that the units selected on the basis of criteria would be made available to audit and regarding shortfall it was stated that due to departmental constraints and shortfall of manpower sometimes cases selected and allotted cannot necessarily be taken up for tax audit.

<sup>32</sup>

Commissioner CTD Indore circular no. 15/06/VAT/187 Indore dated 21.06.2006

### 2.2.20.3 Absence of Department Manual

A manual maps the processes and provides a reference point to navigate the assessment under VAT regime. Manual, which is a guide for assessing authority conducting assessments of the dealers, outlines the policy, general rules and procedures to be followed. The manual also lays down a framework of internal control for effective monitoring.

We observed that there was no Departmental manual in CTD, which posed the risk of lack of control on the overall functioning of the CTD.

During the exit conference, the Department stated (October 2015) that preparation of the manual through an agency was under process and would be completed soon.

**We recommend that Department may improve the internal control system in the Department by setting up Internal Audit wing and complete preparation of Departmental Manual in order to outline the policy, general rules and procedures to be followed under the VAT assessment.**

### 2.2.21 Conclusion and Recommendations

The Performance Audit revealed the following:

- Non-adherence to the provisions of the MPVAT Act by the AAs, regarding, determination of the taxable turnover as against the aggregate turnover of the dealers recorded in their audited books of accounts/other records available in case files and application of incorrect rates, led to leakage of revenue ₹ 154.69 crore.

**Recommendation:** We recommend that the provisions of Acts/Rules may be implemented scrupulously to avoid the leakages of revenue. Further, a strict regime of responsibility fixation may be established for cases of lapses in assessments to have deterrent effect.

- The assessing authority allowed ITR of ₹ 10.37 crore on purchases over and above the purchases certified in the audited accounts, ITR on non-eligible goods and non-reversal/less reversal of ITR in the event of stock transferred and also without cross-verification of the purchase details with the selling dealers. The CTD had not put in place a foolproof mechanism to monitor the task.

**Recommendation:** We recommend that Department should ensure that purchase details are properly authenticated/substantiated through the documents and should be in conformity with the audited accounts before accepting claims of ITR.

- The assessing authority did not exercise due diligence as in many cases concessions in inter-state transactions were allowed without submission of forms and against defective/invalid forms which resulted in short levy of tax of ₹ 22.56 crore.

**Recommendation:** We recommend that submission of complete prescribed forms for the verification of inter-state transactions may be ensured.

- The Department carried out assessments without ensuring the mandatory submission of statutory reports/forms etc., and provision of nominal penalty for

non-submission of certified Audited Accounts was not sufficient to have a deterrent effect on dealers.

**Recommendation:** We recommend that the Department may enhance the amount of penalty to make penal provision stringent and sufficient to have a deterrent effect, for non-submission of audited accounts.

- The internal control framework was deficient in terms of absence of internal audit wing and non-prescribing of Departmental manual. Further selection criteria fixed by the CCT for Tax audit was not followed scrupulously.

**Recommendation:** We recommend that Department may improve the internal control system in the Department by setting up Internal Audit wing and preparation of Departmental Manual in order to outline the policy, general rules and procedures to be followed under the VAT assessment.

### 2.3 Other Audit observations

We scrutinised the assessment records of Value added tax, Central sales tax, Entry tax etc. in the Commercial tax Department and found several cases of non-observance of the provisions of the Acts/Rules, non/short levy of tax/penalty/interest, incorrect application of rate of tax, incorrect deduction from taxable turnover, incorrect exemption and other cases as mentioned in the succeeding paragraphs of this chapter.

These cases are illustrative and are based on a test check carried out by us. Such omissions on the part of the assessing authorities have been pointed out in earlier Audit Reports, but not only do these irregularities continue to persist; these remain undetected till audit is conducted. There is need for the Government to improve the internal control system so that such omissions can be avoided.

### 2.4 Incorrect determination of turnover

**The assessing authorities incorrectly determined the taxable turnover as ₹ 26.78 crore against the aggregate turnover of ₹ 31.64 crore as recorded in the audited books of accounts/sale list/relevant records of the dealers, resulting in non-levy of tax of ₹ 54.75 lakh including interest and penalty of ₹ 25.18 lakh.**

We noticed (between June 2013 and February 2015) during test check of 10,210 out of 10,629 assessment cases assessed in two divisional offices (Indore and Jabalpur), one Regional office (Gwalior) and nine circle offices<sup>33</sup>, that in 12 cases of 12 dealers assessed between December 2011 and September 2013 for the period between 2009-10 and 2011-12. The AAs while finalising the assessment, incorrectly determined the taxable turnover as ₹ 26.78 crore against the aggregate turnover of ₹ 31.64 crore as recorded in the audited books of accounts, sale list and other records available in the case file.

This was violation of the provision of Section 2(z) of the MPVAT Act which prescribes that turnover means aggregate of sale prices received by a dealer in

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<sup>33</sup> Indore, Jabalpur, Katni I, Mandsaur (2), Satna, Shahdol (2), Shajapur.



respect of sale or supply of goods made during that period excluding amount of sales return and discount at the time of sale.

As a result, turnover aggregating to ₹ 4.86 crore was not assessed to tax which resulted in non-levy of tax of ₹ 54.75 lakh including interest and penalty of ₹ 25.18 lakh under Section 18(4) and Section 21(2) of the MP VAT Act. (Appendix-XII). Two illustrative cases are mentioned below in the **Table-2.8**:

**Table-2.8**

Sl. No.	Name of auditee unit	Assessment Period/Month of audit	Our observation	Department's reply
1.	CTO-Katni	2010-11 June 2014	The AA did not include sale value of old vehicle, machinery & parts and earth moving machine in taxable turnover aggregating ₹ 1.20 crore as recorded in the audited accounts of the dealer. This resulted in under determination of taxable turnover and non levy of tax of ₹ 5.08 lakh. Besides, interest of ₹ 2.03 lakh is also leviable.	The AA stated (June 2014) that action would be taken after verification.
2.	CTO-4 Jabalpur	2010-11 January 2015	The AA incorrectly determined the taxable turnover as ₹ 31.71 crore against the actual turnover of ₹ 37.71 crore declared by the dealer in the proposal for assessment. Thus, under determination of taxable turnover resulted in non-levy of tax of ₹ 62,801.	The AA stated (January 2015) that action would be taken after verification.

After this was pointed out, AAs stated between June 2013 and February 2015 that the action would be taken after verification.

The matter was reported to the Commissioner Commercial Tax and the Government (May 2015); their replies have not been received (November 2015).

## 2.5 Application of Incorrect rate of tax

**The assessing authorities levied tax on various commodities at incorrect rates on turnover of ₹ 18.24 crore. This resulted in short levy of tax of ₹ 1.37 crore including penalty of ₹ 51.03 lakh.**

We test checked 8,929 out of 9,178 assessment cases in one divisional office (Ujjain), four regional offices<sup>34</sup> and eight Circle offices<sup>35</sup> between April 2013 and March 2015, and found that in 18 cases of 16 dealers, assessed between July 2010 and March 2014 for the period 2007-08 to 2012-13, the AAs applied lower rate of tax on turnover of ₹ 18.24 crore, incorrectly classifying the goods.

It was in violation of the provision of Section 9 of MPVAT Act, and notifications issued thereunder, which provides for levy of tax of goods as specified in scheduled II, depending upon the classification of the goods. This resulted in short levy of tax of ₹ 1.37 crore including penalty of ₹ 51.03 lakh

<sup>34</sup> Gwalior dn. II, Indore dn. I, Neemuch and Sagar.

<sup>35</sup> Bhopal, Dewas, Harda, Katni, Khandwa, Peethampur, Sehore and Ujjain.

under Section 21(2) of the MP VAT Act as omission leading to underassessment of tax was attributable to dealer (**Appendix-XIII**).

After we pointed out the cases, in 12 cases of 10 dealers, AAs agreed to take action after verification/examination. In one case of one dealer, the AA did not furnish the reply.

In the remaining six cases of six dealers, departmental replies and our comments thereon are shown in **Table 2.9**:

**Table-2.9**

Sl. No.	Name of auditee unit/No. of dealers	Amount involved (₹ in lakh)	Rate of tax applicable/applied	Commodity	Audit observation	Reply of the Department	Our comments
1.	<u>CTO</u> <u>Circle II,</u> <u>Ujjain</u> 1	1.01	13/5	Paper <i>dona</i>	Tax on the sale of bowls of paper was levied at the rate of five <i>per cent</i> instead of 13 <i>per cent</i> .	'Paper cup' is an English word which is commonly used and also called 'Dona' in Hindi.	Commodity 'Bowls' (Dona) is different from cup and glass. Bowls are inserted in entry no. II/II/29 from 1/4/11. So it is taxable as per entry II/IV/1 in 2010-11.
2.	<u>CTO II</u> <u>Bhopal</u> 1	2.29	12.5/4	Diesel oil engine	Tax on the sale of Diesel oil engines was levied at the rate of four <i>per cent</i> instead of 12.5 <i>per cent</i> .	Dealer deals in purchase and sale of pump set and not in engines.	It is evident by Form-49 that the dealer had purchased Diesel Engines from out of the State.
3.	<u>ACCT-</u> <u>Neemuch</u> 2	22.19	13/5	Felt & Felt component	Tax on the sale of felt and felt components was levied at the rate of five <i>per cent</i> instead of 13 <i>per cent</i> .	AA is not competent to assess the case against the order of the Appellate Authority, and in central case that the tax was levied by considering wool felt as cloth.	We do not agree with the reply in light of the CCT's order in the case of M/s Sealwell where the applicable rate of tax determined is 13 <i>per cent</i> .



Sl. No.	Name of auditee unit/No. of dealers	Amount involved (₹ in lakh)	Rate of tax applicable/applied	Commodity	Audit observation	Reply of the Department	Our comments
4.	CTO II Katni 1	5.20	13/5	Inverters, Home UPS	Tax on the sale of Inverters/ Home UPS was levied at the rate of five <i>per cent</i> instead of 13 <i>per cent</i> .	The assessing authority (AA), referring to a judicial pronouncement of Punjab VAT Act, stated that the dealer deals in UPS and External batteries. UPS is liable to tax at the rate of five per cent under the entry no. 51(8) ii VAT Act,	The schedule entry in MP VAT Act, 2002 is "Computer and parts thereof and Information Technology (IT) Products". In Punjab VAT Act there is no condition of IT Products. It has been discussed elaborately in the decision. According to the decision also the sold goods is liable to tax at the rate of 13 <i>per cent</i> .
5.	CTO II Katni 1	8.08	13/5	Machinery parts, Motor parts	Tax on the sale of Machinery parts, Motor parts was levied at the rate of five <i>per cent</i> instead of 13 <i>per cent</i> .	Tax is leviable at the rate of, five <i>per cent</i> on agricultural equipments. and at the rate of 13 <i>per cent</i> on sale of machinery parts.	Objection proposes levy of tax at the rate of 13 <i>per cent</i> on the sale of Machinery parts/Motor parts and not on the sale of agricultural equipments. Machinery parts/Motor parts is liable to tax at the rate of 13 <i>per cent</i> .

We reported the matter to the CCT, MP and the Government (May 2015); their replies have not been received (November 2015).

## 2.6 Non-realisation of tax on sales incorrectly treated as tax free

**The assessing authorities while assessing the cases did not levy tax on the taxable commodities like Auto LPG, Drip line, Pesticides, etc., valued at ₹ 3.84 crore by incorrectly treating them as tax free goods. This resulted in non-levy of tax of ₹ 1.41 crore.**

We test checked 4,173 cases out of 4,312 assessment cases between March 2014 and February 2015 in five circle offices<sup>36</sup> and found that, in five cases of five dealers assessed between February 2013 and March 2014 for the period from 2010-11 to 2012-13, the dealers had sold taxable commodities like Auto LPG, Drip line, Pesticides, etc., valued at ₹ 3.84 crore which were taxable at the rates prescribed in the schedule II of MPVAT Act and notifications issued thereunder.

The AAs while assessing the cases did not levy tax on the same incorrectly treating them as tax free goods. This resulted in non-levy of tax of ₹ 37.18 lakh. Besides, penalty of ₹ 1.04 crore under Section 21(2) was also leviable

<sup>36</sup> Dhar, Indore (2), Jabalpur, Neemuch.

where omission leading to assessment was attributable to dealer (**Appendix-XIV**).

After we pointed out the cases between April 2014 and February 2015, the AAs in three cases stated that action would be taken after verification. In another two cases, the Department's reply and our comments are shown in **Table 2.10**:

**Table-2.10**

Sl. No	Commodity	Turnover (₹ in lakh)	Rate of tax applicable (%)	Amount of tax not levied (₹ in lakh)
1.	Pesticides	51.17	5	02.60
After this was pointed out, the assessing authority (AA) stated (March 2014) that Bio-fertilisers and Bio-pesticides (Product of Dung) are tax free under entry no. 26 of schedule I. The reply is not acceptable as in schedule I, only Bio-fertilisers are tax free and there is no entry such as Bio-pesticides, therefore this pesticide is treated at par with other pesticides and taxable as per entry II/II/24 of the Act.				
2.	Pipes and Motors	57.77	5	02.89 08.67(Penalty)
After this was pointed out, the assessing authority stated (January 2015) that the sprinkler (Drip irrigation equipments) is tax free under entry I/72 of the Act. The reply is not acceptable as pipes and motors are not included in entry no. I/72 during 2011-12 and are taxable under entry II/II/64.				

We reported the matter to the CCT, MP and the Government (May 2015); their replies have not been received (November 2015).

## 2.7 Allowance of inadmissible Input Tax Rebate

**The Assessing Authorities (AAs) allowed Input Tax Rebate (ITR) of ₹ 71.67 lakh which was not in accordance with relevant provisions and rules. This resulted in short realisation of ₹ 1.90 crore including interest and penalty.**

During test check of 8,547 cases out of 8,907 assessment cases in three Regional offices (Chhindwara, Indore-II and Neemuch) and nine circle offices<sup>37</sup> between October 2013 and February 2015, we noticed that in 17 cases of 17 dealers assessed between June 2012 and February 2014 for the period 2009-10 to 2012-13, the dealers were eligible to avail the ITR of ₹ 4.41 crore as per the purchases certified in audited accounts.

The dealers incorrectly claimed and AAs allowed the ITR of ₹ 5.13 crore. This was in violation of the provisions of Section 14 (1) read with Rule 9 of MPVAT Act which stipulate that ITR should be allowed to the dealers after due verification of returns submitted by them and purchases shown in certified audited accounts. This resulted in excess grant of ITR of ₹ 71.67 lakh. Besides interest and penalty of ₹ 1.18 crore was also leviable under Section 18 (4) and 21 (2) of the MP VAT Act. (Details mentioned in **Appendix-XV**).

<sup>37</sup> Ashok Nagar, Gwalior, Harda, Indore (2), Sagar, Satna, Shahdol and Ujjain.

In 14 cases the AAs stated between October 2013 and February 2015 that action would be taken after verification; the reply of AAs in remaining three cases and our comments are shown in **Table 2.11**:

**Table-2.11**

Sl. No.	Name of auditee unit/ No of dealers	Period Month of assessment	Our observation in brief	Department reply/ our comments
1.	<u>AC I/c.Circle-III, Gwalior</u> 01	<u>2009-10</u> June-12	The audited accounts stated purchase price of soap ₹ 9.23 crore on which ITR was allowable. However the AA incorrectly allowed ITR to the dealer on purchase price of ₹ 9.64 crore. This resulted in inadmissible allowance of ITR of ₹ 5.09 lakh.	The AA stated that the ITR has been granted on the basis of purchase lists and bills produced. The reply is not acceptable as the objection is based on the purchases recorded in audited accounts.
2.	<u>AC.Div.-II, Indore</u> 01	<u>2010-11</u> April 2013	The dealer made stock transfer out of the State (SOS) valued at ₹ 3.54 crore being 76.92 per cent of the turnover of ₹ 4.60 crore. However, the assessing authority (AA), while finalising the assessment, agreeing to the proposal for assessment by the dealer, did not reverse the ITR for the stock transfer.	The AA stated that stock transfer has been made on the purchase of imported goods (from other State) on which ITR is not reversible. The reply is not in consonance with the fact as the deduction (benefits) of imported goods sold on the spot of purchase had already been given as reflected in the point No. 1 of the assessment order dated 15 April 2013. These deductions (benefits) of imported goods sold at the spot of purchase were duly reckoned in the observation.
3.	<u>CTO-I, Satna</u> 01	<u>2010-11</u> July 2013	The AA incorrectly allowed ITR of ₹ 77,072 on the interstate purchases.	The AA stated that ITR has been calculated after bifurcating interstate purchase from purchase list. The reply is not acceptable as it is evident from purchase list that ITR has incorrectly been allowed on the purchases from "SAIL" Nagpur. (Bill No. 381 and 384 dated 31 May 2010)

We reported the matter to the CCT, MP and the Government (May 2015); their replies have not been received (November 2015).

## 2.8 Non/ short levy of Entry tax

**Entry Tax on goods like milk powder, plastic packing material, tyre, electronic goods, mobile, explosives, bitumen, furnace oil, hexane, HDPE/PP woven bags, iron and steel, coal, oil seeds, diesel, pesticides etc., having turnover of ₹ 1,138.98 crore was either not levied or was levied at incorrect rates by the AAs. This resulted in non/short realisation of ET of ₹ 31.25 crore including interest and penalty of ₹ 17.85 crore.**

We observed during test check of records such as assessment orders, audited accounts, purchase list etc., of eight divisional offices<sup>38</sup>, six regional offices<sup>39</sup> and 28 Circle offices<sup>40</sup> between April 2013 and June 2015 and found that in 124 cases of 118 dealers, assessed/reassessed between May 2009 and March 2015 for the period 2006-07 to 2012-13 ET on goods like milk powder, plastic packing material, tyre, electronic goods, mobile, explosives, bitumen, furnace oil, hexane, HDPE/PP woven bags, iron and steel, coal, oil seeds, diesel, pesticides etc., valued at ₹ 1,138.98 crore was either not levied or was levied at incorrect rates.

This was in contravention of *Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhinyam*, 1976 and rules and notifications issued thereunder. This resulted in non/short realisation of ET of ₹ 31.25 crore including interest and penalty of ₹ 17.85 crore as per the provisions of the Section 18 (4) (a) and Section 21 (2) of the Act. The details along with the reply and our comments thereon are given in **Appendix XVI**.

We reported the matter to the CCT, MP and the Government (May 2015), their replies have not been received (November 2015).

## 2.9 Inadmissible grant of exemptions

**The assessing authority allowed exemptions to the dealers from payment of entry tax on purchase of goods other than those specified in the exemption certificates as well as on purchases of goods in excess of the exempted quantity which resulted in irregular exemption of entry tax of ₹ 25.91 crore including penalty of ₹ 19.43 crore.**

We observed between October 2014 and June 2015, in three divisional offices (Bhopal-II, Indore and Ratlam) and three circle offices (Indore X, XI and Sendhwa) that in 15 cases of 12 dealers, assessed between April 2013 and March 2015, for the period 2010-11 to 2012-13 that the assessing authority allowed exemptions to the dealers from payment of entry tax on purchases of goods other than those specified in the exemption certificates as well as on purchases of goods in excess of the exempted quantity.

This was in violation of Section 10 of the ET Act, which stipulated that Government may, by notification, and subject to such restrictions and conditions as may be specified therein, exempt dealer from payment of entry tax for such period subject to fulfillment of terms and conditions mentioned in the notification<sup>41</sup>. This resulted in irregular exemption of entry tax of ₹ 25.91 crore including penalty of ₹ 19.43 crore. The details along with the reply of the Department and our comments thereon are shown in **Appendix XVII**.

We reported the matter to the CCT, MP and the Government (July 2015), their replies have not been received (November 2015).

<sup>38</sup> Bhopal Dn-I, BhopalDn-II, Bhopal-TAW, Indore-Dn-I, Indore-TAW-I, Jabalpur Dn-II, Ratlam & Satna

<sup>39</sup> Bhopal Dn-I, Bhopal Dn-II, Gwalior Dn II, Indore Dn I, Katni and Sagar-II.

<sup>40</sup> Bhopal (5), Burhanpur, Dewas, Dhar, Gwalior (2), Indore(8), Katni, Mandideep, Narsinghpur, Ratlam, Shahdol, Satna (2), Ujjain(2) and Waidhan.

<sup>41</sup> Notification No.A-3-68-2004-1-V(21), date 04.04.2005

# **CHAPTER – III**

## **STATE EXCISE**

## Chapter-III

### State Excise

#### 3.1 Tax Administration

The Principal Secretary, Commercial Tax Department is the administrative head of the Department at the Government level. The Excise Commissioner (EC) is the Head of the Department and is assisted by one Additional EC (Addl. EC), three Deputy Excise Commissioners (DEC) at the headquarter at Gwalior, seven DEC divisional flying squad in divisions, 15 Assistant Excise Commissioners (AEC) and 54 District Excise Officers (DEO) in districts. In the district, the Collector heads the Excise Administration and is empowered to settle shops for retail vending of liquor and other intoxicants and is also responsible for realisation of excise revenue.

The working of distilleries, bottling plants (foreign liquor) and breweries is monitored by the DEOs with the assistance of the Asst. District Excise Officers (ADEOs) and Sub Inspectors posted in the distilleries/breweries and bottling plants.

State Excise revenue comprises receipts from duty, fee, penalty or confiscation imposed or ordered under the provisions of the Madhya Pradesh Excise Act, 1915 and Rules made thereunder. It also includes revenue from manufacture, possession and issue of liquor for sale, *bhang* and poppy straw.

#### 3.2 Results of Audit

We test-checked records of 36 units out of 61 units relating to State Excise receipts during the year 2014-15 and observed non/short realisation of duty, loss of revenue, non-levy of penalty etc. amounting to ₹ 108.10 crore in 19,948 cases which fall under the following categories as mentioned in **Table-3.1**.

**Table-3.1**

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Undue benefit given to the retail licensees	325	0.68
2.	Non-realisation of duty in case of non-receipt of verification report	2,106	2.57
3.	Non-levy of penalty/duty on excess wastage of spirit/liquor	631	0.78
4.	Non/ short realisation of license fee from liquor shops	27	1.86
5.	Irregular issue of country/foreign liquor	2,058	5.93
6.	Non-levy of penalty due to breach of license conditions	1,105	24.76
7.	Other observations	13,696	71.52
<b>Total</b>		<b>19,948</b>	<b>108.10</b>

The Department accepted short/non-realisation, non-levy of penalty and loss of revenue etc. of ₹ 86.45 crore in 19,276 cases, which were pointed out in audit during the year 2014-15.

A few illustrative audit observations involving ₹ 11.09 crore are mentioned in the following paragraphs.

### **3.3 Non-recovery of excise duty on unacknowledged foreign liquor/beer during transport/export**

**The licensees of foreign liquor did not furnish Excise Verification Certificates to the authority who issued the transport/Export permit duly obtained from the Officer-in-Charge of the destination units against exported/ transported 7,78,21,068 proof litre foreign liquor and 5,88,918 proof litre beer involving excise duty of ₹ 8.54 crore.**

We observed from the export/transport permit registers and Excise Verification Certificates (EVCs) received registers in Assistant Excise Commissioner Offices Chhatarpur, Dhar and Raisen (between July 2014 and January 2015) that the licensees exported/ transported 7,78,21,068 proof litre (PL) foreign liquor and 5,88,918 PL beer involving duty of ₹ 8.54 crore on 340 permits issued in these units.

It was noticed that in violation of the provisions of Rules 12, 13 and 14 of Madhya Pradesh Foreign Liquor (MPFL) Rules, the Department issued the export/transport permits (between April 2013 and December 2014) without recovering the prescribed duty or without obtaining sufficient bank guarantee/executing bond with adequate solvent sureties for the amount of duty involved.

It was further noticed that the EVCs from the Officer-in-Charges of the destination units were not submitted by the licensee involving duty of ₹ 8.54 crore. In these cases of non-submission of EVCs, the Department should have levied duty of ₹ 8.54 crore as per provisions of Rule 13 of the Rules *ibid*. However, this was not done which resulted in non-realisation of duty of ₹ 8.54 crore.

After we pointed out the cases, AEC stated (between July 2014 and January 2015) that EVCs would be produced at the earliest. We do not agree with the replies as sufficient Bank Guarantee/Bonds with solvent sureties were not obtained before allowing the export/transport of liquor. Further, EVCs have not been furnished till date (November 2015).

We reported the matter to the Government and the Department (July 2015); reply of the Government and Department has not been received (November 2015).

### **3.4 Non-imposition of penalty**

#### **3.4.1 Non-imposition of penalty in case of failure to maintain minimum stock of country liquor in warehouses**

**The licensees of country liquor did not maintain the minimum stock of bottled country liquor at the country liquor warehouses as required under the Rules. However, penalty amounting to ₹ 1.27 crore for breach and continued contravention of rules was not imposed against the licensees by Assistant Excise Commissioners / District Excise Officers.**



We observed from the records viz. Stock Register, Monthly Register etc., of six Assistant Excise Commissioner Offices<sup>1</sup> and five District Excise Officers<sup>2</sup> (between January 2014 and March 2015) that the minimum stock of bottled country liquor was not maintained at the country liquor warehouses by the ten licensees (between July 2011 and February 2015).

This was in violation of provisions of Rule 4 (4) of Madhya Pradesh Country Spirit Rules 1995 which provides that the licensee shall maintain at each manufacturing and storage warehouse a minimum stock of bottled liquor/rectified spirit that equals average of five days' supply of previous month. Although the Excise Storage Officers communicated non-maintenance of minimum stock to AECs / DEOs through monthly returns, the AECs / DEOs did not impose penalty.

Penalty amounting to ₹ 1.27 crore for breach and continued contravention of rules was not imposed on the licensees as per Rule 12(1) of Madhya Pradesh Country Spirit Rules, 1995. This resulted in non-levy of penalty of ₹ 1.27 crore.

After the cases were pointed out, the AECs/DEOs stated (between January 2014 and March 2015) that the issue was intimated to senior officers and audit would be informed after taking sufficient action as per rules. The replies are not acceptable as no action was initiated to forward the cases to the Excise Commissioner proposing penalty for not maintaining the prescribed stock of country liquor as per rules.

The matter was reported to the EC and the Government (May 2015), their replies have not been received (November 2015).

### **3.4.2 Non-levy of penalty on excess wastage of foreign liquor/beer during export /transport**

**During export/transport of foreign liquor and beer, total wastages of foreign liquor and beer was 67,577.11 proof litre and 51,413.57 bulk litre respectively which was 41,470.55 PL in excess of admissible limit in the case of the foreign liquor and 30,624.46 BL in excess of the admissible limit in the case of beer, on which leviable penalty of ₹ 81.11 lakh was not imposed and recovered by the Department.**

We observed (between August 2014 and January 2015) from Excise Verification Certificates (EVC) of six licensees of foreign liquor bottling unit and breweries in offices of Assistant Excise Commissioner, Bhopal, Gwalior, Indore and Morena that 1,05,31,197 PL foreign liquor and 83,15,527 BL beer was exported/transported (between April 2013 and October 2014), on which admissible wastage as per Rules 16 and 19 of Madhya Pradesh Foreign Liquor Rules, 1996 at the rate of 0.25 *per cent* of the quantity transported was 26,106.56 PL and 20,789.11 BL respectively.

Total wastage of foreign liquor (spirit) was found to be 67,577.11 proof litre (PL) which was 41,470.55 PL in excess of the admissible limit and for beer, it was found to be 51,413.57 bulk litre (BL) which was 30,624.46 BL in excess

<sup>1</sup> Chhatarpur, Morena, Raisen, Ratlam, Rewa and Ujjain

<sup>2</sup> Balaghat, Burhanpur, Chhindwara, Dewas and Mandsaur



of the admissible limit in 3,016 cases of transportation losses of foreign liquor and beer.

As per penalty provisions, in the cases of wastage beyond permissible limit, the licensee was liable to pay penalty at the rate not exceeding the duty on foreign liquor at that time. As such penalty of ₹ 81.11 lakh was leviable on six licensees. Though the cases of excess wastage of liquor were intimated by Store in-charge of the distillery to DEOs through quarterly returns, penalty was not imposed and recovered by the Department. This resulted in non-realisation of penalty of ₹ 81.11 lakh.

After we pointed out the cases (between August 2014 and January 2015), AEC Bhopal, Gwalior and Morena stated (between August 2014 to January 2015) that penalty would be imposed and recovery would be made while AEC Indore stated (December 2014) that matter was pending in the Office of Assistant Commissioner Flying Squad, Indore and after receipt of instructions, recovery would be made.

We reported the matter to the Government and the Department (May 2015); their replies have not been received (November 2015).

### 3.4.3 Non-levy of penalty on excess wastage of country liquor

**The Department did not recover penalty of ₹ 33.65 lakh in 726 cases of excess wastage of 14,910.67 PL of country liquor beyond permissible limit on transportation of 34,10,716.70 PL of country liquor.**

We observed from the records maintained by warehouse of Assistant Excise Commissioner Office (AEC) Dhar and three District Excise Officers (Datia, Hoshangabad and Sehore) (between June and July 2014) that for 726 permits issued, a quantity of 34,10,716.70 PL of country liquor was transported from country liquor manufacturing warehouses between April 2011 and April 2013 against which quantity received was 33,90,906.31 PL.

There was wastage of 19,810.19 PL, of which 14,910.67 PL of country liquor was in excess of the admissible limit of wastage as per Rule 10 of Madhya Pradesh Country Spirit Rules, 1995 which provided maximum allowance of 0.1 *per cent* wastage in pet bottles and 0.25 *per cent* in glass bottles during transport of bottled country liquor.

Under Rule 12 (6) of Rules *ibid*, the penalty was leviable at a rate exceeding three times but not exceeding four times the duty payable per PL on country spirit at that time, as may be imposed by the Excise Commissioner or any other officer authorised by him for losses beyond permissible limit. Thus, a minimum penalty of ₹ 33.65 lakh was leviable. Cases of excess wastage of liquor were intimated to AEC/DEOs through quarterly returns. However, penalty was not imposed and recovered by the AEC/DEOs.

After we pointed this out, the DEO, Datia, Hoshangabad, Sehore (June and July 2014) and AEC, Dhar, stated (July 2014) that the cases would be sent to the competent authority for imposition of penalty.

We reported the matter to the Government and the Department (May 2015); their replies have not been received. (November 2015).

### 3.4.4 Non-levy of penalty on excess wastage of Extra Neutral Alcohol

**Through 124 permits, 41,84,740 PL ENA was exported from Madhya Pradesh to other States against which 41,61,959 PL ENA was received by the importing State resulting in excess loss of 14,411.50 PL beyond the permissible limit of 8,369.48 PL. The Department did not recover penalty of ₹ 13.26 lakh from the licensee against these losses.**

We observed (July 2014) from EVCs of District Excise Officer, Khargone pertaining to M/s Associate Alcohol and Breweries Ltd that through 124 permits, 41,84,740 PL ENA was exported from Madhya Pradesh to other States (between April 2013 and April 2014) against which 41,61,959 PL ENA was received by the importing State resulting in excess loss of 14,411.50 PL beyond the permissible limit of 8,369.48 PL.

The Rules 6(4) and 8(4) of Madhya Pradesh Distillery Rules 1995 provided for allowance of 0.1 to 0.2 *per cent* on account of leakage or evaporation of spirit/ Extra Neutral Alcohol (ENA) transported or exported in tankers from a distillery/warehouse to another distillery/ warehouse according to their distance.

In the case of excess wastage beyond permissible limit or shortage, the licensee was liable to pay penalty at the rate not exceeding the duty payable per proof litre on country spirit at that time. Thus, on the excess wastage beyond the permissible limits, penalty of ₹ 13.26 lakh was leviable which was neither levied nor recovered by the Department.

This resulted in non-realisation of ₹ 13.26 lakh from the licensee at the rate of ₹ 92 per PL (rate of duty on country spirit per PL prevalent in 2013-14). Though the cases of excess wastage of liquor were intimated to DEOs by quarterly returns, penalty was not imposed and recovered by the Department.

After we pointed this out, the Department replied (September 2015) that in nine cases, penalty amounting to ₹ 52,376 was recovered, while in 123 cases, distillers deposited 25 *per cent* of the amount and obtained stay from the Court of Excise Commissioner against the penalty imposed, however Department did not provide any document to audit in support of its reply.

We reported the matter to the Government and the Department (May 2015); reply of the Government has not been received (November 2015).

### 3.5 Internal Audit

An Internal Audit Cell (IAC) was established in the EC office in the year 1978 and is headed by a Joint Director, who is assisted by officers of MP Treasuries and Accounts Department for conducting internal audit of the Department.

The Department prepares roster for audit of subordinate offices every year, however, Department informed that due to engagement of Head of the Department and other staff in work related to branch offices and paucity of time internal audit could not be conducted as per roster system in 2014-15. The Department conducted audit of 16 units in 2014-15 and total 96 paragraphs of general nature were included in these audit reports and officials were directed to carry out work in accordance with the Departmental manual.

The details of units planned, audited and number of observations raised, settled and outstanding during the last five years are given in the following **Table-3.2**.

**Table - 3.2**

Year	No. of units as per roster	Number of units audited	Shortfall with reference to roster	Percentage of shortfall	No of paras included	No of paras settled	Outstanding paras at the end of year
2010-11	50	41	09	18.00	60	07	117
2011-12	50	16	34	68.00	64	12	169
2012-13	50	16	34	68.00	111	10	270
2013-14	35	08	27	77.14	41	00	311
2014-15	-	16	-	-	96	00	407

From the above table, it is evident that the Department could not achieve the targets of internal audit of units planned as per roster from 2010-11 to 2013-14 as shortfall ranged from 18 *per cent* in 2010-11 to 77.14 *per cent* in 2013-14. The Department did not conduct internal audit in 2014-15 according to roster system and only 16 units out of 69 units were audited. The Department needs to strengthen the system of internal audit to remove the persistent irregularities pointed out by audit, some of which have already been discussed in this Chapter.

**CHAPTER – IV**  
**TAXES ON VEHICLES**

## Chapter – IV

### Taxes on Vehicles

#### 4.1 Tax Administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving license and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner (TC). He is assisted by one Additional Transport Commissioner (Enforcement), two Joint Transport Commissioners (Administration/Finance), three Deputy Transport Commissioners and an internal audit wing at headquarters level. There are 10 Divisional Deputy Transport Commissioners, 10 Regional Transport Offices, (RTOs), 10 Additional Regional Transport Offices (ARTOs) and 30 District Transport Offices (DTOs) at the field level. The Additional Transport Commissioner (Enforcement) monitors the computerisation activities in the Department.

Taxes on vehicles are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- The Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicles (CMV) Rules, 1989;
- Madhya Pradesh *Motoryan Karadhan Adhiniyam (Adhiniyam)*, 1991 and
- Madhya Pradesh *Motoryan Karadhan Niyam (Niyam)*, 1991.

#### 4.2 Results of audit

We test-checked records of 24 units (RTOs – 10, ARTOs – 5 and DTOs - 9) involving total revenue of ₹ 356.51 crore out of 51 units relating to Taxes on vehicles during the year 2014-15 and observed underassessment of tax and other irregularities involving ₹ 20.02 crore in 3,30,743 cases which fall under the following categories as mentioned in **Table-4.1**.

**Table-4.1**

(₹ in crore)			
Sl. No.	Categories	Number of cases	Amount
1.	Non/Short levy of vehicles tax and penalty on public service vehicles	16,800	11.68
2.	Non/Short levy of vehicle tax and penalty on goods vehicles	1,057	3.44
3.	Non/Short levy of vehicle tax and penalty on maxi cab vehicles	641	2.11
4.	Others	3,12,245	2.79
<b>Total</b>		<b>3,30,743</b>	<b>20.02</b>

The Department accepted underassessment and other deficiencies of ₹ 6.01 crore in 1,60,454 cases, which were pointed out in audit during the year 2014-15 and reported realisation of ₹ 12.96 lakh in 157 cases.

A few illustrative cases involving ₹ 9.48 crore are discussed in the following paragraphs.

#### **4.3 Short levy of motor vehicle tax due to wrong assessment of seating capacity of public service vehicles**

**Buses having wheelbase of 3800 mm, 4200 mm and 5639 mm were registered with less seating capacity than the seating capacity prescribed by the registration authority, resulting in short levy of motor vehicle tax of ₹ 29.92 lakh.**

We scrutinised (between July and November 2014) the computer database and registration files and found in ten offices<sup>1</sup> that 57 vehicles of model TATA LP 1109/42 having wheelbase of 4200 mm, model TATA LP 709/38 having wheelbase of 3800 mm and model Ashok Leyland ALPSV 3/41 & 4/94 having wheel base of 5639 mm were registered (between July and November 2014) with less seating capacity.

This was in contravention of the seating capacity defined on the basis of the wheel base/model of the respective vehicle vide Rule 158 (3) of Motor Vehicle Tax Act, 1994 and the instructions issued by the Transport Commissioner on 31 May 2005. Registering the vehicles with less seating capacity ranging from two to 14 seats resulted in short levy of motor vehicle tax of ₹ 29.92 lakh.

After this was pointed out the TAs stated that audit would be intimated after scrutiny of the cases.

The matter was reported to the Transport Commissioner and the Government (May 2015); their reply has not been received (November 2015).

#### **4.4 Non-realisation of vehicle tax and penalty**

**Motor vehicle tax in respect of 349 public service vehicles kept for use as reserve, 582 goods vehicles, 134 maxicabs/taxicabs, 525 Earthmovers/Harvesters and eight stage carriage vehicles amounting to ₹ 4.56 crore and penalty of ₹ 2.57 crore thereon was neither paid by the vehicle owners nor demanded by the TAs.**

According to the provisions of Section 3 (1) of the Madhya Pradesh *Motoryan Karadhan Adhinyam*, 1991 tax shall be levied on every vehicle at the rates specified in the *Adhinyam*. Penalty as per Section 13 of the *Adhinyam* was also leviable if taxes due were not paid.

We scrutinised (between May 2014 and March 2015) the demand and collection register, NOC issuance register, vehicle surrender register and computerised database in 23 transport offices, and found that tax of ₹ 4.56 crore was neither paid by the vehicle owners, nor was it demanded by the TAs in respect of 1,598 vehicles out of 11,832 vehicles test checked for the period between April 2011 and March 2014. Penalty as per Section 13 *ibid* of ₹ 2.57 crore for delay in making payment of tax was also leviable which was not

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<sup>1</sup> RTO – Bhopal, Gwalior, Indore, Jabalpur, Sagar and Ujjain, ARTO – Khandwa, DTO – Balaghat, Bind and Mandla

levied. This resulted in non-realisation of revenue of ₹ 7.13 crore. The details are shown in **Table 4.2 below:**

**Table -4.2**

(₹ in lakh)

Type of vehicle / number of defaulter vehicles	Number of offices involved	Tax not realised	Penalty on tax not paid	Non-realisation of Tax and penalty
<u>Public Service Vehicles</u> 349	9 RTOs 2 ARTOs 8 DTOs Total 19 offices <sup>2</sup>	218.00	103.00	321.00
<u>Goods Vehicles</u> 582	8 RTOs 4 ARTOs 7 DTOs Total 19 offices <sup>3</sup>	108.00	65.54	173.54
<u>Maxicabs/Taxicabs</u> 134	1 RTO 4 ARTOs 1 DTO Total 6 office <sup>4</sup>	19.76	15.37	35.13
<u>Earthmover/Harvester</u> 525	9 RTOs 4 ARTOs 6 DTOs Total 19 offices <sup>5</sup>	102.00	68.51	170.51
<u>Stage carriage vehicles</u> 8	2 RTOs 2 ARTOs Total 4 offices <sup>6</sup>	8.36	4.44	12.80
<b>Total</b>		<b>456.12</b>	<b>256.86</b>	<b>712.98</b>

After this was pointed out, the TAs stated (between May 2014 and March 2015) that notices would be issued to recover the outstanding tax/ recovery would be made after scrutiny of the cases.

The matter was reported to the Transport Commissioner and the Government in May 2015; their reply has not been received (November 2015).

<sup>2</sup> RTO– Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar, Shahdol and Ujjain  
ARTO – Khandwa and Mandsaur  
DTO –Balaghat, Bhind, Burhanpur, Datia, Mandla, Rajgarh, Sheopur and Tikamgarh

<sup>3</sup> RTO - Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain  
ARTO – Chhatarpur, Khandwa, Khargone and Mandsaur

<sup>4</sup> DTO – Alirajpur, Balaghat, Bhind, Burhanpur, Mandla, Sheopur and Tikamgarh  
RTO-Hoshangabad, ARTO- Khandwa, Khargone Mandsaur and Chhatarpur,  
DTO-Alirajpur

<sup>5</sup> RTO – Bhopal, Gwalior, Hoshangabad, Indore, Jabalpur, Morena, Rewa, Sagar, and Ujjain  
ARTO – Chhatarpur, Khandwa, Khargone, and Mandsaur

<sup>6</sup> DTO – Alirajpur, Balaghat, Bhind, Burhanpur, Mandla, and Sheopur  
RTO – Hoshangabad and Ujjain, ARTO – Khandwa and Khargone

#### 4.5 Non/short levy of revenue due to non/short realisation of trade fees

**The Department failed to recover trade fees from dealers of vehicles, amounting to ₹ 2.06 crore (at ₹ 50 per motorcycle and for others at ₹ 200 per vehicle) on 2,17,408 two wheelers and 57,361 four wheelers registered between April 2011 and March 2014.**

Section 39 of the Motor Vehicle (MV) Act, 1988 provides that no person shall drive any Motor Vehicle in any public place unless the vehicle is registered. However, a dealer of vehicles is exempted from the necessity of registration under Rule 33 of the Central Motor Vehicle (CMV) Rules, 1989 subject to the condition that an application for the grant or renewal of a trade certificate shall be made in Form 16 as prescribed in Rule 34 and accompanied by the appropriate fee for each vehicle as specified in Rule 81. Transport Commissioner also issued an order (27 January 2012) to recover trade fee as per rule.

We scrutinised the vehicle registration data and trade certificate/fee register of 12 offices<sup>7</sup> (between June 2014 and March 2015) and found that 2,19,975 two wheelers and 58,830 four wheelers vehicles were registered in the respective RTOs between April 2011 and March 2014.

Contravening this order, trade fees was recovered against only 12,567 two wheelers and 1,469 four wheel vehicles only. The department realised trade fee of ₹ 4.22 lakh against recoverable trade fee of ₹ 2.10 crore. This resulted in short realization of trade fee of ₹ 2.06 crore. The department also did not ascertain the actual number of vehicles sold against which trade certificates were issued and recover the correct amount on account of trade fee.

After this was pointed out, five Taxation Authorities (TAs)<sup>8</sup> stated (between July 2014 and November 2014) that notices are being issued to concerning dealers for recovery; TA of Mandla and Mandsaur stated (between July 2014 and November 2014) that necessary action would be taken after verification; TAs of Burhanpur and Tikamgarh stated that recovery would be made after getting necessary instruction from headquarters office and TAs of Rewa and Seoni stated that trades fees was meant for trade certificates as specified in the Rule-81 is not for selling of vehicles and it is for trade certificate only, whereas ARTO Chhatarpur stated that audit would be intimated after recovery.

We do not agree with the replies of TAs of Rewa and Seoni as Transport Commissioner's order dated 27 January 2012 were not followed, according to which, trade fee should have been deposited against each vehicle in dealer's possession which were subsequently sold and registered.

The matter was reported to the Transport Commissioner and the Government May 2015; their replies have not been received (November 2015).

<sup>7</sup> RTO - Jabalpur, Rewa and Sagar, ARTO- Chhatarpur, Khandwa, Mandsaur, Seoni  
DTO - Balaghat, Bhind, Burhanpur, Mandla and Tikamagarh

<sup>8</sup> RTO - Jabalpur and Sagar, ARTO- Khandwa, DTO - Balaghat and Bhind



#### **4.6 Internal Audit**

Internal audit is a vital component of Internal Control. It is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well

The Internal Audit Wing (IAW) in the Department was constituted in 1992 under the direct control of TC. The Internal Audit is conducted under the supervision of JTC (Finance) with the objective of conducting internal audit of all subordinate offices and issuing instructions for taking proper corrective action on irregularities detected during such examination.

During the year 2014-15, the Department planned 35 field units for internal audit, however, audit of only five units could be completed. The Department cited deployment of staff in Municipal and *gram panchayat* elections as reasons for not covering the remaining 30 units in internal audit. Reply is not correct as Department's internal audit wing is situated in Gwalior and election process is usually completed in 30 days. In remaining period, the Department could complete audit of only five units suggests that the Department did not have proper arrangement for the audit of all the units planned. The working of IAW needs to be strengthened in the Department.

**CHAPTER – V**  
**LAND REVENUE**

## Chapter – V

### Land Revenue

#### 5.1 Results of audit

We test-checked records of 122 units (Collector-20, Tahsildar-101 and *Rajdhani Pariyojna* - 1) out of 393 units relating to land revenue during the year 2014-15 and found underassessment of revenue and other irregularities involving ₹ 416.15 crore in 2,55,068 cases which fall under the following categories as mentioned in the **Table-5.1**:

**Table-5.1**

(₹ in crore)			
Sl. No.	Categories	No. of Cases	Amount
1.	Performance audit on “Land Revenue Receipts in Madhya Pradesh”	1	121.56
2.	Incorrect application of rates resulted in loss of premium and ground rent	10	6.58
3.	Non-renewal of lease of <i>nazul</i> land	5,688	1.90
4.	Underassessment of diversion rent/premium	6,188	33.36
5.	Non-raising of demand of diversion rent/premium and penalty	1,02,019	14.93
6.	Non-levy/realisation of process expense	142	49.21
7.	Non-registration of revenue recovery certificates	4,777	7.89
8.	Other observations (Non initiation of recovery process, arrears of land revenue, non recovery of RRCs and non maintenance of list of defaulters in Form B-7)	1,36,243	180.72
<b>Total</b>		<b>2,55,068</b>	<b>416.15</b>

The Department accepted underassessment and other deficiencies of ₹ 163.94 crore in 58,411 cases, which were pointed out in audit during the year 2014-15. An amount of ₹ 1.20 crore was realised in 293 cases by the Department during the year 2014-15.

Audit findings of the Performance Audit on “Land Revenue Receipts in Madhya Pradesh” having money value of ₹ 121.56 crore and an audit observation involving ₹ 13.13 lakh are mentioned in the succeeding paragraphs.

#### 5.2 Performance Audit on “Land Revenue Receipts in Madhya Pradesh

##### Highlights

We test checked the records related to assessment and collection of Land Revenue between January and June 2015. It revealed a number of deficiencies

relating to non-assessment/underassessment of revenue, non-raising of demand etc. involving financial effect of ₹ 121.56 crore. Some of the important findings are highlighted as follows:

Land was allotted to private institutions for establishment of Private University, higher education complex and for establishment of petrol pumps at lower prices in contravention of the provisions of Revenue Book Circular (RBC) resulting in short realisation of revenue of ₹ 29.80 crore.

**(Paragraph 5.2.8)**

Out of 15,590 permanent lease cases of *nazul* land pending for renewal during the period 2010-11 to 2014-15, applications for renewal were received in 917 cases. No action for renewal of the remaining 14,673 cases which expired between 1962-63 and 2014-15 was taken by the Department.

**(Paragraph 5.2.9)**

In 12 Collectorates, the SDOs did not levy *panchayat upkar* on premium and ground rent on land situated in *gram panchayat* area depriving the Government of revenue of ₹ 14.33 crore in 1,063 cases.

**(Paragraph 5.2.15)**

In three Collectorates, SDO (Revenue) did not discharge their duties as Public Officer by non-impounding the cases of unduly stamped instruments, resulting in non recovery of Stamp Duty, Registration fees and penalty thereon amounting to ₹ 4.84 crore.

**(Paragraph 5.2.16)**

In 14 Collectorates, an amount of ₹ 264.80 crore of various heads of land revenue was pending for more than 30 days. No action was taken for recovery of outstanding revenue and levy of penalty up to 100 *per cent*.

**(Paragraph 5.2.19)**

Land revenue leviable on 252 major minerals leases having an area of 18,099.241 hectare land was not assessed which resulted in non-recovery of ₹ 31.15 crore.

**(Paragraph 5.2.20)**

There were four Commissionerate offices under Performance Audit, out of which Indore and Bhopal Commissionerates planned internal audit of 120 and 47 subordinate offices respectively and no audit plan was drawn in Sagar division. In Indore division, 60 offices were audited, while no audit was undertaken in Bhopal Division. Ujjain Commissionerate was the only to achieve 90 per cent of targeted units. Besides, monthly *tauzi* were not being prepared by Tahsil offices to check the correctness of the figures shown in the monthly statements.

**(Paragraph 5.2.23)**

### **5.2.1 Introduction**

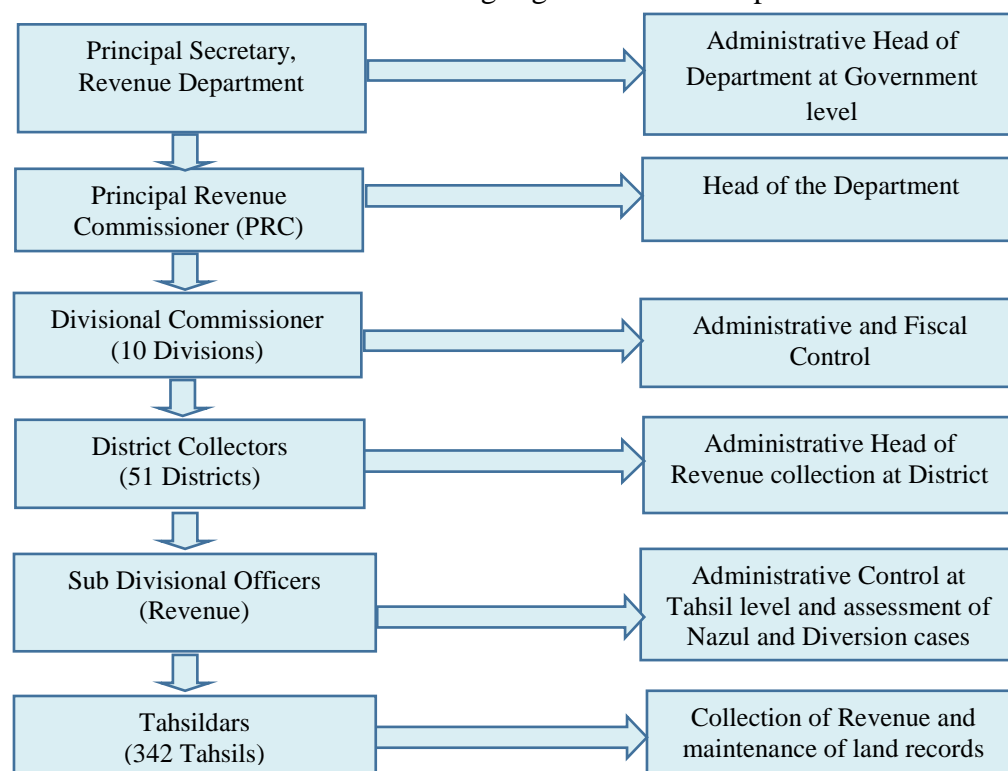
All land, to whatever purpose applied and wherever situated, is liable to payment of revenue to the State Government, except such land as has been wholly exempted from such liability by special grant of or contract with the

State Government or under the provisions of any law or rule for the time being in force. Such revenue is called “Land Revenue” and that term includes all moneys payable to the State Government for land, notwithstanding that such moneys may be described as premium or rent. When agricultural land is diverted to residential/commercial purposes, diversion rent and premium are assessed by the Sub Divisional Officers (SDO). Ground rent, premium and interest are levied on the *Nazul*/Government land allotted on permanent and temporary lease in the State. *Nazul* land is Government land which is used for construction or public utility purpose *viz bazar* or entertainment places. Fines, penalties, process fee and interest are also levied under the provisions of Madhya Pradesh Land Revenue Code 1959, Revenue Book Circular (RBC) and executive instructions issued from time to time. Moreover, *panchayat upkar* is also levied on land revenue in respect of land situated in *panchayat areas*.

### 5.2.2 Organisational set up

The Revenue Department is headed by the Principal Secretary at the Government level. The Principal Revenue Commissioner (PRC) is the Head of the Department. In each district, the Collector administers the activities of the Department. The officers placed in charge of a sub-division are called Sub Divisional Officers (SDO). They have to exercise such powers of the Collector as are directed by the State Government by notification. Superintendents/ Assistant Superintendents, Land Records (SLR/ASLR) are posted in the Collectorate for maintenance of revenue records and settlement. Tahsildars/Additional Tahsildars are deployed in the Tahsils as representatives of the Revenue Department. The hierarchy and responsibilities of Department thereupon is shown in **chart 1** below:

**Chart 1:** showing organisational set up



### 5.2.3 Audit Scope and methodology

With a view to evaluate the efficiency and effectiveness of the system and procedures related to assessment and collection of rent, premium, fees and penalties under the Land Revenue Code (LRC), records of Collectors, SDOs, Tahsildars were examined for the period 2010-11 to 2014-15. Besides, information was also collected from Principal Revenue Commissioner's (PRC) Office. The Performance Audit (PA) was conducted between January and June 2015 covering offices of 14 out of 51 Collectors<sup>1</sup> and 25 out of 74 Tahsildars<sup>2</sup> of these 14 Collectorates. The units were selected on the basis of stratified random sampling method.

### 5.2.4 Audit criteria

The audit findings are based on the following criteria:

- Madhya Pradesh Land Revenue Code (MPLRC), 1959;
- Madhya Pradesh *Panchayat Raj Adhiniyam* (MPPRA), 1993;
- Madhya Pradesh *Upkar Adhiniyam*, 1982;
- Madhya Pradesh *Lokdhyan (Shodhya Rashiyon ki Vasuli) Adhiniyam* (MPLA), 1987 and
- Revenue Book Circular (RBC).

### 5.2.5 Audit objectives

The Performance Audit was conducted to assess whether:

- the rules, procedures and Government orders were properly followed for allotment of *nazul* land, assessment of land revenue, premium, *nazul* rent, and *upkar* thereon;
- ground rent, premium, cess and interest thereon were properly assessed and collected in time; and
- appropriate system exists for monitoring the realisation of revenue.

### 5.2.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Revenue Department for providing necessary information and records to audit. The scope and methodology of audit was discussed with the Principal Secretary of the Department in an entry conference held on 19 January 2015. The draft Performance Audit Report was forwarded to the Department/Government in June 2015.

The findings and recommendations of the Performance Audit were discussed with the Government in an exit conference held with the Principal Secretary, Revenue on 26 September 2015. The views of the Government/Department have been suitably incorporated in the Performance Audit. All the five recommendations of the audit were accepted by the Department.

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<sup>1</sup> Bhopal (including *Rajdhani Pariyojna*) , Chhattarpur, Chhindwara, Dhar, Harda, Indore, Jabalpur, Khargone, Sagar , Satna, Seoni, Sidhi, Singroli and Ujjain

<sup>2</sup> Bina , Chhapara, Chhatarpur, Chhindwara, Dhar, Gopadbanas (Sidhi), Harda, *Huzur* (Bhopal), Indore, Jabalpur, Khargone, Lakhnadaun, Maihar, Mahidpur, Maheshwar, Mhow, Nowgaon, Pandhurna, Raghurajnagar (Satna), Rajnagar, Sagar, Seoni, Sihora, Singroli and Ujjain

### 5.2.7 Trend of revenue receipts

According to RBC Volume-I No.11 and Para 6.6.1 of Madhya Pradesh Budget Manual, 2012 the estimates of revenue receipts should be based on the actual demand including arrears due for the past years and probability of their realisation during the year. According to Rule 192 of Madhya Pradesh Financial Code, the Finance Department is required to prepare the estimates of revenue after obtaining necessary information/data from the respective Department.

Actual receipts from Land Revenue during the years 2010-11 to 2014-15 along with the total tax receipts during the period is exhibited in the following **Table 5.2:**

**Table-5.2**

(₹ in crore)

Year	Revised budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual tax receipt vis-à-vis total receipts
2010-11	400.24	360.81	(-) 39.43	(-) 9.85	21,419.38	1.68
2011-12	475.00	279.06	(-) 195.94	(-) 41.25	26,973.44	1.03
2012-13	550.00	443.59	(-) 106.41	(-) 19.35	30,581.70	1.45
2013-14	572.00	366.23	(-) 205.77	(-) 35.97	32,342.12	1.13
2014-15	700.10	243.10	(-) 457.00	(-) 65.28	36,567.31	0.66

(Source: Finance Accounts of the Government of Madhya Pradesh)

It may be seen from the above table that the actual receipts for the period 2010-11 to 2014-15 were 10 to 65 per cent less as compared to estimates. Evidently, the budget estimates were prepared without taking into account the actual receipts including arrears of the previous years and were prepared on adhoc basis. Further, receipts from Land Revenue decreased in the last two years consecutively.

The Department did not specifically assess the reasons for the shortfall of revenue against budget estimates. However, the Department attributed the drop in collection of revenue for the year 2013-14 and 2014-15 to engagement of Revenue officers in election work and unforeseen rain and hailstorm.

### Audit findings

#### Cases related to Government land

### 5.2.8 Allotment of *nazul* land at lower rates and consequent underassessment of premium and ground rent

Land was allotted to private institutions for establishment of Private University, higher education complex and for establishment of petrol pumps at lower prices in contravention of the provisions of RBC. This resulted in short realisation of revenue of ₹ 29.80 crore.

#### 5.2.8.1 Allotment of land for educational purpose

Revenue Book Circular (RBC)-IV-I provides for allotment of *nazul* land for educational purpose on payment of premium at 50 per cent value of land on

the basis of minimum rates prescribed therein and annual ground rent at two *per cent* of premium. According to the circular of January 1992 issued by Revenue Department, Government of Madhya Pradesh, Government land would be valued according to the provisions of the guidelines issued by the Collector or revised minimum rates whichever is higher.

Further, the circular issued by the Department (December 2009) specified that “minimum rates” may be read as “Collector’s guidelines value”. Hence, as per applicable provisions, the allotment of *nazul* land shall be made on the basis of market value as mentioned in the “Collector’s guidelines” for the respective year. Further, as per RBC-IV-I, *nazul* land is a land which has more site value and is not having any agricultural importance. Therefore, *nazul* land may not be valued at par with agriculture land.

During the test check of Government land allotment cases decided in the offices covered under Performance Audit, we observed that land allotment in six out of 15 cases were made to private parties and rest of the nine cases pertained to land allotment to Government organisations. We found that in Indore, the Government allotted (February 2014) 20.803 hectare of *nazul* land to two private institutions viz. Symbiosis Foundation and Shri Ville Parle *Kelvani Mandal* for establishment of private University and higher education complex at Indore. The Department calculated value of the land at the agriculture rate of ₹ 2,500 per square metre. Since *nazul* land has more site value and is not an agriculture land, it should not have been valued at the rates prescribed for agriculture land. The premium and annual ground rent of the land works out to ₹ 26.52 crore<sup>3</sup> considering the value of the *nazul* land at ₹ 5000 per square metre applicable for residential land.

Thus, due to incorrect application of rates for *nazul* land, the Government was deprived of revenue of ₹ 26.52 crore as premium and annual rent. This would also led to non-levy of annual rent of ₹ 52 lakh on recurring basis for the entire period of lease.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that revised order for rectification would be issued.

**5.2.8.2** We observed during test check of case files of allotment of land in Collectorate (*Nazul*), Bhopal (March 2015) that the GoMP allotted land measuring 0.424 hectare situated within the limit of Municipal Corporation, Bhopal to *Navyuwak Sabha*, Bairagarh, Bhopal in December 2010 for educational purpose at a premium of ₹ 13.69 lakh and ground rent of ₹ 27,399. The Government allotted (December 2010) the land at a minimum premium of ₹ 30 per square feet and ground rent at two *per cent* of premium. This was in contravention of its own orders (December 2009) which stated that minimum rates would be Collector’s guidelines value<sup>4</sup>.

<sup>3</sup>

Area of land	Market value of land @ 5000psm	Leviable Premium/Rent	Levied Premium/Rent	Short levied
20.803 Ha	104.02 crore	52.01/1.04 crore	26/0.52 crore	26/0.52 crore

<sup>4</sup>

50 *per cent* of ₹ 12,000 per square metre as per Collector’s guidelines for the year 2010-11



Thus, application of minimum rates instead of Collector's guidelines rate resulted in underassessment of premium and ground rent of ₹ 2.46 crore and non-levy of annual rent of ₹ 4.82 lakh every year on recurring basis for the entire period of lease. Underassessment of premium and ground rent in the lease agreement of the land also resulted in short realisation of Stamp duty (SD) and Registration fees (RF) of ₹ 38.41 lakh as per details in **Table 5.3**:

**Table-5.3**

(Amount in ₹)

<u>Leviable Premium</u> Yearly Ground rent	<u>Levied Premium</u> Yearly Ground rent	<u>Short levy of</u> <u>Premium</u> Yearly Ground rent	Short realisation of SD/RF
<u>2,54,63,755</u>	<u>13,69,950</u>	<u>2,40,93,805</u>	<u>21,94,998</u>
5,09,275	27,399	4,81,876	16,46,248
<b>Total</b>		<b>2,45,75,681</b>	<b>38,41,246</b>

(Calculations worked out by Audit)

During exit conference, the Principal Secretary, Revenue stated (September 2015) that revised orders for recovery would be issued.

### 5.2.8.3 Allotment of land for commercial purpose

We observed in the office of Collectorate, Harda (May 2015) that the Government allotted *nazul* land measuring 16,500 square feet to a private party (March 2006) for establishment of petrol pump. The land was allotted for the period of 30 years on payment of nominal premium at 10 *per cent* instead of 50 *per cent* of market value of land.

This was in contravention of GoMP order (November 1995), according to which, the Government land would be allotted to the members of Scheduled Caste and Scheduled Tribes at concessional rates of 50 *per cent* of market value of land for the purpose of running outlets of petroleum companies. This resulted in short realisation of premium and ground rent of ₹ 37.01 lakh and also short levy of ground rent of ₹ 2.57 lakh every year on recurring basis for the entire period of lease.

Further, underassessment of premium and ground rent in the lease agreement of land also resulted in short realisation of Stamp duty and Registration fees of ₹ 6.95 lakh as detailed in **Table 5.4**:

**Table-5.4**

(Amount in ₹)

<u>Leviable</u> <u>Premium</u> Yearly Ground rent	<u>Premium</u> Yearly Ground rent Levied	<u>Short levy of</u> <u>Premium</u> Ground rent	Short levy of SD/RF
<u>42,93,680</u>	<u>8,50,800</u>	<u>34,42,880</u>	<u>3,97,545</u>
3,22,026	64,260	2,57,766	2,98,060
<b>Total</b>		<b>37,00,646</b>	<b>6,95,605</b>

(Calculations worked out by Audit)

During exit conference, the Principal Secretary, Revenue stated (September 2015) that it was treated as a special case and concession was given by the Government.

We do not agree with the reply of the Government as there is no such provision in the RBC to allot land for petrol pump for premium at 10 *per cent* as against 50 *per cent* of market value of land and no reason was assigned in the allotment order for concessional allotment of land as special case.

#### 5.2.9 Non-renewal of permanent leases of *nazul* land

**Out of 15,590 permanent lease cases of *nazul* land pending for renewal during the period 2010-11 to 2014-15, applications for renewal were received in 917 cases. No action for renewal of the remaining 14,673 cases which expired between 1962-63 and 2014-15 was taken by the Department.**

According to the MPLRC read with RBC-IV-I, rent payable for a *nazul* plot in an urban area held on lease shall be deemed to be due for revision when the lease becomes due for renewal. The revised rent is to be fixed at six times the rent payable immediately before the revision, provided the use of the land continues to be the same as it was immediately before the revision. The revised assessment is applicable from the financial year following the year in which the assessment is made or from the date of expiry of the earlier lease, whichever is later.

Besides, a register containing the total number of permanent lease holders, date of allotment, period of lease, amount of annual rent to be collected and due date of renewal is required to be maintained by the *Nazul* Officer as prescribed in the RBC.

We noticed (between January and May 2015) that the *Nazul* Officers except under Sagar and Seoni did not maintain the lease registers to monitor the cases due for renewal. Due to non-maintenance of basic records of lease allotment cases at other Collectorates, audit could not ascertain the exact number of leases sanctioned by these offices in the past, which were due for renewal and amount of rent recoverable thereon.

In 14 Collectorates selected under Performance Audit, we, therefore, relied upon the information furnished by the Collectorates and found that out of 22,690 permanent leases of *nazul* land, 15,590 leases were due for renewal during the period 2010-11 to 2014-15. Against this, 917 numbers of applications for renewal of lease were received in these Collectorates. Out of these, the *Nazul* Officers decided 513 leases for renewal leaving 404 cases pending for renewal while no action for renewal of leases in 14,673 cases expired between 1962-63 and 2014-15 was taken by the Department.

In Jabalpur alone, we observed from a correspondence (February 2015) between District collector and Principal Secretary of the Department that 13,989 lease cases were pending for renewal. As against these, Collector registered only 238 cases till July 2014 out of which Department could raise demand for ₹ 15.77 crore in 64 cases and recovered only ₹ 19.92 lakh in 33 cases leaving ₹ 15.57 crore unrecovered.

Further, considering the fact that in Jabalpur alone, 13,989 cases of permanent leases were due for renewal, the accuracy of figure furnished by other Collectorates regarding miniscule number of permanent leases due for renewal in their district is suspect. As permanent lease registers were not maintained,

details of the lease cases were not available and as such audit could not quantify the revenue involved.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that the registers of permanent leases would be maintained and that system of demand and recovery of permanent leases would be computerised.

**We recommend that Department should maintain complete record of permanent leases of Government land so that timely renewal and proper raising of demand can be effectively monitored. Responsibility may be fixed for lapses in maintenance of record of Government land and raising of timely demand for Government dues.**

#### **5.2.10 Unauthorised possession of Government land after expiry of temporary lease**

**Though the 100 temporary leases had expired between 1979 and 2006, the Department took possession of only seven leases while 93 leases measuring an area of 48,307.25 square feet were still in unauthorised possession of encroachers.**

We found (between January and June 2015) that the *Nazul* Officers under any of the Collectorates covered under PA did not maintain temporary lease registers to monitor the cases due for expiry as warranted under Para- 28 and 35 volume IV (1) of RBC. Lease registers contains the total number of lease holders, date of allotment, period of lease and due date of renewal.

Due to non-maintenance of basic records of temporary lease cases, audit could not ascertain the exact number of leases sanctioned by these offices in past which remained encroached upon by these temporary lease holders due to inaction on the part of the Department. In the absence of the basic records, we relied upon the information furnished by the Department. Nine Collectorates<sup>5</sup> informed that no temporary lease cases existed under their jurisdiction, while five Collectorates<sup>6</sup>, furnished information of temporary lease cases under their jurisdiction.

In these five Collectorates, we found (between January and May 2015) that out of 101 temporary leases, 100 leases had expired between 1979 and 2006. Out of 100 leases, the Department took possession of only seven leases. In the remaining 93 leases measuring 48,307.25 square feet, no action was initiated either for renewal of lease or for evacuation of the Government land as per provisions of Para- 28 and 35 volume IV (1) of RBC which stipulates that *Nazul* Officers are responsible for renewal of temporary leases and if lessee does not submit his application for renewal of lease deed, the lease shall be treated as cancelled.

Out of these 93 leases, in seven leases measuring 13,797 square feet, the market value of encroached land worked out to ₹ 10.27 crore as per Collectors guidelines. In remaining 86 leases, having an area of 34,570.25 square feet, we could not ascertain the market value as exact location of encroached area was not mentioned in the information furnished by the Department. The magnitude

<sup>5</sup> Bhopal, Chattarpur, Chhindwara, Harda, Indore, Sagar, Sidhi, Singrauli and Ujjain

<sup>6</sup> Dhar, Jabalpur, Khargone, Satna and Seoni

of the market value of encroached land would be much larger had the Department maintained all the related records and furnished complete information.

During exit conference, the Principal Secretary, Revenue accepted (September 2015) the contention of audit and stated that recovery would be made.

#### **5.2.11 Non-availability of reports on vacation of unauthorised possession of land**

**In 15 Tahsil offices 778 encroachment cases on 141.89 hectare of Government land were decided but vacation reports in respect of this encroached land were not found on records.**

We test checked 1,463 cases out of 10,368 cases of encroachment in 15 Tahsil offices<sup>7</sup> (between January and May 2015) and found that 778 cases involving 141.89 hectare of Government land were decided in which Tahsildars imposed penalty and passed orders for eviction of land between 2010-11 and 2014-15, but the relevant details/ reports of vacation of land duly signed by the appropriate officer were not available on record.

The respective Tahsildars did not take any action to obtain the requisite details/reports. In the absence of such reports, possibility of continuous unauthorised occupation of the land could not be ruled out. Value of land in 778 cases encroached upon could not be quantified as actual location of land could not be ascertained from the records made available.

It was also noticed that the Department did not levy fine in these cases. The Department by not imposing fine allowed undue aid to the encroachers in violation of provision of Section 248 of MPLRC which stipulates that in case encroached land is not vacated even after the eviction notice, Tahsildar may impose such fine which starts from the date of first order of eviction at the rate not exceeding ₹ 500 and ₹ 2,000 per day for rural and urban area respectively.

After we pointed out, Tahsildars stated (between January and May 2015) that eviction report would be obtained and action would be taken as per rule.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that unauthorised possession of land shall be got vacated and penalty would be imposed.

#### **5.2.12 Non raising of demand of Nazul ground rent**

**In two Tahsil offices, scrutiny of *challans* and classification register revealed that the demand for *nazul* ground rent had not been raised. This resulted in non-recovery of rent of ₹ 80.55 lakh.**

We observed in Tahsil offices Maheshwar and Bina (between January and May 2015) for the period under performance audit that the demand and collection register and permanent lease register of Government land were not maintained in Tahsil, Maheshwar whereas in Tahsil, Bina such records were

<sup>7</sup> Bina, Bhopal (*Huzur*), Chhattarpur, Chhindwara, Dhar, Harda, Indore, Indore (*Nazul*), Khargone, Lakhnadaun, Maheshwar, Maihar, Mhow, Rajnagar, Raghurajnagar (Satna)

maintained but not updated. Also, owing to non maintenance and updating of record regularly, the exact number of leases allotted and amount of yearly rent could not be conclusively determined.

Further, during the test-check of *challans* and classification register, we noticed that the demand for *nazul* ground rent for allotment of Government land had not been included in annual demand. There were 853 cases of lease allotment against which annual rent of ₹ 16.11 lakh was due for collection. Due to non-maintenance of demand and collection register, demands amounting to ₹ 80.55 lakh<sup>8</sup> was not raised for the period covered under Performance Audit. This was in violation of Para 15 to 18 of RBC which contain provisions relating to raising of demands in Tahsil offices.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that appropriate action would be taken.

### Cases related to diversion

#### 5.2.13 Irregular issue of diversion order without deposit of diversion premium

**In 10 Collectorate offices demand and recovery statement and concerned diversion cases revealed that diversion orders for use of land other than agriculture purpose were issued without getting deposited diversion premium and annual rent for current periods. This resulted in non-recovery of premium of ₹ 19.68 crore.**

We observed during the scrutiny of demand and recovery statement and concerned diversion cases for the period 2010-11 to 2014-15 in 10 Collectorate offices<sup>9</sup> (between January and May 2015) that diversion orders were irregularly issued to applicants by the respective SDOs although the amount of diversion premium was not deposited by the applicants.

This resulted in non recovery of Government revenue of ₹ 19.68 crore, which remained unpaid by the applicants due to non-observance of Section 59 and 172 of Madhya Pradesh Land Revenue Code, 1959, which prescribed that if land assessed for one purpose is diverted for any other purpose, the Land Revenue and premium payable on such land shall be revised and reassessed by SDO (Revenue) in accordance with the purpose for which it has been diverted.

During exit conference, the Principal Secretary, Revenue directed (September 2015) the concerned officials to expedite the recovery.

**We recommend that the Department should collect diversion premium and rent before issue of diversion orders so that Government revenue is realised timely.**

<sup>8</sup> ₹ 16.11 lakh per year for the period 2010-11 to 2014-15

<sup>9</sup> Bhopal, Chhattarpur, Chhindwara, Jabalpur, Khargone, Satna, Sagar, Seoni, Singrauli and Ujjain

#### 5.2.14 Underassessment of diversion premium and ground rent

**There was underassessment of diversion premium and ground rent amounting to ₹ 1.31 crore in 53 cases due to incorrect application of rates, assessment of diverted land without taking into cognizance the full area of land approved by town and country planning and non-inclusion of penalty in diversion orders.**

During scrutiny of diversion cases, in the office of six Collectorate (Diversion)<sup>10</sup> between January and March 2015, out of total 11,353 cases assessed in these units we test checked 2,803 diversion cases and in 53 cases, underassessment of diversion rent and premium were noticed. This was attributable to reasons such as diversion of land not being done on the basis of area planned and approved by Town and Country Planning (3 cases), non-inclusion of rent and penalty in diversion cases (1 case), levy of diversion rent from 2012-13 but recovery effected from year 2013-14 (47 cases) and incorrect application of rates (2 cases).

This resulted in short/non levy of diversion premium and rent of ₹ 1.31 crore (**Appendix-XVIII**) due to non-observance of provisions of Section 59 and 172 of MPLRC, 1959, which stated that when land assessed for one purpose is diverted for any other purpose, the Land Revenue payable on such land shall be revised and reassessed in accordance with the purpose for which it has been diverted from the date of such diversion at the rates fixed from time to time by the Government.

Besides, penalty not exceeding twenty *per cent* of market value of land diverted was also leviable for unauthorised diversion of land in cases where land owners had changed the land use without obtaining permission from SDOs.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that cases would be reopened and necessary action would be taken. In, Bhopal, the notices have been served to the concerned parties.

#### 5.2.15 Non-assessment/levy of *panchayat upkar*

**In respect of cases related to diversion and leases of land situated in *gram panchayat* areas, the SDOs did not levy and demand the *panchayat upkar* on diversion premium and rent depriving the Government of revenue of ₹ 14.33 crore.**

We noticed during scrutiny of case files of diversion cases in 12 Collectorates<sup>11</sup> between January and May 2015 that in 1,063 out of 9,889 cases for the period 2010-11 to 2014-15, the SDOs did not levy *panchayat upkar* on premium and rent. Further, we observed that in Colloctorate Harda, *upkar* was levied and collected on both premium and rent, whereas in 12 Colloctorates, *upkar* was not levied on premium/rent due to mis-interpretation of Government order.

<sup>10</sup> Bhopal (*Rajdhani Pariyojna*), Chhatarpur, Dhar, Indore, Satna and Ujjain

<sup>11</sup> Bhopal, Chhindwara, Dhar, Indore, Jabalpur, Khargone, Sagar, Satna, Seoni, Sidhi, Singroli and Ujjain



This was in violation of provisions of Section-74 of M.P. *Panchayat Raj Adhiniyam*, 1993 which provides levy and collection of *panchayat upkar* at the rate of 50 *paisa* per Rupee on land revenue collected from land situated in *gram panchayat* area. This deprived the Government of revenue of ₹ 14.33 crore, as mentioned in Table 5.5 below:

Table-5.5

(₹ in crore)

Sl. No.	Name of Collectorate	Nature of Non assessment of <i>Panchayat Upkar</i>	Total no. of cases Objected cases	Premium Yearly rent (2009-10 to 2014-15)	Assessable & Leviable <i>Upkar</i> Yearly Rent (2009-10 to 2014-15)	Total Amount
1	Chhindwara, Satna, Sidhi and Singroli	Not assessed on Diversion premium & rent	7401 627	4.46 7.89	2.23 3.95	6.18
2	Bhopal, Dhar, Indore, Jabalpur, Khargone, Sagar, Satna, Seoni and Ujjain	Not assessed on Diversion premium	2465 413	0.00 4.46	0.00 2.23	2.23
3	Chhindwara, Dhar, Sagar and Ujjain	Not assessed on premium and ground rent of Govt. Land	23 23	10.07 1.76	5.04 0.88	5.92
<b>Grand Total</b>			<b>9889 1063</b>	<b>14.53 14.11</b>	<b>7.27 7.06</b>	<b>14.33</b>

During exit conference, the Principal Secretary, Revenue stated (September 2015) that there is a provision in the Act for levy of *panchayat upkar*, and necessary instructions would be issued by the Department for its recovery.

**We recommend that the Department may consider issuing instructions for levy of *panchayat upkar* on premium as well as rent in the *Gram panchayat* area.**

#### 5.2.16 Failure in discharge of duties by public officer led to non-recovery of Stamp duty and registration fees

**In 11 instruments submitted by applicants for diversion of land, right to develop land and sale were given to developers on which Stamp duty was not paid as per provisions and also such instruments were not registered. The SDOs neither referred these instruments to Collectors of stamps for realisation of deficit stamp duty and registration fees nor levied penalty before considering applications for diversion of land.**

According to Section 33 read with Section 35 of Indian Stamp Act, 1899, every public officer, if any instrument chargeable in his opinion, with duty, is produced or comes in the performance of his functions, shall, if it appears to him that such instrument is not duly stamped, impound the same and refer it to Collector of Stamps for correct levy of Stamp duty. Insufficient stamped instruments shall not be admitted in evidence unless such instruments are duly stamped after payment of deficient duty together with a penalty equal to ten times of the deficient amount of duty.

We observed during scrutiny of diversion case files in Collectorates Dhar, Harda and *Rajdhani Pariyojna*, Bhopal (between January and May 2015) that

11 instruments of sale agreement, joint venture agreement and mortgage deed of immovable property were attached with four diversion case files. These instruments were not found duly stamped and registered as per rules. Respective SDOs admitted these instruments without recovering deficit amount of stamp duty together with penalty at the rate of ten times of deficient duty.

This resulted in non recovery of revenue in the shape of Stamp duty of ₹ 43.36 lakh with ten times penalty (₹ 4.34 crore) and registration fee (₹ 7.12 lakh) as detailed in **Table 5.6:**

**Table-5.6**

(₹ in lakh)

Name of unit	No. of instruments / Nature of instrument	Market value (MV) of property involve	Stamp duty			Leviabl Registrati on Fees @ 0.8 per cent of MV + ₹ 145	Penalty @ 10 times of deficit amount of Stamp duty
			Leviable	Levied	Short Levy		
Rajdhani Pariyojna, Bhopal	1/ Joint Venture Agreement	520.33	37.72	0.01	37.71	4.16	377.14
Collector (Diversion) Dhar	8/ Sale agreements of land with possession	49.71	2.49	0.02	2.47	0.41	24.65
Collector (Diversion) Harda	2/ Mortgage deed	318.00	3.18	0.002	3.18	2.55	31.78
<b>Total</b>	<b>11 instruments</b>	<b>888.04</b>	<b>43.39</b>	<b>0.032</b>	<b>43.36</b>	<b>7.12</b>	<b>433.57</b>

(Calculations worked out by Audit)

During exit conference, the Principal Secretary, Revenue stated (September 2015) that action was being taken and recovery would be made. While in Bhopal, the notices have been issued to the concerned parties.

### 5.2.17 Non-payment of security by colonisers

**In 15 cases, the colonisers did not submit security deposit along with the application for diversion of land, however the SDOs diverted the land without getting security deposit of ₹ 3.85 crore.**

**5.2.17.1** In Collectorate, Bhopal and Indore, we test checked (between February and March 2015) 103 diversion cases out of total 670 cases decided between 2010 and 2015 by respective SDOs. Out of these cases, security deposit of ₹ 3.85 crore in 15 cases was required to be submitted by the colonisers at the time of submission of application. We however, noticed that in these cases, security deposit was neither submitted by colonisers nor recovered by SDOs.

This led to non-realisation of security of ₹ 3.85 crore due to non-observance of Rules 4 framed under Section 172 of the MPLRC which provides that a coloniser shall deposit one fifth of estimated development expenditure of the land as security deposit and attach the *challan* with the application submitted to the SDO for diversion of any land, failing which the application shall not be entertained.



During exit conference, the Principal Secretary, Revenue stated (September 2015) that appropriate action would be taken.

**5.2.17.2** We further observed in Collectorate Harda, Khargone, Sagar and Seoni (between January and May 2015) that in 53 cases out of total 663 test checked cases of diversion submitted by the colonisers, neither the amount of estimated development expenditure was mentioned in their applications, nor did they deposit any security. The applications were not only entertained by the respective SDOs but also decided between 2009-10 and 2013-14 and diversion was permitted. This resulted in irregular admission of applications for diversion as well as irregular granting of permissions for diversion.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that appropriate action would be taken.

### **5.2.18 Non disposal of cases of unauthorised diversion**

**Nine cases of unauthorised diversion of land use were noticed in Collectorate Bhopal in 2012-13. However, even after a lapse of two years, penalty amounting to ₹ 1.84 crore was not levied by the SDO.**

Section 59 of MPLRC, 1959 prescribes that if a person changes the land use from the purpose it had been diverted earlier without the permission of SDO, a penalty at the rate of 20 *per cent* of the market value of the land shall be levied and land revenue would be re-assessed.

We observed during the scrutiny of *Diara* registers<sup>12</sup> in Collectorate, Bhopal (March 2015) for the period 2010-11 to 2014-15 that 14 cases were registered in the year 2012-13 for initiating action for levy of penalty as these land owners had changed the land use without obtaining permission from SDO. Out of these, only five cases were found to be disposed of and action of levy of penalty and reassessment of diversion order was not taken in the remaining nine cases.

Further scrutiny revealed that these nine cases were also not carried forward in the subsequent *Diara* register. As a result of this, these nine cases of unauthorised diversion could not be monitored. Non-disposal of these cases resulted in non-levy of penalty amounting to ₹ 1.84 crore.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that action would be taken.

## **Monitoring mechanism and Internal Control**

### **5.2.19 Non-realisation of arrears of land revenue and non-imposition of penalty**

**Recovery statements of 14 Collectorates revealed that an amount of ₹ 264.80 crore was pending for more than 30 days under various heads of land revenue on which penalty upto 100 *per cent* of the outstanding amount was leviable.**

As per the provisions of MPLRC, 1959, outstanding amounts of revenue should be recovered at the earliest. GoMP, Revenue Department circular

<sup>12</sup> *Diara* register is a record in which applications for diversion of land are recorded

(December 2013) specified that cent *per cent* amount of current demand should be realised in addition to 90 *per cent* of arrears of earlier years. Demand notices should be issued to the defaulters and revenue so realised shall be credited to the land revenue head.

Besides, if the payee does not pay the amount due from him within 30 days from the due date, the *Nazul* Officer and Sub Divisional Officers, as the case may be, shall impose penalty under Section 143 of MPLRC which will not be more than 100 *per cent* of principal amount of land revenue. In case the land revenue due is not paid within a year, *Patwari* shall prepare a list of defaulters and submit to Tahsildar court for initiation of action under rule by attaching his property and recovery of Government dues. As per Para 12 (5) of RBC-I-1, in the beginning of every revenue year, Tahsildar, will register revenue cases against the defaulters for a period of more than one year and submit its report to Collector latest by first day of November every year.

During scrutiny of classification register and demand and collection statement (between January and May 2015) in all Collectorates covered under PA for the period 2010-11 to 2014-15, we observed that an amount of ₹ 264.80 crore in various heads of land revenue such as diversion premium and rent, *nazul* premium, rent, penalty etc. was outstanding for recovery but Tahsildars did not initiate any action as per rule. Out of total arrears of land revenue amounting to ₹ 264.80 crore, ₹ 201.17 crore was outstanding for more than one year while ₹ 63.63 crore was outstanding for less than one year, but exceeding 30 days.

As per the provisions *ibid*, delay in payment attracts penalty subject to maximum of 100 *per cent* on the arrears of revenue. But the respective Collectors did not levy any penalty on the arrears of land revenue. The Tahsildars also did not monitor the process of recovery of land revenue from defaulters by registering cases and attaching their movable and immovable properties for the cases of default for more than one year.

It is pertinent to mention that the GoMP imposes new duties and taxes or enhances the rate of existing duties for increasing Government revenue every year to raise funds to meet the fiscal requirement but at the same time Government has failed to gear up its recovery mechanism for collection of arrears of land revenue which amounted to ₹ 264.80 crore by the end of 2014-15.

During exit conference (September 2015), while accepting the audit's observation, Principal Secretary instructed the officials of the Revenue Department that penalty be imposed and in cases of default, the recovery be made by attaching movable and immovable properties of the defaulters.

**We recommend that Department may scrupulously monitor the recovery of arrears of land revenue and in the cases of default in payment of land revenue for more than one year; attachment of property of the defaulters should be made as per applicable provision.**

### 5.2.20 Non-assessment and recovery of land revenue in mining lease

**Land revenue leviable on 252 major minerals leases having an area of 18,099.241 hectare land was not assessed for levy of land revenue which resulted in non-recovery of ₹ 31.15 crore.**

We observed during test check in nine Collectorate Offices<sup>13</sup> and information collected from District Mining Offices (DMOs) selected under PA where leases for major minerals were leased, assessment, levy and collection of land revenue on mining leases was neither available nor maintained both by Collectorates and DMOs.

Further, on collection of details from respective District Mining Offices, we observed that 252 mining leases for 18,099.241 hectare area of land were sanctioned for major minerals on which annual amount of ₹ 6.23 crore was recoverable from lease holders as land revenue for the period 2010-11 to 2014-15. Neither the DMOs furnished cases to collectors for assessment of land revenues thereafter collection by DMOs nor Collectors called for cases from DMOs for assessment and also revenue under these heads was not found collected in any of the Collectorates.

In the absence of monitoring both at Collectors and DMOs, this resulted in non-assessment/levy of land revenue of ₹ 31.15 crore<sup>14</sup> which is contravention of Rule 3 of Assessment of Land under MP Mining Rules, 1987 framed under Section 59 of MPLRC, 1959 which provides for the assessment and collection of land revenue at the rate of ₹ 200 to ₹ 5,000 per hectare on total land which is leased for the purpose of mining.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that necessary action would be taken to collect land revenue on major minerals.

### 5.2.21 Non-realisation of process expenses due to lack of monitoring mechanism in the Collectorates

**The Department did not include the amount of process expenses of ₹ 3.90 crore in the demand notices issued to the defaulters due to be levied on an amount of ₹ 129.98 crore recovered by the Department against the Revenue Recovery Certificate, resulting in non-recovery of process expenses of ₹ 3.90 crore.**

M.P Lokdhan (*Shodhya Rashiyon Ki Vasuli*) *Adhiniyam*, 1987 (MPLA) and MPLRC provides that the Recovery Officer will register the revenue case in his Revenue case register after receipt of Revenue Recovery Certificate (RRC) and issue demand notice within 15 days. As per *Adhiniyam* and rules made thereunder, process expense at the rate of three *per cent* of principal amount is leviable.

Besides, according to Rule 10, every recovery officer, on receipt of RRC, shall assign revenue case number to each RRC and shall maintain its detail in Form VII in the prescribed recovery register. It includes bank wise entries of

<sup>13</sup> Chhatarpur, Chhindwara, Dhar, Jabalpur, Khargone, Sagar, Satna, Seoni and Singroli.

<sup>14</sup> Land revenue calculated for five years @ ₹ 6.23 crore per year for 252 mining leases

demand, collection and process expenses in every case. The recovery officer shall submit a report to Collector in Form-IX on or before 20 of every month in respect of the details of recovery of process expenses and order fee of the cases in which recovery was made either by him or by issuing authority of RRC. This report received in Form-IX shall be consolidated by Collector in Form-X and forwarded to Government every month.

**5.2.21.1** We observed during the audit of all Collectorate offices covered under PA (between January and May 2015) for the period 2010-11 to 2014-15 that the Recovery Officers (Tahsildar) had not furnished the details and information relating to RRCs in prescribed forms.

Owing to the non-maintenance of details of demand and recovery of RRC in prescribed forms, the number of cases, exact position of demand and recovery and levy of process expenses thereon could not be ascertained. Further, we observed that no Collector except Dhar, Jabalpur and Ujjain districts had furnished the consolidated information to Government every month, thus at end of every month, the information of recoverable process expenses was not made available to Government.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that general orders would be issued to recover process expenses in all the cases.

**5.2.21.2** We observed during the test check of demand and recovery statement in respect of Bank RRCs in 12 Collectorate offices<sup>15</sup> (between January and May 2015) for the period 2010-11 to 2014-15 that an amount of ₹ 129.98 crore was recovered against the Bank RRCs on which process expenses of ₹ 3.90 crore though recoverable was not recovered by the Tahsildars concerned. The Department had not monitored the recovery of process expenses; this resulted in non-realisation of process expenses of ₹ 3.90 crore.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that general orders would be issued to recover process expenses in all the cases.

#### **5.2.22 Service charges not levied/deposited in Government account**

**Records relating to land acquisition for various Departments revealed that service charges of ₹ 9.75 crore in 42 cases was not demanded and collected and in five cases an amount of ₹ 29.73 lakh was collected but not credited to the Government account and kept lying in personal deposit account. This deprived the Government of ₹ 10.05 crore.**

In order to grant incentives to the officers and staff engaged in land acquisition work and to reimburse the expenditure on such survey, the Government decided (July 1991) to levy service charge at the rate of ten *per cent* of the land acquisition award. It was to be recovered from concerned departments/undertakings/local bodies in advance on anticipated value of the

<sup>15</sup> Bhopal, Chhattarpur, Chhindwara, Harda, Indore, Jabalpur, Khargone, Sagar, Satna, Sidhi, Seoni and Singroli

land to be acquired by them. The amount so recovered was to be remitted to the Government revenue under the Major Head 0029 (Land Revenue).

Further, as per *Gazette* Notification dated 3 October 2014, service charge at the rate of five *per cent* of the cost of land acquisition would be levied.

We observed during scrutiny of case files of land acquisition and information made available by Collectorate offices at Bhopal, Harda, Indore and Singroli (between January and May 2015) that the LAO sanctioned award of ₹ 213.96 crore in all 42 cases between 2010-11 and 2014-15 for acquisition of land for various Departments.

Service charges amounting to ₹ 29.73 lakh in four cases collected from various Departments (between March 2010 and December 2013) were lying in Personal Deposit accounts/bank accounts and were not deposited in Government revenue, while in 38 cases, an amount of ₹ 9.75 crore was neither demanded nor recovered from the concerned Departments. The Collectors failed to monitor the entire process of collection of service charges led the exchequer deprived the revenue of ₹ 10.05 crore.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that recovery would be made and errors shall be rectified in cases of amount lying in Personal Deposit account.

### 5.2.23 Internal control mechanism

Internal Control is an important mechanism to ensure that the departmental operations are carried out in accordance with the applicable laws, regulations and approved procedures in an economical, efficient and effective manner, subordinate offices are maintaining various records, registers/account books properly and accurately, and adequate safeguards are being taken against non/short collection or evasion of revenue.

#### 5.2.23.1 Internal audit and Departmental inspection

- **Internal Audit** - The internal audit wing of a Department is a vital component of its internal control mechanism. We observed that Internal Audit Wing (IAW) specifically engaged for Audit of the Department to ensure implementation of Act and rules of land revenue was not in existence at Principal Revenue Commissioner office (Head of the Department). However, there is an IAW at divisional Commissioner level which audits all Departments under his jurisdiction. Owing to the absence of dedicated IAW for the Department, the persistent irregularities, as discussed in preceding paragraphs of PA, did not come to notice of Department.

We observed in Commissioner Indore and Bhopal that 120 and 47 units were planned for internal audit of subordinate offices during the period under Performance Audit but only 60 units were audited in Indore division whereas no audit was undertaken in Bhopal division. In Sagar Commissioner Office, no internal audit plan was found prepared and implemented. Internal audit at Commissioner Office, Ujjain was satisfactory as it achieved 90 *per cent* of targeted units.

- **Inspection** - Para 34 of RBC-II-1 provides that the Commissioner of the division should inspect revenue officers of each Collectorate and Tahsil in one

and three years respectively while the Collector should inspect each Tahsil of his district every year.

We noticed that all four Commissioners conducted 23 and 14 inspections as against 70 and 50 inspections of Collectorates and Tahsils respectively during the period under Performance Audit. The Collectors had to conduct 125 inspections of Tahsil but they conducted only 30 inspections. The details of inspections conducted and points raised/included in inspection notes/memorandums etc. have not been furnished by the Department.

During exit conference (September 2015), the Department accepted the deficiency in planning of internal audit.

#### **5.2.23.2 Non-preparation of monthly *tauzi* and verification from treasury**

As per RBC and MP Financial code, statement of demand and collection for every month should be compiled by each head of the office in the monthly *tauzi*<sup>16</sup> and verified from the treasury. The verified monthly *tauzi* is required to be submitted to higher authorities and is an important control in the Tahsil and Collectorate to obviate risk of misclassification and receipt of fraudulent challans.

We observed in all Collectorates, *Rajdhani Pariyojna*, Bhopal and Tahsil offices (between January and May 2015) that monthly *tauzis* were not being prepared by any of them except in Tahsil Ujjain where it is prepared monthly and was duly verified from treasury records. Thus, the correctness of the figures of collection shown in the monthly statements could not be verified. In the absence of non preparation of *Tauzi*, the possibilities of submitting fraudulent *challans* and resultant defalcation of Government money can not be ruled out.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that instructions would be issued to prepare monthly *tauzis* to all the districts.

#### **5.2.23.3 Non-preparation of Departmental Manual**

The Land Revenue Department did not have any Departmental Manual detailing the functions and responsibilities of the staff of all categories in accordance with instructions issued by the Government/Department. In the absence of such Manual, various checks and balances to be exercised by various functionaries of the Department for assessment, levy and collection of taxes etc. could not be ensured. Departmental manual is important to operationalise and administer of the provisions of Act and Rules.

Absence of Departmental manual may lead to incorrect deposit of Government receipts, lack of control on recoveries of arrears and failure to raise regular demand etc.

During exit conference, the Principal Secretary, Revenue stated (September 2015) that process of preparation of the manual would be started soon.

**We recommend that Department may improve the internal control system in Land Revenue Department by setting up IAW, ensuring regular**

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<sup>16</sup> Monthly *tauzi* is a date wise statement of *challans* prepared for reconciliation with treasury records

**preparation of monthly *tauzi* and its reconciliation with the treasury records, and preparation of Departmental Manual for effective administration of MPLRC and Rules made thereunder.**

#### 5.2.24 Conclusion and Recommendations

The Performance Audit revealed the following:

- Register of permanent leases of *nazul* land was not maintained in 12 out of 14 test-checked collectorates as such details of the permanent leases of *nazul* land was not available. Non-maintenance of lease registers led to non-renewal of permanent leases of *nazul* Land.

**Recommendation:** The Department should maintain complete record of permanent leases of Government land so that timely renewal and proper raising of demand can be effectively monitored.

- Diversion orders for use of land other than agriculture purpose were issued without getting deposited diversion premium and annual rent for current periods, resulted in non-recovery of premium of ₹ 19.68 crore;

**Recommendation:** The Department should collect diversion premium and rent before issue of diversion orders.

- An amount of revenue of ₹ 14.33 crore pertaining to *panchayat upkar* leviable on allotment of Government land and diversion of land in rural areas was not levied ;

**Recommendation:** The Department may consider issuing instructions for levy of *panchayat upkar* on premium as well as rent in the *Gram panchayat* area.

- An arrears of ₹ 264.80 crore was pending for recovery for more than 30 days under various heads of land revenue on which penalty upto 100 *per cent* was leviable yet Tahsildars did not levy any penalty on the arrears of land revenue;

**Recommendation:** The Department may scrupulously monitor the recovery of arrears of land revenue and in the cases of default in payment of land revenue for more than one year; attachment of property of the defaulters should be made as per applicable provision.

- The internal control framework was deficient in terms of absence of a separate internal audit wing, inadequate inspections of subordinate offices, non-maintenance of monthly *tauzi* and non-preparation of Departmental Manual;

**Recommendation:** The Department may improve the internal control system in Land Revenue Department by setting up IAW, ensuring regular preparation of monthly *tauzi* and its reconciliation with the treasury records, and preparation of Departmental Manual for effective administration of MPLRC and Rules made thereunder.



### 5.3 Other Audit observations

We scrutinised the records related to assessment and collection of Land Revenue which revealed irregularity in remittances of land revenue and *upkar* in Government account as mentioned in the paragraph below:

### 5.4 Non-remittance of land revenue and *upkar* in Government account

**In three Tahsil offices, land revenue receipts of the State meant for deposit in Government account (major head "0029-Land Revenue") were deposited in Panchayat Raj Fund thus depriving the exchequer of revenue amounting to ₹ 13.13 lakh.**

We observed (between November 2014 and March 2015) that in three Tahsil offices<sup>17</sup>, Land Revenue and *panchayat upkar* of ₹ 13.13 lakh, collected between financial year 2005-2006 and 2013-2014 was deposited in Panchayat Raj Fund rather than in the treasury Major Head "0029- Land Revenue", though the Rule 7(i) of Madhya Pradesh Treasury Code (Volume-I) read with Government notification issued in November 2001, stipulated that land revenue and *upkar* collected by Tahsil offices should be remitted into the treasury in Government Account under the major head "0029-Land Revenue" Due to this, the exchequer was deprived of revenue of ₹ 13.13 lakh.

After we pointed out (between November 2014 and March 2015), Tahsildar, Tonk-Khurd stated (November 2014) that action would be taken after correspondence from District Panchayat. Tahsildar Pansemal (Barwani) stated (February 2015) that amount would be recovered after correspondence from District *Panchayat* and Tahsildar, Sujalpur (Shajapur) stated (March 2015) that amount would be deposited in Major Head '0029' after recovery from *Janpad Panchayat*.

The matter was reported to the Department and the Government (between May and June 2015); their reply have not been received (November 2015).

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<sup>17</sup> Pansemal (Barwani), Sujalpur (Shajapur) & Tonk-Khurd (Dewas)



**CHAPTER – VI**  
**STAMPS AND**  
**REGISTRATION FEES**

## Chapter-VI Stamps and Registration Fees

### 6.1 Tax Administration

Department of Registration and Stamps is under the Commercial Tax Department headed by the Principal Secretary. The Inspector General, Registration and Superintendent of Stamps, Madhya Pradesh (IGR) is the head of the Department. Two Joint Inspectors General, Registration (JIGR), one Deputy Inspector General Registration (DIGR), one Senior District Registrar (SDR), one District Registrar (DR) and one Accounts officer (AO) are deployed at the headquarters. There are 51 Registration Districts notified in the State. There is one SDR in 15 Registration districts, 36 DRs in the remaining districts and 234 Sub Registrar (SR) offices in the State. The SR office is the place where all the registration works take place and having the maximum interface with the common public. Collector is the head of Registration administration at the district level. The role of DR is to guide SRs in their day-to-day function, pass orders in cases of valuation of stamps required, penalty, refund and inspection of SR and public offices where Stamp duty is involved.

### 6.2 Results of audit

We test checked the records of 88<sup>1</sup> units out of 233 units of the Department during the year 2014-15. A total of 16,31,365 deeds were registered in these units out of which 1,63,137 deeds were audited, in which, observations on non-realisation of revenue due to inordinate delay in finalisation of cases, short realisation of Stamp duty and Registration fees, incorrect exemption and other observations involving ₹ 110.79 crore in 2,024 cases were made which fall under the following categories as mentioned in the **Table-6.1**.

**Table - 6.1**

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Loss of revenue due to inordinate delay in finalisation of cases	677	17.31
2.	Short realisation of Stamp duty and Registration fees due to undervaluation of properties/incorrect exemption	211	5.68
3.	Incorrect exemption from payment of Stamp duty and Registration fees	26	2.52
4.	Loss of revenue due to misclassification of instruments	105	14.32
5.	Other observations	1,005	70.96
<b>Total</b>		<b>2,024</b>	<b>110.79</b>

The Department accepted underassessment and other deficiencies of ₹ 17.82 crore in 873 cases, which were pointed out in audit during the year 2014-15.

<sup>1</sup> One office of Inspector General, Registration, Four District Registrar's offices and 83 Sub registrar offices.

An amount of ₹ 22 lakh was realised in 54 cases by the Department during the year 2014-15.

A few illustrative cases involving ₹ 7.99 crore are discussed in the following paragraphs:

### **6.3 Delay in disposal of cases referred by Sub Registrars (SRs)**

**Cases referred by Sub Registrar between May 2010 and March 2014 to the Collector of Stamps (District Registrar) for determination of market value of properties had not been finalised though the stipulated period of three months for disposal of referred cases had lapsed. This resulted in non-realisation of Stamp duty and Registration fees of ₹ 6.33 crore.**

We test checked the records of District Registrar office Gwalior and 12 Sub Registrar offices<sup>2</sup> (between March 2014 and March 2015) and observed that 1,534 cases were referred (between May 2010 and March 2014) by Sub registrars in accordance with the provisions of Section 47-A of Indian Stamp Act, 1899 to the Collector of Stamps, who had not finalised these cases in stipulated period.

In these cases, the delay ranged between three and thirty six months beyond the stipulated period of three months for finalisation of referred cases in contravention of departmental instructions of July 2004 which stipulated that the Collector of stamps shall determine the correct market value of these referred cases in maximum three months period. This inordinate delay resulted in non-realisation of Stamp duty and Registration fees of ₹ 6.33 crore.

After the cases were pointed out, the respective SRs stated (between March 2014 and March 2015) that Collector of stamps would be requested for early disposal of cases. District Registrar, Gwalior stated (January 2015) that referred cases were being finalised, while District Registrar, Burhanpur stated that in one case ₹ 14,000 have been recovered while in remaining cases, RRC has been issued to recover the amount.

The matter was reported to the Inspector General, Registration, and the Government (June 2015); their replies have not been received (November 2015).

### **6.4 Incorrect determination of market value**

**In 27 instruments, though the market value of the property was higher as per guidelines for the respective year, the SRs did not refer these instruments to the Collector of Stamps for determination of the correct value of the properties. This resulted in short levy of Stamp duty and Registration fees of ₹ 51.56 lakh.**

We test checked (between April 2014 and February 2015) 6,105 cases out of 61,049 cases registered between April 2013 and March 2014 in six Sub

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<sup>2</sup> Ashoknagar, Badwaha(Khargone), Betul, Burhanpur, Chhatarpur, Dewas, Jaora (Ratlam), Karera (Shivpuri), Khandwa, Mandsaur, Nagod (Satna) and Ratlam

registrar offices<sup>3</sup> and observed in 27 instruments, that the market value determined on the basis of market value guidelines for the respective year, was ₹ 18.09 crore against the registered value of ₹ 11.89 crore.

The SRs did not verify the market value of the property declared in the instruments with market value guidelines of that year and resultant undervaluation of stamps and therefore did not refer these instruments to the Collector of Stamps for determination of the correct value of the properties and duty leviable thereon.

Section 47-A of the Indian Stamp Act, 1899, stipulated that if market value of any property set forth was less than the market value shown in the market value guidelines, instruments of these properties should be referred to the Collector of Stamps for determination of the correct market value and duty leviable thereon. Non observance of this provision resulted in short levy of Stamp duty and Registration fees of ₹ 51.56 lakh (**Appendix-XIX**).

After we pointed out the cases, the Sub Registrars stated (between March 2014 and March 2015) that all the cases would be referred to Collector of Stamps for necessary action.

The matter was reported to the Inspector General, Registration and Government (June 2015); their replies have not been received (November 2015).

### **6.5 Short levy of Stamp duty and Registration fees on lease deed**

**The registration authorities levied only ₹ 2.33 crore as stamp duty and ₹ 1.65 crore as registration fees against leviable stamp duty of ₹ 2.55 crore and registration fee of ₹ 1.91 crore respectively on 17 documents of lease deeds. This resulted in short realisation of stamp duty and registration fees of ₹ 21.89 lakh and ₹ 26.10 lakh respectively.**

We test checked (between March and September 2014) the records of four Sub Registrar offices<sup>4</sup> and found that in 17 lease deeds test checked out of 120 lease deeds executed and registered (between May 2010 and March 2014), stamp duty of ₹ 2.55 crore and registration fees of ₹ 1.91 crore was payable as per rates of stamp duty on lease deeds. The stamp duty should have been levied as per rates provided in Article 33 of Schedule 1-A of the Indian Stamp Act, 1899, and registration fee should have been levied at three fourths of the stamp duty as per Article II of the Registration Act, 1908.

However, the registering authorities levied only ₹ 2.33 crore as stamp duty and ₹ 1.65 crore as registration fees as sub registrars did not apply different rates of stamp duty for different periods of lease mentioned in the lease deeds or did not consider the clause related to revision of rates of lease rent at periodic intervals as stated in the lease deeds. This resulted in short realisation of stamp duty and registration fees of ₹ 21.89 lakh and ₹ 26.10 lakh respectively (**Appendix-XX**).

<sup>3</sup> Anuppur, Barwaha, Chhatarpur, Gadarpur, Khargone, Kotma

<sup>4</sup> Anuppur, Gadarpur(Narsinghpur), Sukhalia(Indore-III) and Umariya

After the cases were pointed out (between March and September 2014), Sub Registrar Sukhalia (Indore III) replied (May 2014) that in one case (Document no. 5887)(4) Dt. 30 March 2014, the comparative study was done between market value rate and lease amount and duty was imposed on higher value. The reply is not acceptable because as per rule, 75 per cent of stamp duty was to be levied as Registration fees, which was not levied on the document while SD was also short levied by ₹ 24,361. In other cases of Sub Registrar Sukhalia (Indore III), Anuppur, Gadarwara (Narsinghpur) and Umaria, it was stated (March and September 2014) that matter would be forwarded to District Collector of Stamps for further action.

The matter was reported to the Inspector General, Registration, and the Government (June 2015); their replies have not been received (November 2015).

## **6.6 Short levy of stamp duty and registration fee on instruments of power of attorney**

**In 17 instruments of Power of attorney (POA), the instruments were treated as POA to sell without consideration for a period not exceeding one year though, the power to sell, gift, exchange or permanent alienation of immovable property was given without explicitly mentioning that the power is given for a period not exceeding one year, resulting in short levy of stamp duty and registration fees of ₹ 28.27 lakh.**

We test checked 156 POAs out of 623 POAs registered in four Sub Registrar offices<sup>5</sup> (between March 2014 and February 2015) and found that in 17 instruments of POA registered (between April 2006 and March 2014), the power to sell, gift, exchange or permanent alienation of immovable property was given, however, it was not explicitly mentioned in the POA that the power is given for a period not exceeding one year. As the POA did not purport to be for a definite term, duty should have been levied on the market value of the property.

In these cases, the instruments were treated as POA to sell without consideration for a period not exceeding one year and stamp duty ranging between ₹ 100 to ₹ 1,000 was levied in these cases by respective Sub registrars.

Although, Article 45 (d) of schedule 1-A of the Indian Stamp Act, 1899, stipulated that only when Power of attorney is given without consideration, authorising the agent to dispose of immovable property situated in Madhya Pradesh with or without consideration for a period exceeding one year or when it is irrevocable or when it does not purport to be for any definite term, the same duty as a conveyance on the market value of the property is chargeable on such instruments. Non-observance of this resulted in short levy of stamp duty and registration fee of ₹ 28.27 lakh (**Appendix-XXI**).

After the cases were pointed out (between March 2014 and February 2015), Sub Registrar Rajgarh (December 2014), Kotma (Anuppur) and Umaria

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<sup>5</sup> Khandwa, Kotma(Anuppur), Rajgarh and Umaria

(March 2014) stated that cases would be referred to Collector of stamps. Sub Registrar Khandwa (February 2015) stated that amendment would be done.

The matter was reported to the Inspector General, Registration and the Government (June 2015); their replies have not been received (November 2015).

## 6.7 Non-Registration of Mortgage deeds

**Plots in lieu of security for development work to be carried out by the coloniser, were not mortgaged on which, the estimated development expenditure was calculated at ₹ 15.10 crore based on rates of Madhya Pradesh Housing Board applicable for that area/zone. This resulted in non-levy of Stamp duty and Registration fees amounting to ₹ 27.18 lakh on the cost of estimated development expenditure.**

Article 38(b) of Schedule 1-A to Indian Stamp Act, 1899 read with Government Notification (September 2007) and Section 75 of the Madhya Pradesh *Panchayat Raj Adhiniyam*, 1993 provides for levy of duty on a mortgage deed (without possession) at the rate of one *per cent* of the amount secured by such deed. Further, under Rule 12 of Madhya Pradesh *Nagar Palika Niyam* and Madhya Pradesh *Gram Panchayat Niyam*, the developer has to mortgage 25 *per cent* of the land/plot in favour of local authorities as a security against the expenditure on development of the land. Section 17 of the Registration Act, 1908, provides that registration of such mortgage deed is compulsory.

District Registrars should carry out inspections of the public offices as per Departmental instruction No. 439 (part of Registration Act) to ensure that proper stamp duty is being paid on such documents. We test checked the records of 73 lease contractors in three Sub Registrar offices<sup>6</sup> (between March 2014 and March 2015) and found that as per rule *ibid*, 25 *per cent* plots in lieu of security for development were not mortgaged. District Registrars also did not carry out inspections of these Departments to see if the deeds were properly executed and duly stamped. The estimated development expenditure of the land was ₹ 15.10 crore based on rates provided by Madhya Pradesh Housing Board. Not mortgaging the plots under the required provisions resulted in non-levy of Stamp duty and Registration fees amounting to ₹ 27.18 lakh. (Appendix-XXII)

After the cases were pointed out, the SR Badwaha (Khargone) stated in March 2015 that one case was already sent to Collector of stamps and other case would be referred to Collector of stamps. SR Gotegaon (Narsinghpur) stated (March 2014) that the matter would be brought to the notice of Sub-Divisional Officer (Revenue) and action shall be taken accordingly. SR Satna stated (June 2014) that no action was pending in the office of Sub-Registrar. District Registrar, Satna informed that letter would be written to Commissioner, Nagar Nigam for registration of the mortgage deed.

<sup>6</sup> Badwaha(Khargone), Gotegaon (Narsinghpur) and Satna

The matter was reported to the Inspector General, Registration and the Government (June 2015), their replies have not been received (November 2015).

## 6.8 Irregular exemption of Stamp Duty

**The exemption of payment of duty was given in exchange of agricultural land, market value of which was not approximately equal. This resulted in loss of revenue of ₹ 11.08 lakh.**

We test checked the records of two Sub Registrar offices<sup>7</sup> (between May and September 2014) and found that out of seven instruments of exchange of property registered and test checked in audit (between March 2012 and March 2014), in six cases exemption of payment of duty was given although market value of the agricultural lands exchanged were not approximately equal. Difference between market value of agriculture land varied between ₹ 4.81 lakh and ₹ 21.32 lakh.

This was in contravention of M.P. Government notification (November 1996), according to which, if the approximate market value of the land under exchange is not equal then stamp duty shall be levied on the property having greater market value treating the transaction as conveyance as per Article 29 of Schedule 1-A of Indian Stamps Act, 1899. In these cases approximate market value of the land under exchange was not equal; therefore stamp duty on land having higher market value should have been levied. This resulted in loss of revenue of ₹ 11.08 lakh (**Appendix-XXIII**).

After the cases were pointed out, both Sub Registrars stated (between May and September 2014) that all cases would be referred to Collector of Stamps.

The matter was reported to the Inspector General, Registration and Government (June 2015); their replies have not been received (November 2015).

## 6.9 Internal Audit

The Internal audit is a vital arm of internal control mechanism and is generally defined as the control of all controls. It helps the organisation to assure that the prescribed systems are functioning reasonably well.

During the year 2014-15, the Internal Audit Wing of the Department planned the audit of 61 Sub registrar offices and 22 District Registrar offices. Out of this, the Department audited only 21 Sub registrar offices while none of the District Registrar's offices was audited. The Department conducted the internal audit of only 25 per cent of the units it had planned. In internal audit, issues of non-reconciliation of *tauji* register, stamps not franked by franking machine, registration of documents with insufficient stamps and registration with misclassification in documents were observed.

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<sup>7</sup> Depalpur (Indore) and Gadarwara (Narsinghpur)

# **CHAPTER – VII**

## **MINING RECEIPTS**



## Chapter- VII Mining Receipts

### 7.1 Tax administration

The Mineral Resources Department functions under the overall charge of the Secretary, Mining, Government of Madhya Pradesh. The Director, Geology and Mining, is the Head of the Department who is assisted by four Regional Heads based at Indore, Gwalior, Jabalpur and Rewa, 50 District Mining Officers (DMOs) based at the district level and one Diamond Officer in Panna. The DMOs are assisted by Assistant DMOs and Mining Inspectors. The DMOs, Assistant DMOs and Inspectors are under the administrative control of the Collector at the district level. Mining Receipts are collected under the provisions of the following Acts and Rules and notifications issued thereunder:

- Mines and Minerals (Development and Regulation) Act, 1957;
- Mineral Concession Rules, 1960;
- Mineral Conservation and Development Rules, 1988;
- Marble Development and Conservation Rules, 2002;
- Madhya Pradesh Minor Mineral Rules, 1996;
- Madhya Pradesh Minerals(Prevention of Illegal Mining Transportation and Storage) Rules, 2006;
- Madhya Pradesh Rural Infrastructure and Road Development Act, 2005;
- The Colliery Control Rules, 2004; and
- Coal Bearing Areas Act, 1957.

### 7.2 Results of Audit

We test checked the records of 35 units out of 51 units relating to Mining Receipts during 2014-15 and observed non/short realisation of revenue and other irregularities involving ₹ 138.96 crore in 1,097 cases which fall under the following categories as mentioned in the **Table-7.1**.

**Table - 7.1**

(₹ in crore)			
Sl. No.	Categories	No. of cases	Amount
1.	Non/short levy of dead rent/royalty	310	28.04
2.	Non-assessment of rural infrastructure and road development tax	255	39.69
3.	Short realisation of contract money in trade quarries	36	1.26
4.	Non-levy of interest on belated payments	122	0.95
5.	Other observations (Non-recovery of royalty on conversion factor from lime stone into cement, Mines not auctioned and operated due to environment clearance, short recovery of Stamp duty & Registration fees etc.)	374	69.02
<b>Total</b>		<b>1,097</b>	<b>138.96</b>

The Department accepted non/short realisation/levy of revenue and other deficiencies of ₹ 78.19 crore in 1,024 cases, which were pointed out in audit during the year 2014-15 and recovered ₹ 3.19 crore in 132 cases.

A few illustrative cases involving ₹ 15.37 crore highlighting important audit findings are mentioned in the following paragraphs.

### **7.3 Non/Short realisation of rural infrastructure and road development tax on idle mines**

**Two hundred ten mining lessees had paid ₹ 5.67 lakh of rural infrastructure and road development tax against the payable amount of ₹ 6.47 crore for the period 2013-14. This resulted in short realisation of revenue amounting to ₹ 6.41 crore.**

We observed (between April 2014 and February 2015) during scrutiny of individual case files of major minerals in respect of mining leases of 10 District Mining Offices<sup>1</sup> that 210 mining lessees out of 796 mining lessees test checked had paid ₹ 5.67 lakh as rural infrastructure and road development tax for the period of 2013-14, against the payable amount of ₹ 6.47 crore in 210 mining leases at the rate of ₹ 4,000 per hectare per year on 16,175 hectare of idle mines as per provisions of Madhya Pradesh Rural Infrastructure and Road Development Act, 2005 and its subsequent notification of November 2010. The Department did not initiate any action for the realisation of the tax. Though every lease holder had to deposit tax by the last day of each quarter in terms of Rule 7 of the Act, the Department did not collect tax every quarter. This resulted in short realisation of revenue of ₹ 6.41 crore.

After we pointed out the cases (between April 2014 and February 2015), District Mining Officers (DMOs) Chhindwara, Damoh, Narsinghpur, Neemuch, Sidhi and Tikamgarh stated that action of recovery would be taken after scrutiny of records. DMOs Anuppur, Katni, Satna and Shahdol stated that after issuing demand notice, amount would be recovered.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

### **7.4 Short levy of Stamp duty and Registration fees on instruments of lease deeds of mines**

**The Department failed in safeguarding the revenue interest of the State as instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of mining leases were executed on stamp papers of ₹ 100 resulting in short realisation of Stamp Duty and Registration Fees of ₹ 4.01 crore.**

We observed (between April 2014 and June 2014) during test check of case files of trade quarry at DMOs Katni and Tikamgarh regarding leases sanctioned to MP State Mining Corporation Limited (MPSMCL) that the Corporation entered into an agreement for sand mining with four contractors in July 2013 for the period of two years for ₹ 45.81 crore.

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<sup>1</sup> Anuppur, Chhindwara, Damoh, Katni, Narsinghpur, Neemuch, Satna, Shahdol, Sidhi and Tikamgarh.

In these cases, Stamp Duty of ₹ 2.29 crore was leviable as per instructions issued in March 1993 by Mineral Resources Department, Government of Madhya Pradesh, according to which full amount of contract money should have been treated as premium for the purpose of levy of Stamp Duty. Besides, as per Indian Registration Act, 1908, Registration Fee at the rate of 75 per cent of Stamp Duty amounting to ₹ 1.72 crore was also leviable. MPSMCL however, executed a contract on a stamp paper of ₹ 100 in each case. This resulted in short levy of stamp duty and registration fee of ₹ 4.01 crore as detailed in **Appendix-XXIV**.

After we pointed out the case, DMO, Katni stated (June 2014) that audit would be intimated after forwarding the case to collector of stamp and DMO, Tikamgarh stated (April 2014) that objected para was not related to this office.

We do not agree with the reply of DMO, Tikamgarh as the MPSMCL was a lessee of the Mineral Resources Department and it was the responsibility of the lessee to pay all Government dues as per rules and also it was an equal responsibility of the Mineral Resources Department to safeguard the revenue interests of the State.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

## **7.5 Non/Short realisation of dead rent**

**The Department recovered dead rent amounting to ₹ 9.11 lakh against the recoverable amount of ₹ 1.31 crore from quarry leases as per the provisions of Madhya Pradesh Minor Mineral Rules, 1996, while in the cases of mining leases, fifty three lessees holding mining lease had not paid the amount of dead rent of ₹ 57.09 lakh due for the period January 2013 to January 2014. This resulted in non- realisation of dead rent of ₹ 1.79 crore.**

### **7.5.1 Non/Short realisation of dead rent of quarry lease**

We observed (between May 2014 and March 2015) during scrutiny of individual files of lessees in 21 District Mining Offices<sup>2</sup> that 125 quarry lessees out of 435 test checked, had paid dead rent of ₹ 9.11 lakh against the payable amount of ₹ 1.31 crore for the period from January 2010 to December 2014.

The Department also did not take any action as per Rule 30(1)(a) of Madhya Pradesh Minor Mineral Rules, 1996 to recover the unpaid balance of Government money as dead rent should have been recovered on or before the twentieth day of the first month of the year. Not doing so resulted in short realisation of dead rent of ₹ 1.22 crore.

After we pointed out the cases (between May 2014 and March 2015), DMOs stated that action of recovery would be taken after scrutiny of record, demand notices would be issued and audit would be intimated after recovery of due amount.

<sup>2</sup> Anuppur, Balaghat, Betul, Bhopal, Burhanpur, Chhatarpur, Chhindwara, Dhar, Gwalior, Harda, Hoshangabad, Katni, Raisen, Ratlam, Sagar, Satna, Shahdol, Shajapur, Singrouli, Umaria and Vidisha

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

### **7.5.2 Non/Short realisation of dead rent of mining lease**

We observed (between June and September 2014) during scrutiny of case files that out of 555 leases in five District Mining Offices<sup>3</sup> (DMOs), 53 lessees holding 194 mining leases had not paid the amount of dead rent of ₹ 57.09 lakh due for the period January 2013 to January 2014 contravening the provisions of Section 9 A (i) of the Mines and Minerals (Development and Regulation) Act 1957, which stated that every lessee of a mining lease has to pay royalty in respect of minerals consumed or removed from the leased area. The DMOs also did not issue demand notice to recover the dead rent. This resulted in non- realisation of dead rent of ₹ 57.09 lakh (**Appendix XXV**).

After we pointed this out, all DMOs stated that action of recovery would be taken after scrutiny.

We reported the matter to the Government and the Department (May 2015), their replies have not been received (November 2015).

## **7.6 Short realisation of royalty**

**Two lessees had paid royalty of ₹ 5.83 crore between January 2012 and December 2013 for consumption/transportation of minerals against the payable amount of royalty of ₹ 6.81 crore, while in the cases of royalty on quarry leases, we observed that 34 lessees had paid royalty of ₹ 1.09 crore in respect of minerals removed between January 2009 and December 2014 against payable amount of ₹ 1.74 crore, resulting in short realisation of royalty of ₹ 1.63 crore.**

### **7.6.1 Short realisation of royalty on mining lease**

We observed (between May and June 2014) during scrutiny of case files, assessment and annual production statement of District Mining Office, Katni and District Diamond Office, Panna that two lessees had paid ₹ 5.83 crore between January 2012 and December 2013 for consumption/transportation of Diamond stones, bauxite (Refractory and Cement Grade), laterite and fire clay against the payable amount of royalty of ₹ 6.81 crore.

District Mining Officer, Katni and District Diamond Officer, Panna did not initiate action to recover the outstanding amount of royalty as per provisions of Section 9(i) of the Mines and Minerals (Development and Regulation) Act, 1957. This resulted in short realisation of royalty of ₹ 98.09 lakh. Had the District Mining Officer and District Diamond Officer scrutinised the returns on time as per Departmental instructions, short realisation of royalty could have been avoided.

After we pointed this out (between May and June 2014); District Mining Officer and District Diamond Officer stated that audit would be intimated after taking action as per rule.

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<sup>3</sup> Anuppur, Chindwara, Katni, Sagar and Satna

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (October 2015).

### 7.6.2 Short realisation of royalty on quarry lease

We observed (between May 2014 and January 2015) during scrutiny of case files and returns of total 1031 quarry lease holders in 10 District Mining Offices<sup>4</sup> that 34 lessees out of 93 lessees test checked had paid royalty of ₹ 1.09 crore in respect of mineral removed between January 2009 and December 2014 against payable amount of ₹ 1.74 crore as per Rule 30(1) (b) of Madhya Pradesh Minor Mineral Rules, 1996, which resulted in the short realisation of royalty of ₹ 64.54 lakh. Case files also revealed that DMOs did not initiate any action to recover the revenue.

After we pointed out the cases (between May 2014 and January 2015) DMO Dewas stated that audit would be intimated after the recovery of due amount, the other DMOs stated that necessary action for recovery would be ensured as per rule after scrutiny.

We reported the matter (May 2015) to the Government and the Department; their replies have not been received (November 2015).

## 7.7 Non/Short realisation of contract money in trade quarries

**The Department recovered contract money of only ₹ 3.34 lakh for agreement of trade quarries in 28 cases, against recoverable amount of ₹ 65.74 lakh resulting in non/short realisation of contract money of ₹ 62.40 lakh.**

We observed (between May and November 2014) in 112 cases test checked out of 126 cases of trade quarries in nine District Mining Offices<sup>5</sup> for the period 2011-14 that in 28 cases, contract money of ₹ 65.74 lakh was due from contractors, against which an amount of ₹ 3.34 lakh only was recovered. The department did not initiate any action to realise the contract money as per Rule 37(1) of Madhya Pradesh Minor Mineral Rules, 1996, and condition No. 5(i) and 9 of the contract agreement. This resulted in non/short realisation of contract money of ₹ 62.40 lakh from 28 contractors as detailed in **Appendix-XXVI**.

After we pointed this out (between May and November 2014), District Mining Officer (DMO) Shajapur stated that action of recovery would be taken. DMO Harda, Ratlam, Umaria, Vidisha stated that audit would be intimated after action of recovery. DMO Morena, Sheopur and Shivpuri stated that audit would be intimated about recovery after scrutiny. DMO Sidhi stated that quarry was closed in compliance with Hon'ble Supreme Court's order dated 27 February 2012 due to not getting environmental clearance from Forest and Environment Control Board, Bhopal and quarry was reopened on 21 May 2013 and contract money was deposited according to rule by the contractor.

<sup>4</sup> Betul, Bhopal, Dhar, Dewas, Harda, Panna, Raisen, Rewa, Satna and Shahdol

<sup>5</sup> Harda, Morena, Ratlam, Shajapur, Sheopur, Shivpuri, Sidhi, Umaria and Vidisha

We do not agree with the reply of DMO Sidhi as the contractor did not deposit contract money for the period when quarry was open between 21 May 2013 and 30 June 2013.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

### **7.8 Non-realisation of royalty against temporary permit issued**

**District Mining Officer failed to recover advance royalty of ₹ 46.00 lakh from contractor to whom permission for extraction, removal and transportation of minor mineral was granted to carry out Government work.**

We observed (May 2014) during scrutiny of the case files and temporary permits issued to contractor under DMO Satna that three temporary permits were issued to one contractor on 8 March 2013 for State Government construction work. The DMO did not collect the royalty payable in advance in accordance with the provisions of Rule 68 of Madhya Pradesh Minor Mineral Rules and instead issued permits without any payment by the contractor. This resulted in non-realisation of royalty of ₹ 46.00 lakh.

After we pointed out, DMO Satna stated (May 2014) that two temporary permits out of three were issued by giving acceptance in principle, since environmental clearance was not received from State Environment Impact Assessment Agency (SEIAA), therefore, the mineral was not excavated and there is no provision of realisation of revenue when mineral was not excavated. The reply of the Department is not accepted as environmental clearance from SEIAA was already there in all the three cases at the time of granting temporary permit and royalty should have been recovered under Rule 68.

We reported the matter to the Government and the Department (May 2015), their replies have not been received (November 2015).

### **7.9 Short realisation of royalty due to incorrect application of rate of royalty**

**The Department calculated sale price of minerals such as laterite, iron ore and manganese at lesser rate than the sale price of minerals specified by Indian Bureau of Mines. This resulted in short realisation of royalty of ₹ 13.78 lakh.**

As per Section 9(i) of the Mines and Minerals (Development and Regulation) Act, royalty has to be paid in respect of minerals removed or consumed from the leased area, at the rates specified in the Second Schedule of the Act. Further, as per Rule 64 (D) of the Mineral Concession Rules, State-wise sale prices for different minerals as published by Indian Bureau of Mines shall be the sale price for computation of royalty in respect of any mineral produced any time during a month in any mine in that State, and the royalty shall be computed as per the formula<sup>6</sup> given therein.

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<sup>6</sup> Royalty = Sale price of mineral (grade wise and Statewise) published by IBM \* Rate of royalty (in percentage) \* Total quantity of mineral grade produced/ dispatched.



We observed (February 2015) during scrutiny of the records of District Mining Offices Balaghat and Jabalpur for the period 2013-14 that lessees in three cases, dispatched 78,654.095 metric tons (laterite, iron ore and manganese) ore from leased area (between January and December 2013). The Department calculated the sale price of minerals at lesser rate than the sale price of minerals specified by Indian Bureau of Mines. Thus, royalty was assessed short by ₹ 13.78 lakh, resulted in short realisation of royalty to this extent.

After we pointed out (between February and March 2015) DMOs stated that compliance report would be sent separately.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

## 7.10 Non-levy/realisation of interest on belated payments

**The Department did not levy interest of ₹ 31.28 lakh on belated payments of royalty/dead rent /contract money by lessees in respect of mining leases, trade quarries and quarry leases as per the provisions of the Rules.**

### 7.10.1 Mining lease

We observed (August/September 2014) during scrutiny of the case files of major mineral leases in District Mining Offices Anuppur and Chhindwara, for the period 2013-14, that two lessees out of nine lessees test checked had delayed payments of royalty/dead rent by 258 to 1,718 days between January 2008 and December 2013. Though as per Rule 64 (a) of Mineral Concession Rules, 1960, lessee had to pay royalty, rent and rates by the prescribed date, failing which he was liable to pay simple interest at the rate of 24 *per cent* per annum from the sixtieth day of the expiry of the stipulated date till the date of payment of such royalty.

In these cases, no action was taken by the department to assess and recover the amount of interest of ₹ 6.96 lakh on belated payments. This resulted in non-realisation of interest of ₹ 6.96 lakh.

After this was pointed out in March 2015, DMO Anuppur stated that audit would be intimated after recovery of the amount and DMO Chhindwara stated that action would be taken after scrutiny of the cases.

### 7.10.2 Trade Quarry

We observed (July to September 2014) during scrutiny of 59 trade quarries test checked out of 144 trade quarries in five DMOs<sup>7</sup> for the period April 2011 to March 2014 that in these 59 trade quarries owned by 26 contractors, payments were delayed by seven to 452 days. This was not in consonance with Rule 37(i) of Madhya Pradesh Minor Mineral Rules, 1996 and condition No. 5(i) of contract agreement, which required contractors of trade quarries to pay contract money on or before the dates indicated in their contract agreement, failing which, the contractors were liable to pay, in addition to the contract money, interest at the rate of 24 *per cent* per annum till the default continued.

<sup>7</sup> Anuppur, Chhindwara, Jabalpur, Panna and Shajapur

The Department did not issue the demand note for the recovery of interest on these belated payments, resulting in non-levy of interest of ₹ 11.11 lakh .

After this was pointed out, the DMOs stated that recovery of dues would be made after scrutiny.

### 7.10.3 Quarry lease

We observed (April, August and December 2014) during scrutiny of the records of quarry leases in seven DMOs<sup>8</sup> for the period between April 2011 and March 2015 that out of total 697 quarry leases, we test checked 183 quarry leases and found that in 45 quarry leases payments of dead rent/royalty were delayed ranging between 16 to 1,357 days.

As per Rule 30(i)(d) of Madhya Pradesh Minor Mineral Rules, 1996, lessees of quarry leases were required to pay dead rent or royalty under sub-rule (a) and (b) on or before the 20<sup>th</sup> day of first month of the year, failing which they were liable to pay interest at the rate of 24 *per cent* per annum till the default continued. However, the Department did not levy any interest on these belated payments. This resulted in non-levy of interest of ₹ 13.21 lakh. **(Appendix-XXVII).**

After this was pointed out (December 2014 and March 2015), DMO Dewas, Shivpuri and Ujjain stated that audit would be intimated after recovery of payable amount; the other DMOs stated that action would be taken after scrutiny.

We reported the matter (May 2015) to the Government and the Department, their replies have not been received (November 2015).

## 7.11 Internal Audit

Internal audit is a vital arm of internal control mechanism and is generally defined as the control of all controls. It helps the organisation to assure that the prescribed systems are functioning reasonably well.

The Department stated that no internal audit wing existed in the Department and therefore internal audit of the mining units was not conducted during the period 2009-10 to 2014-15.

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<sup>8</sup> Dewas, Harda, Hoshangabad, Panna, Shivpuri, Tikamgarh and Ujjain



# **CHAPTER – VIII**

## **FOREST RECEIPTS**

## Chapter-VIII Forest Receipts

### 8.1 Results of audit

In 2014-15, test check of records of 81 units of Forest Department showed non/ short recovery of royalty, non-levy of interest / extension fee and other irregularities involving ₹ 199.08 crore in 52 cases, which fall under the following categories in the **Table 8.1** below.

**Table-8.1**

(₹ in crore)			
Sl. No.	Particulars	Number of cases	Amount
1.	Performance Audit on “ <b>Forest Receipts in Madhya Pradesh</b> ”	1	173.44
2.	Loss of revenue due to classification of timber into fuel wood/Loss of revenue due to lower production of timber vis-à-vis estimated production	4	3.24
3.	Losses due to auction of wood below upset price	6	0.48
4.	Losses due to non-disposal of forest produce confiscated	7	1.34
5.	Blockage of revenue due to non felling of marked trees	2	4.37
6.	Arrears in recovery of Forest Revenue	8	4.40
7.	Blockage of revenue due to incorrect estimation of woods extracted and non-transportation of woods extracted	2	9.22
8.	Blockage of revenue due to non-felling of trees in marked coupes/short extraction of bamboos than estimation	2	0.85
9.	Other irregularities	20	1.74
<b>Total</b>		<b>52</b>	<b>199.08</b>

The Department accepted underassessment and other deficiencies of ₹ 8.23 lakh in one case which were pointed out in audit during the year 2014-15.

Audit findings of the Performance Audit on “**Forest Receipts in Madhya Pradesh**” having money value of ₹ 173.44 crore are discussed in the following paragraphs:

## 8.2 Performance Audit on “Forest Receipts in Madhya Pradesh”

### Highlights

We test checked the records related to Forest Receipts in Madhya Pradesh between December 2014 and June 2015. It revealed a number of deficiencies relating to non-implementation of Working Plan, shortage in production, shortage in forest receipts and lack of monitoring involving financial effect of ₹ 173.44 crore. Some of the important findings are highlighted as follows:

The production of timber and fuel wood was 11 to 95 *per cent* below the estimated production in 250 coupes of nine Divisions. Further, in 426 other coupes of eight Divisions, though variation in overall production was within 10 *per cent* of the estimation, the production of timber which is more valuable was 11 to 100 *per cent* short of estimation. This resulted in loss of ₹ 69.23 crore.

**(Paragraph 8.2.9)**

The Forest Department did not reconcile data regarding the quantity of minerals extracted and transported through forest area with the Mining Department. This resulted in short recovery of transit fee for transportation of minerals by ₹ 12.23 crore.

**(Paragraph 8.2.12)**

The e-auction was not implemented even after nine years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

**(Paragraph 8.2.16)**

Forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore.

**(Paragraph 8.2.18)**

The forest produce sent from coupe was found short on transportation to depot resulting in loss of ₹ 2.07 crore.

**(Paragraph 8.2.20 and 8.2.21)**

Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

**(Paragraph 8.2.23)**

Value Added Tax (VAT) recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in overstatement of receipt and expenditure.

**(Paragraph 8.2.29)**

There was lack of preparation/ maintenance of necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.

**(Paragraph 8.2.19, 8.2.27, 8.2.31 and 8.2.32)**

The rate of handling charge levied on private producers was not revised for eight years.

(Paragraph 8.2.33)

### 8.2.1 Introduction

Forests of Madhya Pradesh are spread over an area of 94,689 sq Km, which is 30.72 *per cent* of the total geographical area of the state (3,08,245 sq Km) and 12.10 *per cent* of the total forest area of the country. The forest cover is concentrated in the central, eastern and southern parts of the state. The main forest products, which generate revenue in wood category are timber, bamboo, fuel wood and *Khair* while in non-wood category these are *tendu patta*, Sal seed, *harra*, gums, *chironji*, flowers and seeds of *mahua* etc. In addition, compensation including fine imposed in forest offence cases, supervision charges on compensatory afforestation, transit fees on minerals transported through forest area, etc are also the sources of forest receipts. MP Minor Forest Produce Federation is engaged in trade of non-wood produce, while trade in wood produce is done departmentally through auction and by *nistari*<sup>1</sup> sale to consumers. Forest receipt is a major source of non-tax revenue for the Government, during the period 2010-11 to 2014-15, it ranged between 9.34 and 14.63 *per cent* of total non-tax revenue of the State.

### 8.2.2 System for management of forest

Forest Department manages the forests through its various General and Production Divisions. Divisions are subdivided into 'Ranges' which are further divided into 'Circles'. The 'Compartment' is the smallest unit of forest for its management whereas 'Coupe' is a demarcated forest area where the exploitation is to be carried out.

General Divisions are engaged in various territorial activities such as security, improvement of forest, marking of trees for felling, etc. and Production Divisions are engaged in felling, transportation and selling of forest produce. In forest areas with lesser production, General Divisions also execute the works of Production Divisions.

Forests are managed according to the provisions of Working Plan (WP), which are prepared for a period of 20 years by the separate working plan Divisions of Forest Department, headed by PCCF (Working Plan and Forest Land-record) and are approved for each Division for a period of ten years by the Ministry of Forests and Environment, Government of India (GoI). The WPs contain detailed scheme of management for silvicultural<sup>2</sup> operations, which includes formation of working circles, demarcation of coupes, felling of trees and post felling treatment such as clearing of bushes and plantations etc.

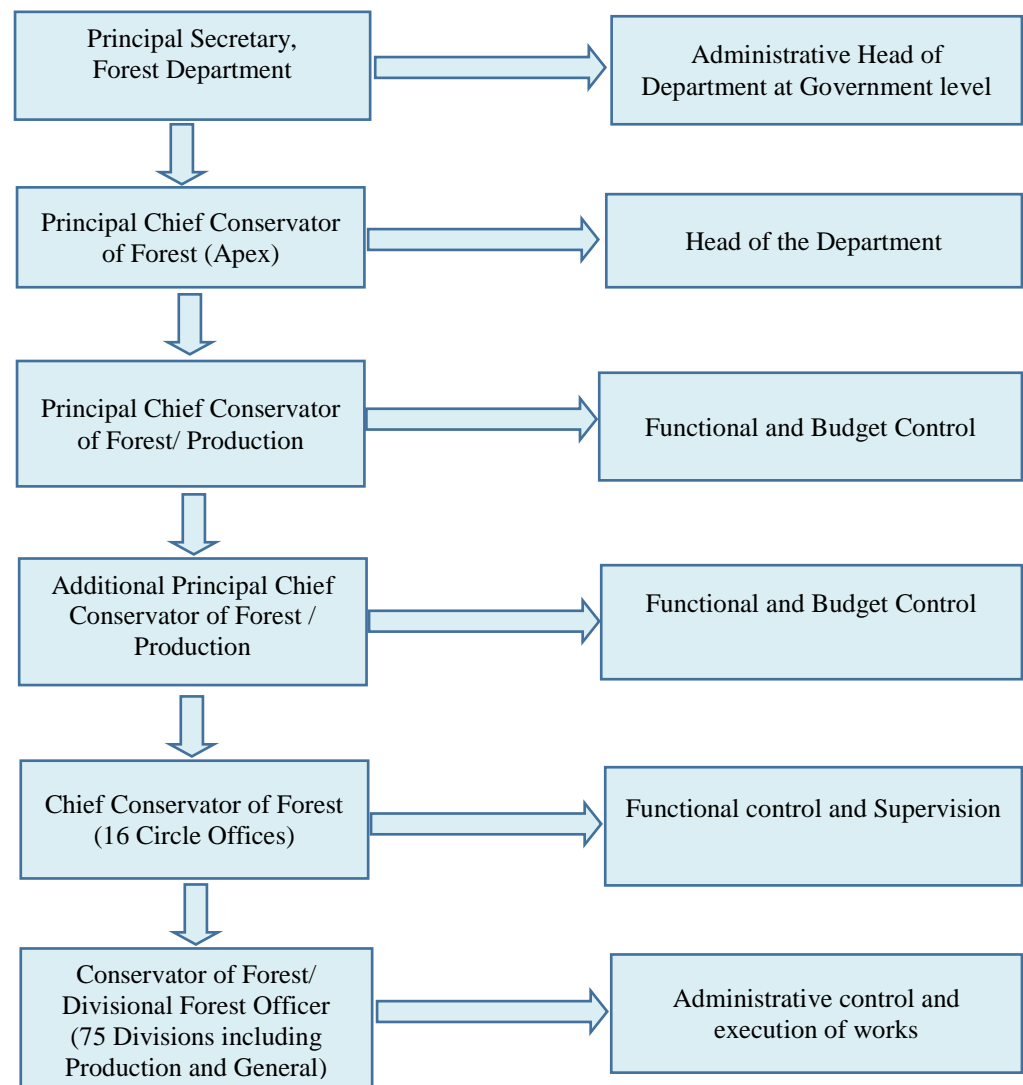
<sup>1</sup> To provide fuel woods, bamboos and poles to nearby inhabitants at concessional rates.

<sup>2</sup> Silviculture is the art and science of controlling the establishment, growth, composition and quality of forest vegetation for the full range of forest resource objectives.

### 8.2.3 Organisational set up

The Department functions under the overall control of the Principal Secretary (PS) at the Government level while the Principal Chief Conservator of Forests (PCCF) is the head of the Department and is responsible for the overall administration of the Department. The hierarchy and responsibilities of the Department thereupon is shown in **Chart 1**:

**Chart 1: Showing organisational set up**



The CF/ DFO is in-charge of the Territorial/ General/ Production Divisions assisted by Sub Divisional Officer (SDO) and Range Officer (RO). The RO is assisted by Deputy RO, Foresters and Forest Guards.

### 8.2.4 Audit Scope and methodology

The Performance Audit was conducted during the period December 2014 to June 2015 and the records pertaining to the period 2010-11 to 2014-15 were

examined in 18 Divisions<sup>3</sup> out of 75 Divisions selected on the basis of stratified random sampling and the office of the Additional PCCF (Production).

### 8.2.5 Audit criteria

Performance audit was based on criteria derived from:

- The Indian Forest Act, 1927; Forest Conservation Act, 1980 and MP *Van Upaj (Vyapar Viniyaman) Act*, 1969;
- Madhya Pradesh *Vanopaj (Vyapar Viniyaman) Kashtra* rules, 1973, *Van Upajon ka Vyayan (disposal) Niyam*, 1974, Madhya Pradesh Finance Code (MPFC) , Madhya Pradesh Treasury Code (MPTC) and Madhya Pradesh Forest Financial Rules (MPFFR); and
- Instructions and orders issued by the Government and the Department.

### 8.2.6 Audit objectives

The Performance Audit was conducted to assess whether:

- marking, felling and extraction activities envisaged in the working plan were being followed economically, efficiently and effectively;
- the forest receipts were assessed and collected efficiently to optimise the revenue; and
- the internal control mechanism and accounting system were efficient and effective.

### 8.2.7 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Forest Department for providing necessary information and records to audit. The scope and methodology of audit was discussed with the Principal Secretary of the Forest Department in an entry conference held on 27 March 2015. Draft Performance Audit report was issued to the Government on 27 July 2015. The findings of the Performance Audit were discussed with Principal Secretary of the Forest Department and APCCF (Production) in the exit conference held on 12 October 2015. Replies of the Government were received (November 2015) and suitably incorporated. The views of the Government/ Department have been suitably incorporated in the Performance Audit. All the seven recommendations of the audit were accepted by the Department.

### 8.2.8 Trend of Forest Receipts

According to Rule 128 of MPFFR, the DFOs prepare the annual budget estimates of receipts on the basis of receipts of the previous year and the anticipated receipts for the next year. These are submitted to the PCCF

<sup>3</sup> Six General Divisions - Burhanpur, Khandwa, Dewas, Betul North, Chhindwara West and Chhindwara South; Five other General Divisions (engaged also in Productions works)- Sehore, Gwalior, Sidhi, Singrauli and Katni; Seven Production Divisions- Khandwa, Chhindwara, Mandla, Dindori, Balaghat North, Harda and Seoni

through the CCF of the circle and finally sent to the Finance Department for approval.

The trend of revenue received for the last five years ending 31 March 2015 is given in **Table 8.2**.

**Table-8.2**

(₹ in crore)

Year	Budget estimation	Actual receipts	Variation	Percentage Increase (+)/ decrease (-)	Percentage share of Forest receipts in non tax receipts
2010-11	1,000.00	836.61	(-) 163.39	(-) 16.34	14.63
2011-12	1,027.32	878.81	(-) 148.51	(-) 14.46	11.74
2012-13	969.04	910.38	(-) 58.66	(-) 6.05	13.00
2013-14	1,100.00	1,036.80	(-) 63.20	(-) 5.75	13.46
2014-15	1,250.23	968.77	(-) 281.46	(-) 22.51	9.34
<b>Total</b>	<b>5346.59</b>	<b>4,631.37</b>			

(Source: Finance accounts and Budget estimates of Government of Madhya Pradesh)

During the period 2010-11 to 2014-15, the Forest Department collected revenue of ₹ 4,631.37 crore against the budget estimate of ₹ 5,346.59 crore in various sub-heads such as sale of timber and other forest produce, receipts from social and farm forestries, State trading in timber, bamboo and other receipts. In the years 2010-11, 2011-12 and 2014-15, there was variation of 16.34, 14.46 and 22.51 *per cent* respectively from budget estimates which implies that the estimations were unrealistic. The variation in actual realisation came down to 6.05 and 5.75 *per cent* respectively for the years 2012-13 and 2013-14.

During the period 2010-11 to 2014-15, the share of forest receipts in the non tax receipts decreased from 14.63 *per cent* to 9.34 *per cent*.

The Government did not furnish reply (November 2015).

## Audit findings

### Shortfall in forest produce

#### 8.2.9 Loss of revenue due to low yield of timber

**The production of timber and fuel wood was 11 to 95 per cent below the estimated production in 250 coupes of nine Divisions. Further, in 426 other coupes of eight Divisions, though variation in overall production was within 10 per cent of the estimation, the production of timber which is more valuable was 11 to 100 per cent short of estimation. This resulted in loss of ₹ 69.23 crore.**

Marking of coupes due for exploitation and estimation of timber/ fuel wood to be obtained out of the marked coupes is done by the General Division. As per instructions issued by the CCF (P) (January 1984), 10 *per cent* variation between estimated and actual yield of timber and fuel wood is permissible. PCCF further clarified (March 2004) that the reason for high variation may be investigated and reconciled by joint inspection during exploitation by the authorities of both General and Production Divisions.

We scrutinised felling progress report and other records of felling in 12 Divisions and observed that in 193 out of 2,900 coupes of eight<sup>4</sup> Divisions, actual production was 24,896.915 cu m timber and 26,249 fuel stacks against the estimated production of 37,119.563 cu m timber and 38,190 fuel stacks during the period 2010-11 to 2014-15. The shortage of production varied between 11 and 85 *per cent* in various coupes. There was nothing on record to establish that joint inspection was carried out in these coupes. The shortfall in production resulted in loss<sup>5</sup> of ₹ 27.08 crore of revenue.

Further, Working Plan of Sehore (G) Division prescribed treatment in 62 coupes under SCI circle. During the period 2010-11 to 2013-14, in 57 coupes out of these 62 coupes, as against estimated yield of 17,995.850 cu m timber, actual production of 7,330.332 cu m timber was obtained, which was 15 to 95 *per cent* short of estimation in different coupes. There was short production of 5,488.818 cu m<sup>6</sup> timber. This resulted in loss of ₹ 11.50 crore of revenue.

Further, in 426 other coupes of eight Divisions<sup>7</sup>, the estimated production of timber and fuel was 1,35,306.105 cu m and 63,024 stacks against which actual production was 1,03,025.66 cu m and 1,06,138 stacks respectively. Though the overall production was within the limit of 10 *per cent* shortage, the production of timber was 11 to 100 *per cent* short of estimation which was compensated by the increase in fuel wood production, resulting in loss of ₹ 30.65 crore.

The Government stated (November 2015) in respect of Balaghat North (P) Division that the estimated production had been revised in joint inspection and actual production was within 10 *per cent* limit. In respect of Harda (P) and Dindori (P) it was stated that the production of timber and fuel wood depend on whether the tree was green, dead or diseased and the General Division marked trees and estimated production on the basis of form factor which may vary in excess of 10 *per cent*. In respect of Seoni (P) it was stated that the actual production was 10 *per cent* below as well as above the revised estimated production in different coupes. The reply in respect of other six Divisions had not been furnished.

The reply in respect of Balaghat North (P) Division is not acceptable as the joint inspection to revise estimation was to be carried out during the felling of trees as per directions (March 2004) of PCCF, whereas the joint inspection was carried out after the felling, which serves no useful purpose. The reply in respect of Harda (P) and Dindori (P) is not correct as production of timber and fuel wood depends on state of tree i.e. Sound, Half sound and fuel, which is mentioned in the marking book and the estimation is based on it. The reply in

<sup>4</sup> Khandwa (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Katni (G)

<sup>5</sup> The loss has been calculated by deducting 10 *per cent* permissible variation. The amount is arrived at by using average auction rate for mixed timber sold during the period 2010-11 to 2014-15 and corresponding amount received in selected divisions (total amount divided by the total quantity) and nistar rate for fuel stacks

<sup>6</sup> 5488.818 (Short Production) = 17995.850 (Estimated Production) - 7330.332 (Actual Production) - 3377.115 (Seized material in Forest offence cases) - 1799.585 (10 *per cent* of Estimated Production)

<sup>7</sup> Khandwa (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Harda (P)



respect of Seoni (P) is not correct as the audit observation pertains to the coupes where variation is in excess of 10 *per cent* limit.

#### **8.2.10 Loss of revenue due to low yield of bamboo**

**The production of bamboo was below the estimation and there was short production of commercial bamboo compensated by the increase in production of industrial bamboo, resulting in a loss of ₹ 10.37 crore.**

The CCF (P) clarified (June 1995) that no variation is permissible between estimated and actual yield in case of bamboo exploitation.

Following irregularities were observed in extraction of bamboo from felling progress report and other records of felling:

**8.2.10.1** In six<sup>8</sup> out of 12 Divisions, the shortfall in the actual yield (12352.530 NT industrial and 19146.094 NT Commercial) of bamboo ranged between 10 and 100 *per cent* in various coupes against the estimated yield (19950.736 NT industrial and 27280.092 NT Commercial), which resulted in loss of revenue<sup>9</sup> of ₹ 9.68 crore.

The Government stated (November 2015) in respect of Balaghat North (P) and Harda (P) that at Division level the actual production was in excess of estimation. In respect of Mandla (P), the Government stated that the estimation of General Division was not a binding limit in case of bamboo coupes and required bamboos were extracted during silvicultural operation and in respect of Seoni (P) stated that the overall production (Industrial and Commercial bamboo) of the Division was within 10 *per cent* of permissible limits. The reply in respect of other two Divisions had not been furnished.

The replies are not in consonance with the directions (June 1995 and January 2005) of PCCF which state that variation in actual production vis-à-vis estimated production was to be taken coupe-wise.

**8.2.10.2** In two Divisions, Khandwa (P) and Balaghat North (P), though the overall production increased in 18 coupes of Industrial and Commercial Bamboo to 7,939.649 NT and 2,308.531 NT against the estimated production of 4,653.924 NT and 3,916.776 NT. Thus due to decrease in the production of commercial bamboo by four to 100 *per cent* from estimation, Government suffered loss of revenue amounting to ₹ 69.49 lakh.

The Government stated (November 2015) in respect of Balaghat North (P) that the reasons for increase in industrial and decrease in commercial bamboo was ecological and biological, the monkeys destroys first year bamboo (*Karla*). The reply in respect of Khandwa (P) Division was not furnished.

The reply is not acceptable as the marking and estimation takes place in third year (one year prior to the felling), thus, the incidence of the first year is taken care of in the estimation.

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<sup>8</sup> Khandwa (P), Mandla (P), Balaghat North (P), Harda (P), Seoni (P) and Katni (G)

<sup>9</sup> The calculation by audit is based on the sanctioned rates for Industrial Bamboo and average rate of auction for Commercial Bamboo

### 8.2.11 Loss of revenue due to illicit felling

**During the marking of coupes for felling, 14 to 72 per cent stumps and pollards were found in place of trees however, Preliminary Offence Report (POR) were not found registered resulting in loss of ₹ 6.51 crore.**

The Government issued instructions (February 2004) to ensure accountability of all the officials from Forest Guard to DFO in cases of illicit felling, and envisaged action against them if lapses occurred on their part. The PCCF directed (March 2005) that Range Assistant would note in the summary of the marking book about the stumps available in the coupe, whether POR is registered for these stumps or not and the reasons for their occurrence. The RO would put a note of verification and SDO would consent to it.

We observed in nine Divisions<sup>10</sup> that during the period 2010-11 to 2014-15, out of 1,29,650 trees marked for felling in 127 coupes, 45,539 trees were stumps or pollards<sup>11</sup>, which varied between 14 and 72 per cent of the total trees marked in these coupes. The note regarding registering of POR was not found in the summary of the marking books in any of the above cases. Occurrence of illicit felling at such a large scale, resulted in a loss of ₹ 6.51 crore to the Government (**Appendix XXVIII**). Further, no enquiry or action initiated against officials/officers for these lapses was seen in audit.

The Government stated (November 2015) in respect of Balaghat North (P) that action taken on stumps and pollards was not entered in marking books by the General Division. In respect of Dindori (P), the Government stated that POR of 166 felled trees were filed and the remaining 508 trees were felled in the storm. In respect of Mandla (P), the Government stated that the General Division was responsible for action. In respect of Singrauli (G) it was stated that certificate in respect of registering of forest offence cases had been obtained from concerned officials. The reply in respect of other five Divisions was not furnished.

The reply in respect of Balaghat North (P) and Mandla (P) is not acceptable as revision of marking had not been taken up with General Division. The reply in respect of Dindori (P) is not correct as marking books did not have entries regarding POR and felling in storm, the records to support reply were not provided as well. The reply in respect of Singrauli (G) is not acceptable as records regarding registering of the POR were not produced in support of reply.

<sup>10</sup> DFO (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli, Katni and DFO (P) Mandla, Dindori, Balaghat North

<sup>11</sup> Stumps are remains of illicitly felled tree of height up to 1 m and Pollards are of height 1 to 2 m

## Non/short recovery of forest receipts

### 8.2.12 Non/short recovery of transit fee

**The transit fee for transportation of minerals extracted from forest area was short recovered by ₹ 12.23 crore.**

GoMP issued (May 2001) directions regarding transportation of minerals from forest land under which leaseholder shall pay the transit fees at a rate of ₹ seven per MT coal and limestone etc., along with the royalty payable to the Mining Department. The leaseholder shall also submit all the monthly/half yearly report to DFO which are prescribed by the Mining Department. Mining Department shall provide record relating to the recovery of transit fee to the DFO from time to time; thereafter transit fee will be adjusted in the revenue head – 0406 of the Forest Department.

We observed in two General Divisions, Singrauli and Sidhi that in two cases<sup>12</sup>, during 2010-11 to 2014-15, 1.75 crore MT mineral was transported as seen from the records of Mining Department, making a liability on lease holders to pay ₹ 12.28 crore transit fee to the Department. In these two cases lease holders through monthly report, declared the transportation of 69.45 lakh MT mineral, however, deposited an amount of only ₹ five lakh on account of transit fee. On the basis of the statement of leaseholders, the Department raised the demand of balance ₹ 4.81 crore<sup>13</sup> against these leaseholders.

Further, there is no system prescribed in the Forest Department to reconcile the quantity of mineral corresponding to which the royalty was paid by the leaseholder to the Mining Department. In the absence of such a system, the transportation of 1.06 crore MT of mineral did not come to the notice of Forest Department and hence demand for recovery of ₹ 7.42 crore was not even raised (November 2015). Thus, there was short declaration by 1.06 crore MT and short recovery of ₹ 12.23 crore of Transit fee.

Principal Secretary during the exit conference stated (October 2015) that matter would be enquired and issue would be discussed with Mining Department. The Government stated (November 2015) in respect of Sidhi (G) that the recovery of transit fee pertaining to Majhagava extension lime stone mine for ₹ 23.68 lakh had been made and remaining amount would be recovered soon.

**We recommend that the system of reconciliation with Mining Department of quantities extracted from forest land and transported may be strengthened.**

<sup>12</sup> Muher-Amroli coal block, Singrauli (₹ 4.36 crore) of Sasan Ultra Mega Power Ltd. and Majhagava extension lime stone mine, Sidhi (₹ 0.47 crore) of Jaiprakash Associate Pvt. Ltd.

<sup>13</sup> 69.45 lakh MT (Declared transportation) x ₹ 7 per MT - ₹ 5.00 lakh (Deposited Amount) = ₹ 4.81 crore (Balance)

### 8.2.13 Short assessment and recovery of compensation in forest offence cases

**In 148 forest offence cases, there was short recovery of ₹ 12.07 lakh of compensation for seized forest produce.**

We observed in seven<sup>14</sup> out of 11 General Divisions that the value of forest produce seized was estimated at ₹ 7.39 lakh in 148 cases disposed off during 2010-11 to 2014-15. The offence cases against offenders, however, were compounded after recovery of compensation of ₹ 2.78 lakh instead of ₹ 14.85 lakh. This was violation of the provisions of Section 68 of IFA which prescribes that for compounding a forest offence cases by DFOs and SDOs, recovered amount in the shape of compensation should not be less than double the value of Forest produce. This resulted in short assessment and recovery of ₹ 12.07 lakh as compensation (**Appendix XXIX**).

The Government stated (November 2015) that reply would be furnished separately.

### 8.2.14 Non-levy of supervision charges in compensatory afforestation

**The supervision charges amounting to ₹ 67.59 lakh in Compensatory Afforestation project was not recovered from the user agency and in five other cases an amount of ₹ 5.45 crore received in lieu of supervision charges was deposited into CAMPA fund instead of Government Revenue.**

The GoMP, Forest Department directed (December 2004) that 10 *per cent* supervision charge on the project cost of compensatory afforestation shall be levied from user agency, except the Government Departments and shall be deposited into revenue head.

We observed in two General Divisions, Chhindwara South and Katni that in two forest land diversion cases of National Highway authority of India, compensatory afforestation (CA) projects for ₹ 6.76 crore were prepared. For execution of these CA projects, an amount of ₹ 67.59 lakh as supervision charges was leviable from user agencies, which was neither demanded nor collected. Thus, the Government was deprived of the revenue of ₹ 67.59 lakh.

Further, an amount of ₹ 5.45 crore was recovered from user agency on account of supervision charges in four cases of land diversion in Dewas, Singrauli, Sidhi and Katni General Divisions. This amount was deposited into CAMPA<sup>15</sup> fund instead of Revenue Head '0406' of the GoMP. Thus, the Government was deprived of revenue amounting to ₹ 5.45 crore.

The Principal Secretary, while accepting the audit's contention, stated in the exit conference (October 2015) that rectification would be done, however, no specific reply regarding recovery of supervision charges was made.

<sup>14</sup> Sehore, Burhanpur, Khandwa, Singrauli, Sidhi, South Chhindwara and Katni.

<sup>15</sup> CAMPA, compensatory afforestation management and planning authority is an autonomous body.

## Disposal of forest produce

### 8.2.15 Short realisation in sale of industrial bamboo

**The sale of industrial bamboo 30 to 58 per cent below average price received in previous year and non availing the option of local auction resulted in short realisation amounting to ₹ 2.38 crore.**

Forest produce inter-departmental committee has decided (September 2012) that disposal of industrial bamboo will be done by inviting tenders at headquarter level and APCCF (P)/ CCF (P) has been empowered to accept bids having highest rates. This order further stipulates that those lots, for which bids have not been received or received below the upset price, shall be disposed of by way of auction by the CCF having in charge of circle / DFOs in charge of divisions. For this purpose, these CCFs/DFOs shall have powers to dispose of these bamboos in auction as in case of sale of timber.

We observed from the records of APCCF (P) that during first tender invited (January 2014), for 16 lots of industrial bamboo, bids for seven lots were received below upset price while no bids were received for remaining nine lots. In second tender invited (February 2014), for these lots, only one bid was received for 14 lots while two to three bids were received for remaining lots. The bids so received were 30 to 58 per cent below upset price. However, the option of auction at Division level was not availed and industrial bamboo was sold below the upset price. This resulted in short-realisation of ₹ 2.38 crore.

The Government stated (November 2015) that reply would be furnished separately.

### 8.2.16 Non-implementation of e-auction

**The e-auction was not implemented even after nine years from its contemplation and incurring expenditure of ₹ 19.95 lakh.**

The GoMP issued (September 2006) instructions for implementation of electronic tendering by replacing the system of manual tendering. For setting up e-auction platform, Next Tenders (India) Pvt. Ltd. was appointed as consultant (May 2007).

GoMP formed (July 2009) a technical committee presided over by the APCCF (Production) for implementation of e-auction, which was to submit its recommendations on amendments in current procedure of auction as well as selection of agency. National Informatics Centre (NIC) submitted (October 2010) a report outlining the e-auction system, which was accepted (December 2010) by APCCF (IT). Meanwhile, PCCF (IT) informed (February 2012) NIC that the Department did not want it to develop the applications and Forest Department would develop applications of its own.

PCCF (IT) informed (October 2014) the APCCF (Production) that the viability study of two options- System developed by NIC and System developed by professional service provider- was going on and the decision on implementation of e-auction would be taken thereafter.

After incurring an expenditure of ₹ 19.95 lakh in nine years up to September 2015 on these exercises, the Department was not in a position to provide a definite time frame by which e-auction system would be implemented. Thus, the very purpose of transparency and competitiveness in auction system could not be fulfilled.

The Government stated (November 2015) that implementation of e-auction would take some more years as the infrastructure for its implementation was lacking. However, considering the advantages associated with e-auction, the Principal Secretary instructed the officials of the Forest Department in the exit conference (October 2015) to expedite the work of transition towards e-auction.

### 8.2.17 Lack of transparency in auction

**The auction process lacked transparency as details of second highest bidder and his signature was not recorded and presence of CF during auction was not ensured.**

The PCCF had issued (June 2008) certain directives regarding procedures to be followed for auction of timber in Depots. It was instructed that at the time of auction, CF shall compulsorily be present, auction process shall be audio and video graphed in those Depots, where regular complaints are being received and name and signature of second highest bidder shall be recorded in the bid-sheet. The objective of this entire procedure was to ensure transparency in the auction.

We observed in all the 11 Divisions<sup>16</sup> that the second highest bid and name of its bidders and their signatures were not recorded in any of the bid-sheets. Thus, the transparency in the auction was not ensured. Moreover the presence of the CF was also not confirmed from the records, though during the period 2010-11 to 2014-15, a total of 2,31,517 lots were auctioned and an amount of ₹ 2,071.53 crore was realised.

The Government stated in respect of seven Division<sup>17</sup> that the details and signature of the second highest bidder could not be obtained as during auction long process was to be followed in short time; in future the process would be adhered to; auctions were video graphed to ensure transparency. The reply in respect of other four divisions was not furnished.

The fact remains that the instructions issued by PCCF regarding presence of CF and details of second highest bidders were not adhered to.

### 8.2.18 Loss of revenue due to non-disposal of forest produce on time

**The forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore.**

<sup>16</sup> Sehore (G), Khandwa (P), Gwalior (G), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Seoni (P) and Harda (P)

<sup>17</sup> Khandwa (P), Sidhi (G), Chhindwara (P), Mandla (P), Dindori (P), Balaghat North (P), and Harda (P)

As per Rule 114A of Madhya Pradesh, Disposal of timber and Forest Produce Rules, 1974, useful life of felled timber and bamboo is five years and two years respectively. Therefore, timber and bamboo stored in depots should be disposed off in time to avoid deterioration in quality and to obtain optimum sale value.

Deficiencies noticed in non-disposal of forest produce are illustrated below:

**8.2.18.1** We observed in six<sup>18</sup> Divisions out of 18 Divisions that 1,094.414 cu m logs of timber, 1,617.835 cu m and 39,220 numbers of poles, 0.869 cu m *chiran* and 69 NT bamboo were pending for disposal in depot for periods ranging between one year and four years and their expiry was nearing. Thus, revenue of ₹ 6.93 crore remained blocked with risk of non disposal due to deterioration of quality of timber and bamboo.

The Government stated (November 2015) that 42.712 cu m remaining timber in Balaghat North (P) Division had been disposed of and effort for disposal was being made in Khandwa (P) Division. The reply in respect of four other divisions was not provided. The reply is not correct as the quantity of timber pending for disposal was 194.593 cu m in Balaghat North (P) Division.

**8.2.18.2** We observed in depots of six<sup>19</sup> out of 11 General Divisions that 151.186 cu m timber seized in 376 forest offence cases pending in the Courts, pertained to the periods from 1982 to 2015 were lying un-disposed. However, in these cases the Department did not apply to the court for order of disposal under the provisions of Section 58 of IFA<sup>20</sup>. As a result, 38.676 cu m timber, being more than five years old, had completed its useful life resulting in loss of ₹ 8.10 lakh. Besides, in the remaining 112.51 cu m of timber lying undisposed, which is nearing its useful life, there is likelihood of loss of ₹ 10.69 lakh.

The Government did not furnish reply (November 2015).

**8.2.18.3** In Gwalior (General) Division 11 lots were formed in 2004-05. The upset price of these lots was fixed in December 2006 at ₹ 6.63 lakh and thereafter were put to auction thrice from November 2007 to March 2010. These lots could not be sold and the forest produce was perished (December 2012). Thus, the delay for eight years resulted in loss of ₹ 6.63 lakh due to deterioration.

The Government did not furnish reply (November 2015).

**We recommend that in order to avoid losses due to deterioration of forest produce seized in forest offence cases, disposal of forest produce should be done at the earliest with permission of the Court and to ensure transparency in auction process, e-auction system may be implemented at the earliest.**

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<sup>18</sup> DFO (G) Sehore, DFO (P) Khandwa, Mandla, Dindori, Balaghat North and Harda

<sup>19</sup> DFO (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli and Chhindwara South

<sup>20</sup> Magistrate may direct sale of any property seized under Section 52 of IFA which is subject to speedy and material decay



### 8.2.19 Non preparation of Timber Account

**The preparation of Timber accounts were pending for periods ranging from three months to 38 years and 11 months.**

Timber Account contains information such as the opening balance of the produce, time when it was received, quantity disposed during the month, balance quantity pending etc., which is vital for monitoring the receipt and disposal of harvested as well as confiscated forest produce by the DFO. This would also enable detection of any shortage of timber between the coupe and the depot. The DFO on a monthly basis submit it to CF who will forward it to CCF.

We observed in 15<sup>21</sup> out of 18 Divisions that timber accounts were not being prepared timely and were pending for periods<sup>22</sup> ranging from three months to 38 years and 11 months against the Rule 217 of MPFFR which prescribes that monthly Timber Account in Form 20A is to be prepared in the ranges and sale depots to be submitted to the DFOs. The DFO (G) Burhanpur stated that accounts of his Divisions were not prepared beyond 1976 while DFO (G) Khandwa stated that the timber account was not prepared after 1997. However, both DFOs could not produce even these timber accounts to Audit.

Further, in four Divisions<sup>23</sup>, the timber account was incomplete as it did not contain the information pertaining to *nistar* depots or ranges. Besides, in Dindori (P) and Chhindwara South (G) Divisions the timber account was prepared on a half yearly basis and in Katni (G) Division on annual basis instead of monthly. Thus, monitoring the receipt and disposal of harvested as well as confiscated forest produce was not ensured as evident from Paragraph 8.2.18 in which it was noticed that sizeable quantity of timber remained undisposed.

The Principal Secretary stated in exit conference (October 2015) that timely preparation of Timber Account would be ensured.

### Shortage in re-measurement/ physical verification of forest produce

### 8.2.20 Loss due to shortage in forest produce sent from coupes

**The forest produce sent from coupe were found short on transportation to depot resulting in loss of ₹ 1.42 crore.**

The APCCF (Production) directed (March 2003) that provision for relaxation due to driage and other reasons as enumerated in the directions (October 1997) of CCF (Production) for different girth classes may be considered during measurement in coupes and no provision of relaxation is available during the re-measurement in depot and if any shortage is noticed, recovery of the same shall be made from coupe in-charge.

<sup>21</sup> Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Chhindwara (P), Betul North (G), Dewas (G), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P) and Katni (G)

<sup>22</sup> As on last day of audit of respective Divisions

<sup>23</sup> Sehore (G), Gwalior (G), Singrauli (G) and sidhi (G)



**8.2.20.1** We observed in eight<sup>24</sup> out of 12 Divisions that during the period 2010-11 to 2013-14, 24,084.244 cu m timber was sent from 127 coupes to depots. On re-measurement in depots, the timber was found to be 23,527.555 cu m. Thus, there was shortage of 556.689 cu m timber. This resulted in loss of ₹ 1.17 crore. (**Appendix XXX**).

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Mandla (P), Dindori (P) and Singrauli (G) that measurements in the the coupe were taken by the untrained labours on undulated land and hence errors occurred, the recovery of felling and collection expenses were being made from coupe in-charge. The reply in respect of other three Divisions was not furnished.

The reply stating recovery of felling and collection charges is not acceptable as recovery of amount of shortage in quantity of the timber was not made.

**8.2.20.2** We observed from coupe completion reports and felling progress reports in four Divisions<sup>25</sup> that 2,475 cu m timber, 955 fuel stacks and 29.039 NT bamboos were produced, against which 2,418 cu m timber and 12.742 NT bamboo was transported to the depot. The remaining quantity of forest produce was neither transported nor was available in the respective coupes. Due to non-availability of forest produce, the Department suffered loss of ₹ 25.55 lakh.

The Government stated (November 2015) in respect of Dindori (P) that all the produce had been transported to the depot. The reply in respect of other three Divisions was not furnished. The reply is not correct as records reveal that transportation was not yet complete.

**We recommend that accountability may be fixed for the shortfall in forest produce at the time of re-measurement in depots and recovery of such losses would be made from officials held responsible.**

### **8.2.21 Loss due to shortfall in confiscated forest produce**

**The forest produce seized in illicit felling were found short on transportation to depot resulting in loss of ₹ 64.80 lakh.**

The GoMP, Forest Department, directed (February 2004) that Forest Officers shall be held accountable for any loss due to illicit felling according to duties discharged by them for protection of area under their control. In the Department, loss is worked out by deducting the value of confiscated timber from the estimated value of illicitly felled trees. PCCF observed (January 2005) shortfall in volume of POR material received in depot and instructed that after reconciliation, action for recovery of shortfall may be initiated.

We observed from records relating to carting of confiscated timber in seven<sup>26</sup> out of 12 Divisions that during the period 2010 to 2015, out of total 1,317.532 cu m of material seized in forest offences cases and transported to sale depots

<sup>24</sup> Sehore (G), Khandwa (P), Singrauli (G), Mandla (P), Dindori (P), North Balaghat (P), Harda (P) and Katni (G)

<sup>25</sup> Sehore (G), Khandwa (P), Sidhi (G) and Dindori (P)

<sup>26</sup> DFO (G) Sehore, Dewas and Sidhi, DFO (P) Khandwa, Mandla, Balaghat North and Harda

of the Divisions, shortfall of 309.297 cu m was observed in re-measurement at depots. Thus, material received at depots fell short by 23.48 per cent, resulting in undervaluation of loss by ₹ 64.80 lakh which was not recovered from the concerned officials (**Appendix XXXI**).

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P) and Mandla (P) that shortfall in volume was due to driage, delay in transportation of timber and measurement of timber at the site of offence was done with bark while in depot measurement was done after removing it. The reply in respect of other two Divisions was not furnished. The fact remains that material received at depots fell short and the change in method of measurement of timber at site of offence is not in accordance with the directions issued by Forest Department.

### **8.2.22 Loss due to shortage of forest produce found in physical verification**

**The shortfall noticed in physical verification of forest produce in nistar depots amounting to ₹ 30.84 lakh was not recovered.**

We observed in six<sup>27</sup> out of 18 Divisions that during the period 2010-11 to 2013-14, shortage of 52,397 numbers of bamboo, 2,806 numbers of poles and 863.05 fuel stacks amounting to ₹ 27.85 lakh was noticed during physical verification of depots conducted by the forest authorities.

Further, during the period 2008-14; 6,177 bamboo and 1,213 poles amounting to ₹ 2.99 lakh provided to Public Works Department (PWD)/ Police Department and Municipal Corporation by the DFO (G) Sehore and Gwalior for barricading purpose were not returned. Thus, shortfall in forest produce resulted in loss of ₹ 30.84 lakh (**Appendix XXXII**).

These loss cases were also not reported to the HOD/ Accountant General (AG) for follow-up action such as explaining the reasons of losses, circumstances under which loss occurred and preventive measures taken to prevent losses in future. This was contrary to the Rule 22 (1) of MPFC which provides that any loss should be reported to the Head of Department (HOD) as well as the AG and after enquiry, action for recovery should be initiated.

The Government stated (November 2015) in respect of Singrauli (G) Division that the loss would be recovered after the receipt of report on disciplinary action against delinquent staff. The reply in respect of five other Divisions was not provided. However, the Principal Secretary took the issue of loss due to shortage of forest produce found in physical verification seriously and stated in the exit conference (October 2015) that recovery from the persons responsible would be made.

<sup>27</sup> Sehore (G), Burhanpur(G), Khandwa(G), Singrauli(G), Chhindwara South(G) and Katni (G)

## Implementation of Working Plan

### 8.2.23 Non-realisation of revenue due to short/ non-felling

**Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.**

The PCCF directed (April 2004) that in case of any disagreement regarding demarcation of the coupe, number of trees marked, quality of classification of trees and unrecorded illicit felling in coupes, a joint inspection shall be carried out by DFOs of General and Production Divisions. It was further directed (November 2004) that works envisaged in the WP for coupes in different working circles would be implemented. It was also directed that if the felling in the coupes is not beneficial, the felling of marked trees would be carried out for silviculture operations followed by regeneration works compulsorily and coupe would not be written off in any condition.

During the felling year<sup>28</sup> 2010-11 to 2014-15, against the sanction of Ministry of Environment and Forest, Government of India (GoI) for felling in 7,40,286.557 ha in the State, felling was carried out in 7,20,049.343 ha. Besides, 96,67,876 trees were felled against the total 1,04,36,188 marked trees during the same period. Thus, there was shortfall of 20,237.214 ha area for treatment and 7,68,312 marked trees were not felled.

We observed following deficiencies:

**8.2.23.1** In five<sup>29</sup> out of 11 Divisions, marking and felling in 50 coupes with an area of 6,189.900 ha was not carried out as the Department failed to check the encroachment and ensure felling of trees before submergence. This shows deficiency in management of forests resulting in estimated<sup>30</sup> non-production of forest produce amounting to ₹ 8.34 crore.

The Principal Secretary, while accepting the deficiency in implementation of working plan stated in the exit conference (October 2015) that at the time of preparation of working plan, certain coupes were included in the working plan however while at the time of implementation, marking was done as per availability of the tree.

The reply is not acceptable as the coupes were not marked, and due to which, availability of trees could not be ensured.

**8.2.23.2** The WP of Gwalior (G) Division for the period 2005-2015 prescribed treatment of 10 coupes under Improvement Working Circle<sup>31</sup> (IWC) every year. The GoI also accorded permission for felling in these coupes for the year 2010-11 and 2011-12 respectively. Marking and felling in

<sup>28</sup> Felling cycle begins in October and continues up to September

<sup>29</sup> Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P) and Singrauli (G)

<sup>30</sup> Estimation of production is done by the audit Division-wise, on the basis of average production for the concerned year per hectare in other coupes where felling was executed (3089.856 cu m timber, 1525.70 cu m *Arkat* wood and 3837.487 fuelstacks)

<sup>31</sup> In Improvement Working Circle ill-formed trees are felled to provide space for growth for other trees.

these coupes was not carried out. Thus, the Government was deprived of revenue.

The Government did not furnish (November 2015) reply.

**8.2.23.3** The WP of Sidhi (G) Division was approved for the period 2000-10. The permission for execution of works envisaged in the WP for 2010-11 was accorded (March 2010) and the next WP for the period 2012-22 was approved by the GoI in November 2013. Thus, felling in the year 2011-12 was not carried out, resulting in non-extraction<sup>32</sup> of timber amounting to ₹ 10.53 crore.

The Government did not furnish reply (November 2015).

**8.2.23.4** In four<sup>33</sup> out of 12 Divisions, 9645 marked trees of 20 coupes were not felled by the Department. This led to short production of 2,151.458 cu m timber and 2,134.308 fuel stacks, resulting in non-realisation of revenue amounting to ₹ 4.81 crore.

The Government stated (November 2015) in respect of Balaghat North (P) Division that the trees of rare species were not felled and the General Division was intimated (April 2011) about the same. The Government did not furnish reply in respect of other three Divisions.

The reply is not acceptable as the joint inspection with General Division was not carried out to ascertain the claim that the trees were of rare species.

**8.2.23.5** In General Divisions Sehore and Katni, 36 coupes of bamboo due for felling during the period 2009-10 to 2013-14 were not felled without assigning reasons. This resulted in non-extraction of 188.524 NT commercial and 25.823 NT industrial bamboos amounting to ₹ 18.79 lakh.

The Government did not furnish reply (November 2015).

**We recommend that in order to derive optimum revenue potential of the forest resources and at the same time maintain biodiversity through silvicultural activities, provisions of Working Plan may be implemented strictly.**

#### **8.2.24 Non- adherence to the conditions of the sanction**

**While executing the Working Plan, the DFOs did not account for illicit felling and felling mandated under FCA which resulted in excess felling for the relevant year.**

The annual permission for execution of WP prescriptions by GoI for the year 2013-14 and 2014-15 stipulated that for all kinds of felling including felling of dead, dying and diseased trees, for granting of right and concessions, illicit felling and felling mandated under Forest Conservation Act (FCA) approval shall be accounted for against the prescribed felling yield of the relevant year.

We observed in six<sup>34</sup> out of 11 General Divisions that during 2013-14 and 2014-15 felling was executed estimating production of 24,702.73 cu m timber, 10,521 poles and 20,672.85 fuel stacks. During this period, the Department

<sup>32</sup> 4765.422 cu m timber and 4784 fuel stacks is average yield of 2010-11 and 2012-13.

<sup>33</sup> Singrauli (G), Mandla (P), Dindori (P) and Balaghat North (P)

<sup>34</sup> DFO (G) Sehore, Burhanpur, Singrauli, Sidhi, Chhindwara South and Katni

had seized 2,840.79 cu m timber in forest offence cases and 8,055.805 cu m timber was produced in felling mandated under FCA. Thus, the total quantity of 10,896.59 cu m timber was not taken into account while implementing sanction granted by the GoI. This resulted in excess felling and realisation of revenue ₹ 22.83 crore without heeding to its environmental impact (**Appendix XXXIII**).

The Government stated (November 2015) in respect of Sidhi (G) Division that during the year 2014-15, 84.342 ha area of one coupe was not felled in lieu of felling mandated under FCA and remaining area would be considered for not felling by 2018-19. The Government did not furnish reply in respect of other six Divisions.

The reply is not acceptable as felling under FCA was to be accounted for in the concerned year. However, the reply is silent in respect of accounting for seizure in prescribed felling.

#### 8.2.25 Felling of trees below selection girth

**Felling of trees below selection girth prescribed in WP resulted in excess felling and corresponding revenue realisation amounted to ₹ 8.69 crore.**

WPs prescribe the felling of mature trees in Selection-cum-improvement<sup>35</sup> (SCI) circles to obtain optimum volume of timber from the trees and diversification of flora into various age-classes. For this, WP stipulates the selection girth, arrived at by using certain criteria such as climatic region and species, etc. Felling of trees below selection girth is prohibited except in cases of dead, dying and deceased trees.

We observed in 10<sup>36</sup> out of 12 Divisions that during the period 2010-11 to 2014-15, 1,04,704 trees of Sal, teak and other species were felled in 131 SCI coupes. Of these felled trees, 68,940 were below the selection girth (65 per cent) fixed for them. The marking book did not mention that these trees were dead, dying or deceased. The felling of immature trees did not give opportunity for their further growth and hence optimum timber could not be obtained. Felling of trees prohibited in WPs, resulted in excess felling and corresponding revenue realisation of ₹ 8.69 crore (**Appendix XXXIV**).

The Government stated (November 2015) in respect of Balaghat North (P), Dindori (P) and Singrauli (G) Division that the dead, dying and diseased trees of below selection girth were felled and in respect of Harda (P) Division, the Government stated that below selection girth trees were felled to provide thinning. The Government stated in respect of Mandla (P) that most of the trees of below selection girth were either half sound or fuel wood class.

The reply in respect of Balaghat North (P), Dindori (P) and Singrauli (G) Division is not correct as the marking books did not show that these trees were dead, dying or deceased and the fact that such a large number of trees (65 per cent) were ill-developed is not acceptable as well. The reply in respect of Harda (P) Division is not acceptable as there was no such provision in the WP

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<sup>35</sup> In SCI coupes, selected mature as well as ill-formed trees are felled.

<sup>36</sup> DFOs (G) Sehore, Burhanpur, Khandwa, Dewas, Singrauli, Chhindwara South and DFOs (P) Mandla, Dindori, Balaghat North and Harda

for felling of below selection girth for thinning. The reply in respect of Mandla (P) is not acceptable as criteria do not prescribe that half sound and fuel wood class trees would be felled if below selection girth.

### Transportation of forest produce

#### 8.2.26 Non-receipt of security deposit from haulage contractor

**In haulage contracts for transportation of forest produce, the security deposit amounting to ₹ 1.51 crore was not obtained from the contractors.**

Condition 6 of the agreement of transport contract for transportation of forest produce stipulates that the contractor shall furnish a security deposit in the shape of crossed bank draft/ deposit at call/ fixed deposit/ bank guarantee of any scheduled bank equivalent to 10 *per cent* of the total amount of haulage contract as guarantee for performing and observing the terms and conditions of the contract.

We observed in 341 agreements of haulage contract in nine<sup>37</sup> out of 12 Divisions that during the period 2010-11 to 2014-15 security deposit amounting to ₹ 1.51 crore was not furnished by the contractors, yet the work was awarded and execution was started resulting in non compliance of the clause of the contract agreement and undue monetary favour to contractors for the period of contract.

The Government stated (November 2015) that in respect Sidhi (G) and Dindori (P) Divisions, 10 *per cent* security deposit was deducted from the running bills of the contractors and in respect of Chhindwara (P) and Mandla (P) Divisions, the security deposit had been recovered. The Government did not furnish reply in respect of other five Divisions.

The replies in respect of Sidhi (G) and Dindori (P) Divisions is not acceptable as the clause of the agreement stipulated recovery of security deposited at the time of awarding the work and not in installments through his running bills. Further, as per condition 6 of the agreement, the purpose of collection of security deposit was to serve as a guarantee for performing the terms of the contract which cannot be ensured if the amount is deducted in the installments through running bills. The reply in respect of Chhindwara (P) and Mandla (P) Divisions is not correct as security deposit was not recovered in advance.

#### 8.2.27 Non-maintenance of account of transit pass

**Monthly account of transit pass was not being obtained from the persons to whom TP books were issued.**

We observed in 15 Divisions<sup>38</sup> out of 18 Divisions that monthly account of transit pass was not being obtained from ROs, SDOs, Depot Officers and Gram Panchayats to whom Transit Pass (TP) books were issued contrary to rule 10 (1) of Transit (Forest Produce) Rules 2000, which provides that any

<sup>37</sup> Khandwa (P), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), North Balaghat (P), Harda (P) and Seoni (P)

<sup>38</sup> Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Gwalior (G), Dewas (G), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P), Seoni (P), and Katni (G)



person, to whom book of transit passes is supplied, shall submit a monthly account to the Divisional Forest Officer, of forest produce extracted through the transit passes issued by him.

Besides, in eight Divisions<sup>39</sup> the return of counterfoils of the TPs was not found to be entered in the TP register contrary to the rule 10 (2) which provides that counterfoils of all used transit passes and unused passes, if any, shall be returned to the officer from whom the book of passes was obtained. Thus in absence of TP accounts, cross verification of forest produce that had to be extracted vis-à-vis actually extracted and transported could not be ensured. Simultaneously, it would not be ensured that requisite transit fee was being deposited or not.

The Principal Secretary stated in exit conference (October 2015) that timely preparation of accounts of TPs would be ensured.

### Internal control mechanism

#### 8.2.28 Internal audit

Internal control mechanism is intended to provide reasonable assurance of proper enforcement of laws, rules and Department instructions. It helps in prevention and detection of frauds and other irregularities. Internal Control also helps in creation of reliable financial and management information systems for prompt and efficient service and for adequate safeguards against evasion of Government revenue.

During the period 2010-11 to 2014-15, the year wise break up of internal audit conducted by the Department is given in the **Table-8.3**:

**Table- 8.3**

Year	No. of Divisions Selected for Audit	No. of Divisions Audited	Shortfall in per cent	No. of Paras raised	No. of Paras disposed off	No. of Pending Paras
2010-11	72	52	28	431	274	157
2011-12	66	47	29	647	341	306
2012-13	42	42	0	604	87	517
2013-14	62	15	76	132	32	100
2014-15	47	22	53	287	0	287
<b>Total</b>	<b>289</b>	<b>178</b>		<b>2101</b>	<b>734</b>	<b>1367</b>

(Source: Information provided by the Department)

From the above table it is clear that there was shortfall in internal audit as Divisions audited during the period 2010-11 to 2014-15 which varied from zero to 76 per cent. The criteria for selection of Divisions for audit were not provided to audit. Besides, as on 31 March 2015, 1,367 paras (65 per cent of the total paras) pertaining to the period 2010-11 to 2014-15 were pending for disposal, which showed lack of responsiveness to internal audit.

<sup>39</sup> Sidhi (G), Khandwa (P), Singrauli (G), Dindori (P), Chhindwara South (G), Balaghat North (P), Harda (P) and Seoni (P)

**8.2.29 Overstatement of receipts and expenditure of the Department**

**VAT recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in over statement of receipt and expenditure.**

We observed in eight Divisions<sup>40</sup> out of 10 Divisions that the Value Added Tax (VAT) recovered from the sale of forest produce from the depots under the head “State trade of Timber and Bamboo” was also included in the forest receipts under Major Head (MH) 0406 “Forestry and Wildlife” by the Department. Thus, the actual receipts for the five years also includes ₹ 251.58 crore received on account of VAT during these years.

Further, the VAT so recovered was paid to the Commercial Tax (CT) Department under the MH 0040 “Taxes on sales Trade” through the budget allotment under Major Head 2406, Sub Head - 0058- payment of Taxes and Royalties’, thus, incurred an expenditure of ₹ 254.07 crore<sup>41</sup> on payment of VAT. This had the effect of not only overstating the actual receipts and expenditure of the Department but also making the process of framing the budget estimates unrealistic.

The Principal Secretary accepted the audit observation and stated in the exit conference (October 2015) that the system would be amended.

**The system of VAT received from sale of forest produce and its payment should be streamlined in accordance with the accounting principles.**

**8.2.30 Delay in adjustment of revenue into Government account**

**The forest receipts amounting to ₹ 8.50 crore were deposited in to Government Account with a delay ranging from five to 157 days.**

We observed in 11<sup>42</sup> out of 19 Divisions that in 670 cases, bank draft of ₹ 8.50 crore received as a result of auction of timber, registration fee from traders etc. during the period from 2010-11 to 2014-15 were accounted for in Government account after delay of five to 157 days from the date of receipt of bank drafts in the Division as detailed in **Table-8.4** below. This was in contravention of the Rule 11.v.b of MPFFR, which provides that any cheque or bank draft received from private person in lieu of Government revenue should be entered in the cashbook and should be remitted into bank/ treasury without any delay.

**Table-8.4**

Delay in days	No. of Cases	Amount deposited with delay (₹ in lakh)
5 to 25	422	840.76
26 to 50	82	6.97
51 to 157	166	1.92
<b>Total</b>	<b>670</b>	<b>849.65</b>

<sup>40</sup> DFO (G) Sehore, Singrauli, Sidhi and DFO (P) Khandwa, Mandla, Dindori, Balaghat North, Harda

<sup>41</sup> The difference is attributable to various reasons such as non-availability of budget allotment in the concerned year and subsequently deposited in next financial year etc.

<sup>42</sup> Sehore (G), Burhanpur (G), Khandwa (G), Khandwa (P), Dewas (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P), Harda (P) and Katni (G)



The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P), Dindori (P) and Mandla (P) that delay was due to frequent auctions, staff shortage, leave of concerned staff and holidays. The reply in respect of five other Divisions was not provided. The fact remains that the Government was deprived of revenue for the period of delay in remittance.

### 8.2.31 Non-reconciliation of remittances

**The reconciliation of remittance amounting to ₹ 3.23 crore from treasury records was pending for up to 49 years.**

We observed in 14 out of 19 Divisions audited that reconciliation was not being done on monthly basis as the reconciliation was pending for one to 38 months in these Divisions against the subsidiary rules 505 of Madhya Pradesh Treasury Code (MPTC) which provides that reconciliation of revenue remitted into treasury by the DFOs, should be completed in the following month.

Further, the reconciled account in respect of 234 cases of nine Divisions showed that for the period from 1966-67 to 2014-15, the amount of ₹ 79.73 lakh was accounted for but the same was not available in treasury records<sup>43</sup>. Thus, the possibility of serious irregularities viz. fraud, misappropriation etc. cannot be ruled out. Similarly, in 466 cases the amount of ₹ 2.43 crore was shown in the treasury records as the receipt of the concerned Division but the same was not incorporated in the accounts of 11 Divisions. This may result in understatement of revenue receipts of the Department to that extent.

The Principal Secretary stated in the exit conference (October 2015) that delay was on the part of Treasury, however, process of reconciliation would be expedited by carrying out discussions with Treasury.

### 8.2.32 Non-receipt of returns from registered manufacturers, traders etc.

**Even though the manufacturers/ traders/ consumers were not submitting quarterly returns, their registration was being renewed.**

The PCCF directed (March 2011) that the registration of registered manufacturers, traders and consumers would not be renewed who are not submitting regular returns. The furnishing of returns would enable the Forest Department to ensure that the timber purchased and subsequently consumed was legitimate and as per the permission of the Forest Department.

We observed in seven<sup>44</sup> out of 11 General Divisions that the registration of 791 registered manufacturers, traders and consumers were renewed in the calendar year 2014. Except 13 saw mill owners, none of these registered manufacturers, traders and consumers were submitting quarterly returns. The renewal was in contravention of rule 7 (4) of Madhya Pradesh *Vanopaj (Vyapar Viniyaman) Kashtra* rules, 1973 which stipulates that every registered manufacturer, trader and consumer shall submit returns of its account to Forest Division.

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<sup>43</sup> Up to the date of audit of the respective Divisions

<sup>44</sup> Sehore, Burhanpur, Khandwa, Dewas, Sidhi, Chhindwara South and Katni

The Government stated (November 2015) that instructions had been issued to Range officers to obtain quarterly returns from registered traders.

**We recommend that the system of monitoring and supervision may be strengthened by regularly preparing / obtaining necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.**

### 8.2.33 Non-revision of handling charges

**The handling charges, levied from private producers remained unrevised since March 2007, while the labour rates substantially increased during the period.**

The GoMP, Forest Department had reduced (March 2007) the rate of handling charges from ₹ 250 to ₹ 100 per cu m of timber from private producers without any analysis. The private producers are the land owners extracting forest produce from their own land. Forest produce extracted from private land is either retained by the Department by making upfront payment of forest produce to such producer or Department collects the forest produce, sells it and makes payment thereafter. For performing these activities, handling charges are levied.

We observed in nine<sup>45</sup> out of 10 Divisions that the labour rate had increased by 139 to 175 per cent during the period March 2007 to March 2015 but the handling charges levied from the private sellers of forest produce remained the same. Thus, there is likelihood that handling charges levied by the Department may not cover the actual expenditure incurred on providing the services to private producers.

The Government stated (November 2015) in respect of Balaghat North (P), Harda (P), Sidhi (G), Khandwa (P), Dindori (P) and Mandla (P) that recovery was being done at the rates fixed and the revision of handling charges was to be done by the Government.

**We recommend that the rate of handling charge levied from private producers may be revised periodically.**

<sup>45</sup> Sehore (G), Khandwa (P), Chhindwara (P), Singrauli (G), Sidhi (G), Mandla (P), Dindori (P), Balaghat North (P) and Harda (P)

### 8.2.34 Conclusion and Recommendations

- The Forest Department did not reconcile data regarding the quantity of minerals extracted and transported through forest area with the Mining Department. This resulted in short recovery of transit fee for transportation of minerals by ₹ 12.23 crore.

**Recommendation:** The Department may consider the strengthening the system of reconciliation with Mining Department of quantities extracted from forest land and transported.

- The forest produce lying in depots was up to 33 years old involved in court cases and up to four years old in other cases, thus there was likely loss of ₹ 7.18 crore and the e-auction was not implemented even after 9 years from its contemplation and incurring expenditure of ₹ 19.95 lakh.

**Recommendation:** The Department may consider the disposal of forest produce at the earliest with permission of the Court in order to avoid losses due to deterioration of forest produce seized in forest offence cases and to ensure transparency in auction process; e-auction system may be implemented at the earliest.

- The forest produce sent from coupe and seized in illicit felling were found short on re-measurement in depot resulting in loss of ₹ 2.07 crore.

**Recommendation:** The Department may consider fixing accountability for the shortfall in forest produce at the time of re-measurement in depots and recovery of such losses may be made from officials held responsible.

- Non/short felling of trees in coupes as prescribed in Working Plan and non-felling of trees due to non-preparation of Working Plan resulted in non-realisation of revenue amounting to ₹ 23.87 crore.

**Recommendation:** The Department may consider strict implementation of provisions of Working Plan in order to derive optimum revenue potential of the forest resources and at the same time maintain biodiversity through silvicultural activities.

- VAT recovered from the sale of forest produce was deposited (₹ 251.58 crore) into Revenue Head of the Department and was paid (₹ 254.07 crore) to the Commercial Tax Department through budget allotment, resulting in overstatement of receipt and expenditure.

**Recommendation:** The Department may consider the streamlining of the system of VAT received from sale of forest produce and its payment in accordance with the accounting principles.

- The internal control mechanism was weak as necessary records such as timber account, monthly account of transit passes etc. were not maintained/ updated, quarterly returns from registered traders were not obtained and regular reconciliation of remittances was lacking.

**Recommendation:** The Department may consider strengthening the system of monitoring and supervision by regularly preparing/ obtaining necessary records such as timber account, monthly account of transit passes, quarterly returns from registered traders, etc. and regular reconciliation of remittances.

- The rate of handling charge levied on private producers was last revised in March 2007 and was not revised since then.

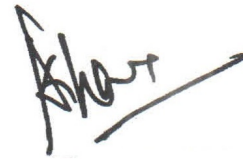
**Recommendation:** The Department may consider periodic revision of the rate of handling charges levied from private producers.



**Bhopal**  
The 19 February 2016

**(DEEPAK KAPOOR)**  
**Accountant General**  
**(Economic and Revenue Sector Audit)**  
**Madhya Pradesh**

**Countersigned**



**New Delhi**  
The 22 February 2016

**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**

# APPENDICES

**Appendix I**  
(Referred to in paragraph 2.2.11)  
**Incorrect determination of turnover**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
<b>Cases of less determination of TTO as compared to the facts and figures shown in Audited Account/Sales Lists and other relevant records are shown from sl. No. 1 to 33</b>										
1	CTO IX Indore	M/s Jupiter International Sales Indore 23220903060 VAT	2010-11 September 2013	27920702	34102702	6182000	467794	0	467794	Excess deductions of labour and other expenses were allowed in works contract against the values/figures of certified audited account.
2	CTO IX Indore	M/s Bhatia Motors 23270902305 CS0000001690 VAT	2011-12 May 2013	20275303	21500852	1225549	98044	294132	392176	Sale of 13 per cent item was less determined as against sales certified in audited account.
3	DCCT Ratlam	M/s Venus Alloys Private Limited Mandasaur 23323101995 CS00000054395 VAT	2011-12 May 2013	149193131	162657526	13464395	673220	2019660	2692880	Trading of Scrap Channel and Angle as certified in audited account was not included in TTO.
4	ACCT-II Bhopal	M/s Betul Minerals Ltd. 23514705737 179/11 VAT	2010-11 June 2013	79549957	99851704	20301747	812070	2436210	3248280	Sale of coal as certified in audited account was less determined and not included in TTO.
5	CTO Khargone	M/s Sewa Sahkari Sansthan Maryadit, Badud 23192102530 CS000000058705/VAT	2010-11 May 2013	6504787	6708754	203967	10198	0	10198	Excess deduction on account of Tax Free item was allowed.
6	DCCT II Bhopal	M/s Satrang Steel & Alloys Private Limited Mandideep 23794104571 03/12 VAT	2010-11 January 2014	575025702	587480582	12454880	622744	1868232	2490976	Trading of Scrap as certified in audited account was not included in TTO.
7	CTO Circle XIV Indore	M/s Kalyan Toll Infrastructure 23621403554 559/2010 VAT	2009-10 April 12 and June 13	44747222	59276460	14529238	581169	1743507	2324676	Excess deductions of labour and other expenses were allowed in works contract against the values/figures of certified audited account.
8	CTO Circle XIV Indore	M/s Kalyan Toll Infrastructure 23621403554 628/2011 VAT	2010-11 September 13	23140348	36121910	12981562	649078	0	649078	Excess deductions of labour and other expenses were allowed in works contract against the values/figures of certified audited account.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
				82900	338960	256060	256060	0	256060	Quantity of gitty less determined
9	CTO Circle XIV Indore	M/s Minakshi Manufacture & Fabricaters Pvt. Ltd. 23631400687 116/10 VAT	2009-10 June 12	8464108	9675304	1211196	142491	427473	569964	Turnover was determined from purchases side by adding 10 per cent profit instead of 25.70 per cent as certified in audited account.
10	CTO Circle XIV Indore	M/s Ravi Steel Indore 23711400934 9/12 VAT	2011-12 October 13	38797852	39338908	541056	27053	81159	108212	Less GTO/TTO was determined as against facts/figures of certified audited account.
11	CTO Circle XIV Indore	M/s Polaron Marketing Ltd. Indore 23921404553 103000001134976/VAT	2010-11 June 13	6306364	6316884	10520	1368	4104	5472	Irregular deduction of sales return beyond six months.
12	CTO Circle XII Indore	M/s DH Enterprises 23641203917 CS0000000021255 VAT	2010-11 September 2013	0	59554101	59554101	7742033	23226099	30968132	AA not determined TTO as per certified audited and taken Taxable Turnover as Nil in assessment order.
13	DCCT I Bhopal	M/s C.I Fin lease Limited 23564006097 87/11 VAT	2010-11 September 2013	649856612	655508612	5652000	734760	2204280	2939040	Logistics charges as certified in audited account were not included in Turnover.
14	CTO Circle I Bhopal	M/s R.K. Salim 23753602618 172/11 VAT	2010-11 September 2013	1283109	3728418	2445309	134388	403164	537552	TTO less determined as compared to facts and figures shown in audited account
15	CTO Circle I Bhopal	M/s Jackson Enterprises 23453606566 CS0000000970 VAT	2010-11 September 2013	43141079	44087883	946804	123085	369255	492340	Excess deduction of service charges and commission against facts/figures of certified audited account.
16	CTO Circle I Bhopal	M/s Bhopal Engineering 23403600434 219/11VAT	2010-11 September 2013	34199503	41476988	7277485	946073	2838219	3784292	Excess deductions of labour and other expenses were allowed in Job work against the values/figures of certified audited account
17	DCCT II Jabalpur	M/s Sharda Maa Enterprises 23716024180 18/11 VAT	2010-11 July 2013	964062431	1181983013	217920582	8716823	0	8716823	Less TTO was determined as Purchases were more in schedules of Audited accounts. However in trading account less purchases were shown.
18	CTO Circle XI, Indore	M/s Satyam Gas Agency 23781101408/ 57/12 VAT	2011-12 July 2014	147973396	149259972	1286576	167255	0	167255	Income from transportation was not included in GTO.
19	CTO Circle XI, Indore	M/s Agrotech Food Ltd. 23751101376 51/12 VAT	2011-12 April 2014	139630967	148027490	8396523	1091548	3274644	4366192	Sale of popcorn and edible oil was determined as compared to facts and figures shown in audited account.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
20	CTO Circle X, Indore	M/s Bharat Insecticides Ltd. 23181003574 87/2013 VAT	2012-13 February 2015	241190113	245123317	3933204	196660	589980	786640	Less TTO was determined as compared to facts and figures shown in audited account.
21	CTO Circle III Bhopal	M/s Vishnu Trading Company Bhopal 23793804453 186/13 VAT	2012-13 Self	34642146	37276884	2634738	131737	395211	526948	Less TTO was determined as compared to facts and figures shown in audited account.
22	CTO Circle III Bhopal	M/s Radha Traders Bhopal 23023803955 CS000000003040 VAT	2011-12 June 2014	83787943	85304800	1516857	75842	227526	303368	Less TTO was determined as compared to facts and figures shown in audited account.
23	CTO Circle XIII Indore	M/s Siddharth Sales Corporation 23851300753 CS000000193892 VAT	2012-13 January 2015	9940200	10750275	810075	40504	121512	162016	Deduction on account of tax free sale (certified seeds) is not allowed as per certified account.
24	CTO Circle Mandideep	M/s Inspros Engineers Pvt Ltd 23454101654 CS0000079380 2012 VAT	2011-12 June 2014	82459636	83414165	954529	124088	372264	496352	Less TTO was determined as per audited account and deduction under sales return is not justified.
25	CTO Circle Mandideep	M/s Krishna Fabricators 237141104227 145/13 VAT	2012-13 March 2015	18342720	27067440	8724720	436236	0	436236	As per audited account receipts on account of repair and maintenance work was not included in GTO.
26	CTO Circle II Gwalior	M/s Kendriya Bhandar 23675203938 CS000000094130 VAT	2011-12 June 2014	168725427	174132477	5407050	702917	2108751	2811668	Less TTO was determined as compared to facts and figures shown in audited account.
27	CTO Circle II Gwalior	M/s Samarth Corps Pvt Ltd 23699028104 CS00000000179009 VAT	2012-13 December 2014	159056378	179306798	20250420	2632555	7897665	10530220	Other operating revenue amounting to ₹ 20250420 as per certified TDS certificates was not included in GTO/TTO.
28	CTO Circle II Gwalior	M/s Saudagar Mal Maman mal Pvt Ltd 23085203341 /487/12 VAT	2011-12 June 2014	50069387	50353765	284378	36969	110907	147876	Gross sales are without excise duty and all taxes; the AA provides further deduction in TTO.
39	CTO Circle V Bhopal	M/s Weartech Engineer Pvt Ltd 23584000848 CS000000205002 VAT	2012-13 February 2015	280247014	307900840	27653826	3594997	10784991	14379988	Less TTO was determined as compared to facts and figures shown in audited account.
30	CTO Circle V Bhopal	M/s Amit Glass Emporium 23364005237 CS000000215758 VAT	2011-12 October 2014	7717568	9250433	1532865	122629	367887	490516	Less TTO determined in respect of 13 per cent goods as per certified audited account.



Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
31	CTO Circle V Bhopal	M/s Loknath Trading Company Bhopal 23974006502 80/12 VAT	2011-12 May 2014	166258605	179755527	13496922	674846	0	674846	Coal transportation receipts were not included in TTO.
32	CTO Circle Sendhwa	M/s Precious Automotive Khargone 23692107684 474/12 VAT	2012-13 February 2015	291026242	294351654	3325412	382569	0	382569	Less TTO was determined as compared to facts and figures shown in certified audited account.
		Total		4553618852	5030985398	477366546	33149803	64166832	97316635	
<b>Less determination of TTO in the works contract cases as compared to the facts and figures shown in Audited Account/Sales Lists and other relevant records and also in the absence of RA Bills, Work order, composition details etc. are shown from Sl. No. 34 to 97</b>										
33	RAC Sagar II	M/s Khajuraho Builders and Contractors Chhatarpur 23167702696 157/11 VAT	2010-11 June 2013	81342132	138223656	56881524	4010626 (2962845+ 538740+ 509041)	0	4010626	Dealer is a railway contractor at the time of assessment AA determined taxable turnover incorrectly after allowing deduction on account of value of tax paid goods i.e. sand, metal etc.
34	RAC Sagar II	M/s Bharat Heavy Plate and Vessels Limited 23557404255 32/10 VAT Appeal Order	2009-10 May 2012 & Appeal Order August 2012	103232254	138458700	35226446	4403306	13209918	17613224	As per TDS issued by the department, dealer receipts certified ₹ 138458700. However less turnover was determined.
35	RAC Sagar II	M/s Narayan Builders India Ltd Tikamgarh 23977801336 246/12 VAT	2011-12 January 2014	58770097	75803796	17033699	1128095	0	1128095	Excess deductions of labour and other expenses were allowed in works contract against the values/figures of certified audited account.
36	DC Tax Audit Wing Bhopal	M/s Nathuram Agarwal 23454701696 CS0000000047856 VAT	2010-11 April 2013	37170174	44346172	7175998	620071	1860213	2480284	Incorrect allowance of deduction on account of labour, transportation charges. Diesel expenses not certified in audited account.
37	DC Tax Audit Wing Bhopal	M/s O.P Gupta Contractor Pvt Ltd 23343805525 CS000000002291	2010-11 June 2013	26682387	57953952	31271565	1250863	3752589	5003452	Work order/RA bills were not attached with the files. Moreover excess deduction on account of labour and other direct expenses were allowed therefore less TTO was computed.
38	DC Tax	M/s Draupadi Construction	2010-11	46994395	52869856	5875461	460201	1380603	1840804	Sale value was determined

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	Audit Wing Bhopal	23584003855 CS00000000048 VAT	July 2013							considering excess labour receipt therefore less TTO was computed as compared to Audited Account.
39	DC Tax Audit Wing Bhopal	M/s Elec Feb Bhopal 23723705309 CS00000000830 VAT	2010-11 June 2013	14672937	16819958	2147021	279113	0	279113	Deductions allowed on account of composition work was not supported by valid declarations viz form 4B.
40	DC Tax Audit Wing Bhopal	M/s Satish Kumar Raizada & Company 23843803989 CS000000002466 VAT	2010-11 July 2013	13450882	13771514	320632	74612	0	74612	AA added 10 per cent profit in purchase value instead of profit percentage 13 per cent as per audited account, hence less TTO determined.
41	DC Tax Audit Wing Bhopal	M/s Hari Om Explosives 23629014046 Audit/36	2011-12 March 13	10990127	11963059	972932	111930	335790	447720	AA added 10 per cent profit in purchase value instead of profit percentage 18.72 per cent as per audited account, hence less TTO determined.
42	CTO Circle I Ratlam	M/s Balveer Singh Rathore 23773403078 348/2011 VAT	2010-11 June 2013	11781560	14352069	2570509	190213	570639	760852	Work order/RA bills were not attached with the files. Moreover excess deduction on account of labour and other direct expenses were allowed therefore less TTO was computed.
43	CTO Circle I Ratlam	M/s Rathore Construction 2386340144 397/11 VAT	2010-11 September 2013	9140811	13001560	3860749	330139	990417	1320556	Additional demand under section 11A was not deposited within the stipulated 15 days, therefore case was to be assessed under section 20 which was not done.
44	CTO Circle I Ratlam	M/s Ratanlal Mayaram Ratlam 23063401868 192/11 VAT	2010-11 May 2013	0	18266421	18266421	125604	0	125604	Work order/RA bills were not attached with the files. Moreover excess deduction on account of labour and other direct expenses were allowed therefore less TTO was computed as against certified audited account.
45	CTO Circle I Ratlam	M/s Raj Construction Ratlam 23113404799 632/12 VAT	2011-12 July 2013	11147905	15304528	4156623	509839	1529517	2039356	
46	CTO Circle I Ratlam	M/s Raj Construction Ratlam 23113404799 674/11 VAT	2010-11 July 2013	2898921	4105390	1206469	122233	366699	488932	
47	CTO Circle I Ratlam	M/s S M Constructions 23423404386 CS00000079648 VAT	2011-12 October 2013	14059100	15883804	1824704	191447	574341	765788	

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48	CTO Circle I Ratlam	M/s SriRam Tubewell 23903404607 CS000000102501 VAT	2011-12 December 2013	0	6838011	6838011	341901	0	341901	More Deductions were allowed against certified account.
49	CTO Circle I Ratlam	M/s Hariom Borewell 23023404606 CS0000000102486 VAT	2011-12 December 2013	0	1302425	1302425	65121	0	65121	More Deductions were allowed against certified account.
50	DCCT-I Indore	M/s Zeppelin Mobile India 23131504267 295/10 VAT	2009-10 June 2012	33390395	137743700	104353305	4717049	14151147	18868196	As per TDS certificate total receipts of the dealer certified to ₹137743700. However less TTO was determined.
51	ACCT-II Bhopal	M/s Govind Rai Contractor Hoshangabad 150/11 VAT	2010-11 September 2013	15743619	26758939	11015320	550766	1652298	2203064	Work order/RA bills were not attached with the files. Moreover excess deduction on account of labour and other direct expenses were allowed therefore less TTO was computed as against certified audited account.
52	ACCT-II Bhopal	M/s Power Mac projector Limited 23494702450 54/11 VAT	2010-11 September 2013	2080027	103225145	101145118	11530543	0	11530543	Receipts on account of sale of bardana and scrap in contract work at Datia were not included in TTO.
53	DCCT II Bhopal	M/s Vishal Nirmiti Pvt Ltd 23464302875 44/2011 VAT	2010-11 September 2013	406855063	479456853	72601790	7751218	0	7751218	Less TTO determined in work of Khandwa Branch.
				1369101	4309256	2940155	134903	0	134903	Less TTO was computed as compared to Audited Account and purchase details etc.
54	CTO Circle Waidhan	M/s Arun Construction Sidhi 23807305517 228/10 VAT	2009-10 June 2012	12186194	16615726	4429532	427744	1283232	1710976	Excess deduction on account of labour was allowed.
55	CTO Circle Waidhan	M/s M.K. Agarwal and company singrauli 23137300890 /21/11 VAT	2010-11 April 2013	6630256	9690000	3059744	152987	0	152987	Excess deduction on account of labour was allowed.
56	DCCT II Bhopal	M/s Sunil Hitech Engineer Limited Betul 23544704217 44/2011 VAT	2010-11 September 2013	228282643	460952399	232669756	9306790	0	9306790	Less TTO was computed as compared to documents/returns submitted by the dealer.
57	CTO Circle XIV Indore	M/s RMC Redimix 23824404026 216/11VAT	2010-11 June 13	154954977	181759993	26805016	3484652	0	3484652	Less determination of TTO.
58	CTO Circle XII Indore	M/s Sankheshwari Parshv Developers and suppliers 23381204254	2011-12 January 2014	1612524	7541732	2228359	111418	0	111418	Rent received on account of JCB/pokelan machine not included
						3700849	185042	0	185042	

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		CS00000097360/VAT								in TTO.
59	DCCT Bhopal	I M/s Shapers Construction Limited Bhopal. 23883600655 37/11 VAT	2010-11 September 2013	337665274	484213816	119405241	11447765	34343295	45791060	Less TTO was determined as compared to the facts and figures certified in audited account.
						27143301	1229077	0	1229077	Sale of cement and bitumen not included in TTO.
60	DCCT Bhopal	I M/s Dilip Buildcon 23974000876 131/11 VAT	2010-11 September 2013	858876110	894168109	35291999	1764600	5293800	7058400	Less TTO was determined in contract work due to addition of gross profit @ 10 per cent in purchase value of material instead of certified profit @14.52 per cent.
	DCCT Bhopal	I M/s Dilip Buildcon 23974000876 131/11 VAT	2010-11 September 201333955 80	2211346	5528376	3317030	431214	1293642	1724856	Tax on road marking material was imposed on less amount as compared to the amount shown in audited account.
61	DCCT Bhopal	I M/s S.K. Jain 23303603011 112/11 VAT	2010-11 August 2013	140286031	758902297	618616266	27918793	83756379	111675172	Less TTO was determined due to excess apportionment of work related to Uttar Pradesh. Moreover payment to sub contractor was wrongly incorporated.
	DCCT Bhopal	I M/s S.K. Jain 23303603011 112/11 VAT	2010-11 August 2013	3565363	10798390	7233027	6888600	20665800	27554400	Value of Gitti less assessed on quantity 34430 cu metre.
62	CTO Circle I Gwalior	I M/s Govind Construction Company Gwalior 23625207409 74/2013 VAT	2012-13 February 2015	10284988	30133384	19848396	1217150	3651450	4868600	Absence of RA Bill, Work order etc less GTO was determined by treating 20 per cent material component on sub contractor instead of 60 per cent.
63	CTO Circle I Gwalior	I M/s Bhawani Prasad Sharma 23045101804 CS000000127862 VAT	2011-12 July 2014	12229969	29105505	16875536	1140785	3422355	4563140	In assessment order GTO/TTO was determined on the material side hence deduction on account of diesel, labour charge and water charge under direct expenses was not justified.
64	CTO Circle I Satna	I M/s Rajesh Kaila 230467002288 812/11 VAT	2011-12 July 2014	21882286	28213955	6331669	620503	1861509	2482012	In audited account amount of ₹ 34209182 is certified however, in assessment order deduction under other administrative expenses amounting to ₹ 59876661 has been

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										allowed.
65	CTO Circle I Satna	M/s Mehrotra Buildcon Ltd Satna 23407000963 732/12 VAT	2011-12 April 2014	90450769	332981466	242530697	19499468	0	19499468	Less TTO was determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
66	CTO Circle I Satna	M/s Vindhya Construction Company Satna 23597004011 1096/2012 VAT	2011-12 July 2014	118360	355060	236700	236700	710100	946800	Incorrect determination of rate per cubic meter of Gitti resulted in incorrect determination of volume of gitti which resulted in short levy of tax.
67	CTO Circle I Bhopal	M/s Rural Water supply company private limited 232990001081 CS00000003788 291/11 VAT	2010-11 September 2013	22603362	30919242	8315880	362388	1087164	1449552	Less TTO was determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
68	CTO Circle I Bhopal	M/s Om engineering 23453605887 633/11 VAT	2010-11 September 2013	5441402	10121790	4680388	348101	1044303	1392404	As per the TDS issued by the department the receipt is certified ₹16869650. RA Bills work order and allied documents also not provided to audit.
69	CTO Circle I Bhopal	M/s Shriram Enterprises 23493605768 604/11VAT	2010-11 September 2013	6641901	8630945	1989044	315699	947097	1262796	TTO less determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
70	CTO Circle I Bhopal	M/s Radiant Construction 23403606254 719/aa VAT	2010-11 April 2013	7686789	9475798	1789009	349758	1049274	1399032	TTO less determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
71	CTO Circle I Bhopal	M/s Teen Associates 23513606921 924/11 VAT	2010-11 September 2013	2428524	4263947	1835423	106236	318708	424944	Less TTO was determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
72	CTO Circle I Bhopal	M/s Laser cut Technology private limited 23503605811 161/11 VAT	2010-11 June 2013	13627257	25495634	11868377	1542889	0	1542889	Less TTO determined as job work charges though not certified in the accounts but deducted in calculating TTO.

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73	CTO Circle I Bhopal	M/s Sai Nath Electricals 23673606348 136/11VAT	2010-11 September 2013	10867112	14789358	3922246	509892	1529676	2039568	Less TTO determined in respect of Material transferred shown in audited account.
74	DCCT Satna	M/s Reliance Utility Engineers Private Limited 2345901220 CS0000000212030 VAT	2012-13 March 2015	5193734453	5260476376	66741923	3337096	10011288	13348384	Excess deduction on account of labour was allowed.
75	CTO Circle XI, Indore	M/s Zenith Rubber Pvt. Ltd. 23271105035 CS000000083355 (VAT)	2011-12 July 2014	4655541	7868916	3213375	417738	1253214	1670952	Deduction allowed on a/c of labour payment was inadmissible as per audited account.
76	CTO Circle III Bhopal	M/s Neel Ghan construction 23723806868 CS000000091720 VAT	2011-12 June 2014	7314758	7816337	501579	57703	173109	230812	AA added 10 per cent profit in purchase value instead of profit percentage 11.51 per cent as per audited account.
77	CTO Circle XIII Indore	M/s Hindustan Construction Corporation 23201304360 116/10 VAT	2011-12 June 2014	11872290	18289233	6416943	834203	2502609	3336812	As per TDS certificate total receipts of the dealer certified to ₹ 18289233. However less TTO was determined.
78	CTO Circle XIII Indore	M/s Satish Constructions 23711303740 CS0000000145017 VAT	2011-12 June 20-14	6670007	10592630	3922623	196131	0	196131	Excess deductions were allowed while determining TTO.
79	CTO Circle II Gwalior	M/s UnityInfra Projects Ltd 23719035377 CS0000000156336 VAT	2011-12 July 2014	14416207	50141063	35724856	1786242	5358726	7144968	Income of sub-contract work not included in GTO.
80	CTO Circle II Gwalior	M/s Maa Pitambra Construction Company 23405207239 CS00000001567324 VAT	2011-12 July 2014	14403094	15648695	1245601	76739	230217	306956	AA added 8 per cent profit in purchase value instead of profit percentage 17.34 per cent as per audited account.
81	CTO Circle II Gwalior	M/s Ramendra Singh Kushwaha 23335203349 CS0000000132584 VAT	2011-12 June 2014	21546476	60429854	38883378	1227344	3682032	4909376	Deductions were not made properly as per audited account while deriving TTO.
82	CTO Circle II Gwalior	M/s Mukesh Kumar Jain Contractor 23055204182 CS0000000173167 VAT	2011-12 July 2014	21349240	21851918	502678	25134	75402	100536	AA added 10 per cent profit in purchase value instead of profit percentage 12.59 per cent as per audited account.
83	CTO Circle V Bhopal	M/s Infab Infrastructure Private Limited 23794005922 CS000000118526VAT	2011-12 June 2014	73862552	122890141	49027589	2451379	7354137	9805516	TTO less determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided

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										to audit.
84	CTO Circle V Bhopal	M/s Rahul Rai Contractor 23184004754 2258 VAT	2011-12 June 2014	3030564	8607423	5576859	209324	627972	837296	Absence of RA Bill, Work order etc less GTO was determined.
85	CTO Circle V Bhopal	M/s Rajeev Buildcon 23444008103 664/12 VAT	2011-12 June 2014	1513761	4631528	3117767	142170	426510	568680	TTO less determined as compared to facts and figures shown in audited account. RA Bills work order and allied documents also not provided to audit.
86	CTO Circle V Bhopal	M/s M.L. Rai Contractor 23254006995 2257 VAT	2011-12 June 2014	3582677	10171556	6588879	189329	567987	757316	Absence of RA Bill, Work order etc less GTO was determined.
87	CTO Circle Sendhwa	M/s Onkar Gommati Yadav 23802204384 1233/12 VAT	2011-12 July 2014	1759467	2010282	250815	32606	97818	130424	AA added six <i>per cent</i> profit in purchase value instead of profit percentage 10 <i>per cent</i> as per audited account.
88	DCCT-I Bhopal	M/s Bhaskar Foods Private Limited 23329009614 156/2011 VAT	2010-11 September 2013	3531743044	3688243044	156500000	6200000	18700000	24900000	Deduction on contract work, treating as pure labor work, was allowed. However not covered under the nature of business as per registration certificate. More over the work was executed by other agency.
89	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 2/2011 VAT	2010-11 September 2013	94465688	104379966	9914278	495714	0	495714	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.
90	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 391/2012 VAT	2011-12 February 2014	57127731	225516291	168388560	8419428	0	8419428	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.
91	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 622/2014 VAT	2012-13 March 2014	74817660	205921916	131104256	6555212	0	6555212	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.
92	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 3102/2010-11 VAT	2010-11 December 2012	80275468	114679141	34403673	2690515	0	2690515	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.



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93	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 2215/2011-12 VAT	2011-12 November 2013	117841670	170215746	52374076	4020827	0	4020827	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.
94	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 3102/2010-11	2012-13 April 2014	92026791	128704419	36677628	3231345	0	3231345	TTO less determined as compared to audited account. RA Bills work order and allied documents also not provided to audit.
95	DC Tax Audit wing-I Indore	M/s Seeta Constructions 23400904125 2487/2011-12 VAT	2011-12 June 2014	40366293	41589703	1223410	159043	0	159043	Sale of RMC of ₹ 613655 and sale of material of ₹ 69755 in contract work was less assessed.
96	DC Tax Audit wing-I Indore	M/s S M Infrastructure 23650905006 256/2013 VAT	2010-11 February 2013	13652859	30786691	17133832	856692	2570076	3426768	More deduction allowed in account of sub-contractor's work.
				<b>12334333615</b>	<b>15056878555</b>	<b>2722544940</b>	<b>172109958</b>	<b>256263052</b>	<b>428373010</b>	
<b>Less determination of TTO due to non inclusion/wrong classification of Job work charges, installation charges and labour charges apportionment and also against the facts and figures shown in Audited Account/Sales Lists and other relevant records/ details etc. as shown from Sl. No. 98 to 109</b>										
97	DC Tax Audit Wing Bhopal	M/s Dream Kitchen Bhopal 23664005072 82/12 VAT	2011-12 August 2013	9681866	9817441	135575	17625	52875	70500	Receipt of Job work charges not included in TTO.
98	DC Tax Audit Wing Bhopal	M/s Om Electricals 23324003125 20/12 VAT	2011-12 February 2014	1180953	1928756	747803	85236	255708	340944	Receipt of Job work charges not included in TTO.
99	CTO Circle IX Indore	M/s Air Shopee Indore 23670903831 CS00000005450 VAT	2011-12 May 2013	42424374	44361943	1937569	251884	755652	1007536	Received of other works were not included in GTO.
100	CTO Circle XII Indore	M/s Susan Auto com Pvt Ltd/23611203691/CS00000 043875 VAT	2010-11 September 2013	3070105	32485594	29415489	3824014	11472042	15296056	Assessing authority allows deduction of ₹ 24129284 on account of job work but as per audited account material transfer was certified in job work and labour work was not certified.
101	CTO Circle XII Indore	M/s Kavindra Vessels Tank Pvt Ltd 23351201118 CS00000076752 VAT	2010-11 September 2013	5433644	6393306	959662	124756	374268	499024	In correct exemption for job work.
102	CTO Circle XII Indore	M/s Mimani Wires Indore 23789000450 440/2011 VAT	2010-11 June 2013	12195323	16082204	3886881	194344	0	194344	Less determination of TTO on account of Job work.



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103	CTO Circle I Bhopal	M/s Anjana Printers 23033601753 114/11 VAT	2010-11 July 2013	4145200	5291858	1146658	57333	171999	229332	In correct deduction of job work was allowed.
104	CTO Circle Mandideep	M/s Steel Innovation private limited Mandideep 23934104979 CS00000079439 VAT	2011-12 June 2014	3281620	9142640	5861020	761932	0	761932	Irregular deduction allowed on account of job work (labour basis) amounting to ₹ 5861020. However, as per schedule 14 of audited A/c revenue from operation sale of products is inclusive of scrap sale.
105	CTO Circle II Gwalior	M/s Smart Contol India Limited 23705204067 361/12 VAT	2011-12 June 2014	3001528	8961903	5960375	774848	2324544	3099392	Job work amounting to ₹ 9933958 was not including in TTO.
106	CTO Circle II Gwalior	M/s Gasa Engineering Pvt Ltd 23255206885 1180/12 VAT	2011-12 July 2014	2367081	2479081	112000	14560	43680	58240	Electronic installation amounting to ₹ 112000 were not included in TTO.
107	CTO Circle V Bhopal	M/s H.C Jangre 23804004219 2273 VAT	2011-12 June 2014	5326279	7098329	1772050	220368	0	220368	Painting and fabrication work is not been included in GTO.
108	DC Tax Audit wing-I Indore	M/s Sai nath engineering Industries 23021100565 3046/1011 VAT	2010-11 December 2012	61104668	100609275	39504607	5135598	15406794	20542392	Item brought out of state on Form 49 from were not accounted.
				<b>153212641</b>	<b>244652330</b>	<b>91439689</b>	<b>11462498</b>	<b>30857562</b>	<b>42320060</b>	
<b>Cases of Less determination of TTO due to non inclusion of excise duty in the turnover are shown from Sl. No. 110 to 114</b>										
109	CTO Circle VII Indore	M/s Saurabh Poly Plastic Pvt. Ltd. 23880701810 CS00000008224 VAT	2010-11 July 2013	31265836	34030786	2764950	138247	0	138247	Excise duty was not included in determination of TTO.
110	DCCT-I Indore	M/s BhagwanDas Motors Pvt. Limited 2311150380 275/10 VAT	2009-10 June 2012	106542750	117522772	10980022	1372503	4117509	5490012	Excise duty was not included in determination of TTO.
111	CTO Circle Waidhan	M/s Nav Bharat fues company Ltd Waidhan 23307302882 17/2011 VAT	2010-11 July 2013	168936367	197672901	28736534	3735749	0	3735749	Excise duty not included in TTO.
112	CTO Circle	M/s Naughty Foods Pvt.	2011-12	14809234	16498642	1689408	219623	658869	878492	Excise duty not included in GTO.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
	XI, Indore	Ltd. 23151104131 262/12 VAT	July 2014							
113	CTO Circle Mandideep	M/s Makson Health Care Private Ltd 23654101641 30/2013 VAT	2011-12 June 2014	4723388	4955646	232258	30583	0	30583	Amount of ₹ 232258 on account of excise duty was not included in TTO.
				<b>326277575</b>	<b>370680747</b>	<b>44403172</b>	<b>5496705</b>	<b>4776378</b>	<b>10273083</b>	
114	RAC Sagar II	M/s Agrawal Grain Stores 23457502377 240/11 VAT	2010-11 April 2013	87410225	88698525	1288300	51532	154596	206128	AA irregularly allowed amount of Mitti claim from certified sale value.
115	RAC Sagar II	M/s Royal Traders Rehli 234575002862 231/11 VAT	2010-11 April 2013	91320699	91901524	580825	23233	69699	92932	AA irregularly allowed amount of mitti claim from certified sale value.
116	RAC Sagar II	M/s Arihant Traders Sihora & Adi Interprises 23747502945 214/11 VAT	2010-11 June 2013	63083325	63685050	601725	24069	72207	96276	AA irregularly allowed amount of mitti claim from certified sale value.
				<b>241814249</b>	<b>244285099</b>	<b>2470850</b>	<b>98834</b>	<b>296502</b>	<b>395336</b>	
<b>Cases of non inclusion of Plant and Machinery and fixed assests while determination of TTO are shown from Sl. No. 118 to 129</b>										
117	RAC Sagar II	M/s Bhadora Industries 23117800645 32/12 VAT	2011-12 January 2014	594010	2544531	1950521	141385	424155	565540	Sale of plant and machinery and car are not included in TTO.
118	RAC Sagar II	M/s Vikas Industries Khurai 23487402305 58/11 VAT	2010-11 July 2013	11539669	11925187	385518	5783	17349	23132	Fixed assets Sale was not included in TTO.
119	DCCT Ratlam	Himtechno forge Limited 23961601926 159/VAT	2010-11 September 2013	55281324	56089698	808374	105089	0	105089	Plant & machinery Sale was not included in TTO.
120	CTO Circle XII Indore	M/s Amandeep Hotels Private Ltd/23281202757 CS000000023211 VAT	2010-11 September 2013	8436439	8818739	382300	49699	149097	198796	Plant & machinery Sale was not included in TTO.
121	CTO Circle I Gwalior	M/s Govind Construction Company Gwalior 23625207409 74/2013 VAT	2012-13 February 2015	10284988	12338920	2053932	267011	801033	1068044	Plant & machinery Sale was not included in TTO.
122	CTO Circle I Satna	M/s Jay Mahakal Rice Mill Satna 23147004404	2011-12 May 2014	0	308121	308121	30264	0	30264	Plant & machinery Sale was not included in TTO.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
		512/2012VAT								
123	CTO Circle I Satna	M/s Uverty Engineers 23237000911 CS0000000251468 VAT	2012-13 December 2014	2478327	2603327	125000	16250	0	16250	Plant & machinery Sale was not included in TTO.
124	DCCT Satna	M/s Northern Coal Field Limited Amlohi 23657300604 CS000000080260 VAT	2011-12 December 2013	7937889200	8646723200	708834000	91845970	0	91845970	Sale of fixed Assets were not included in the TTO.
125	CTO Circle XI, Indore	M/s Steel Component Pvt. Ltd. Indore 23411104182 CS0000000109373 VAT	2011-12 May 2014	305074	2626658	2321584	301806	905418	1207224	Fixed assets sale was not included in G.T.O.
126	CTO III Bhopal	M/s Arpit Trading Bhopal 23403805783 CS0000000111634 VAT	2011-12 June 2014	2657668	3013668	356000	5340	16020	21360	Sale of old vehicle not included in TTO.
127	CTO Circle I Ujjain	M/s Shubham petroleum 23072607481 1300/13 VAT	2012-13 December 2014	98951052	99355298	404246	6064	18191	24255	Sale of car not included in TTO.
128	ACCT Div I Bhopal	M/s Chinar Realty Pvt Ltd Bhopal 23234004969 126/2012 VAT	2011-12 June 2014	102599425	102876338	276913	4154	0	4154	Sale of vehicle not included in TTO.
				<b>8231017176</b>	<b>8949223685</b>	<b>718206509</b>	<b>92778815</b>	<b>2331263</b>	<b>95110078</b>	
<b>Other miscellaneous cases of less determination of TTO as compared to the facts and figures shown in Audited Account/Sales Lists/purchase lists and other relevant records and absence of OB/CB, trading account etc. are shown from Sl. No. 130 to 161</b>										
129	RAC II Sagar	M/s Shanti Pulses Bina 23497403451 260/11 VAT	2010-11 May 2013	43527170	44548551	1021381	51069	153207	204276	Sale of bardana not included in TTO.
130	ACCT-II Bhopal	Khandelwal agro agencies 23174701365 CS00000005926 VAT	2010-11 May 2013	52574111	53696759	1122648	56132	168396	224528	Sale of Empty bags not included in TTO.
131	DC Tax Audit Bhopal	M/s Kochar Plywoods 23863700770 CS000000034476 VAT	2010-11 September 2013	87404725	87657466	161508	20996	62988	83984	Less TTO determined due to irregularly deduction of sales return beyond six months and shortage of goods.
						91233	11860	0	11860	
132	CTO IX Indore	M/s Krishna Mobiles 23780904692 CS00000079072	2011-12 March 2014	30613254	32563853	1950599	253578	0	253578	Tax was collected on amount of discount also. AA determined turnover after deducting discount

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
										amount.
133	DCCT I Bhopal	M/s H.M. Distributors 23534004901 105/11 VAT	2010-11 September 2013	1118592135	1138448050	19855915	2581269	7743807	10325076	TTO was determined by deducting discount amount from net sales.
134	CTO Circle V Bhopal	M/s Albert David Ltd 23094000778 CS00000189696 VAT	2011-12 September 2014	71657372	80855533	9198161	495644	1486932	1982576	Discount and tax amount twice deducted for making TTO.
135	DCCT-I Indore	M/s Micromax Informatics Ltd. 23900203607 23/2010 VAT	2009-10 June 2012	1370456047	1381072038	10615991	1326999	3980997	5307996	Stock transfer returns were wrongly treated as Sales returns.
136	DCCT I Bhopal	M/s Bhaskar industries limited Spinning division 23893601959 136/11 VAT	2010-11 September 2013	37190594	40522694	3332100	133284	399852	533136	Amount of sales return was deducted twice.
137	CTO Circle XI, Indore	M/s Mangliya Kitchen Services Indore 23331100346 17/12 VAT	2011-12 June 2014	120290317	122458855	2168538	281910	845730	1127640	Irregular sales return allowed on account of remaining unused gas in commercial gas cylinder.
				<b>2932305725</b>	<b>2981823799</b>	<b>49518074</b>	<b>5212741</b>	<b>14841909</b>	<b>20054650</b>	
138	CTO Circle IX Indore	M/s Additives Pharma and frozen ltd Indore 235709028192 CS000000023946 VAT	2010-11 May 2013	37999850	55157517	17157667	2230497	6691491	8921988	Audited a/c was not submitted and OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
139	CTO Circle IX Indore	M/s Rajasthan Engineers Contractors enterprises/23550902636/ CS0000008350 VAT	2011-12 July-2013	23888526	26853777	2965251	148263	444789	593052	Audited a/c was not submitted and OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
140	CTO-I Ratlam	M/s Pipe House 23683402982 421/11 VAT	2010-11 July 2013	1905553	2325518	419965	56326	168978	225304	Audited a/c was not submitted and OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
141	CTO Circle I	M/s Harleestic	2010-11	3029266	5796760	2767494	138368	415104	553472	Audited a/c was not submitted and

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
	Ratlam	Pharmaceuticals 23983404757 737/11 VAT	May 2013							OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
142	DCCT-I Indore	M/s S C Johnsons Products Private Limited 23941503191 CS000000027239 VAT	2010-11 September 2013	146058968	149280337	3221369	418778	1256334	1675112	Audited a/c was not submitted and OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
143	DCCT-I Indore	Intas Pharma 23400100189 CS000009738 VAT	2010-11 September 2013	390750846	469789392	79038546	3951927	11855781	15807708	Audited a/c was not submitted and OB & CB were nil and purchase value of goods were more than of sale value. Further quantitative statement of traded goods is not provided.
144	CTO Circle XII Indore	M/s VLCC Health care/23071203406/CS000000021152 VAT	2010-11 September 2013	2905656	5090035	2184379	283969	851907	1135876	Assessing Authority determine less TTO in the absence of audited account Moreover Purchases are more as compare to sales and no amount shown in OB/CB balance.
145	CTO Circle Sendhwa	M/s Subhash Thakkar Thekedar 23582204408 CS000000100715 VAT	2011-12 June 2014	7094970	7854145	759175	78042	234126	312168	Due to opening closing difference and bifurcation less TTO determined.
				<b>613633635</b>	<b>722147481</b>	<b>108513846</b>	<b>7306170</b>	<b>21918510</b>	<b>29224680</b>	
146	CTO Circle XI, Indore	M/s HSIL Ltd. 23191104400 260/12 (VAT)	2011-12 June 2014	103102848	105858519	2755671	358237	1074711	1432948	Excess deduction allowed on Stock Transfer.
147	CTO Circle X, Indore	M/s Rishabh Enterprises 23291004388 133/12 VAT	2011-12 June 2014	169405490	171520433	2114943	105747	317241	422988	Sale to non-SEZ unit i.e. Naughty Foods Pvt. Ltd. was incorrectly treated as exempted sale to SEZ unit.
148	CTO Circle XIII Indore	M/s Okaya Power Ltd 23951303608 CS0000000184814 VAT	2012-13 february 2015	128259705	148423033	20163328	2621233	0	2621233	Irregular l deduction was allowed amounting to ₹ 20163328.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
149	CTO Circle XIII Indore	M/s Arti Traders 23141300319 CS00000095827 VAT	2011-12 May 2014	64890796	66957537	2066741	268676	806028	1074704	Assessing Authority determine less TTO in the absence of audited account Moreover Purchases are more as compare to sales and no amount shown in OB/CB balance.
150	CTO Circle XIII Indore	M/s Viva Computers 23491303279 246/2013 VAT	2012-13 February 2015	123044665	124375077	1330412	359211	0	359211	Tax paid amount wrongly amounting to ₹ 1330412 wrongly deducted.
151	CTO Circle II Gwalior	M/s Vectus Industries Pvt Ltd 23525202614 CS000000179002 VAT	2012-13 February 2015	188390275	195904373	7514098	470511	1411533	1882044	Sale of raw material and lids not included in GTO.
152	CTO Circle II Gwalior	M/s Yash Automobile Gwalior 23535211202 CS00000094089 VAT	2011-12 June 2014	144517631	144835058	317427	41266	123798	165064	Higher charges amounting to ₹ 317247 not included in TTO.
153	CTO Circle II Gwalior	M/s Jai Maruti Gas Cylinder 230452022199 CS000000178997 VAT	2012-13 June 2014	12155157	12458192	303035	15152	45456	60608	Additional rebate of exports goods amounting to ₹ 303035.
154	CTO Circle V Bhopal	M/s Mishigunn Rubber India Ltd 23914001394 07/12 VAT	2011-12 June 2014	8847527	365329621	356482094	46342672	0	46342672	The dealer was allowed exemption under Sales Tax Act. After introduction of VAT, the exemption was to be available for the unexpired period of eligibility of certificate or to the extent of balance of cumulative quantum of tax as on 1/4/2006 whichever is earlier. In this case no balance of cumulative quantum exemption was available therefore exemption was incorrectly allowed.
155	CTO Circle IX Indore	Digiana Industrial Pvt. Limited Indore 23270900462 VAT	2010-11 May 2013	0	304585231	304585231	15229262	0	15229262	Deduction on tax free sale of Liquor amounting to ₹ 30.45 crore which was not covered under the nature of business as per registration certificate.
156	CTO Circle I Bhopal	Samta Wood product 223423602557 214/11 VAT	2010-11 September 2013	0	4687897	4687897	609426	0	609426	Deduction on sale of tax free timber was not covered under the nature of business as per registration certificate.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover assessed by AA	Determined Turnover as per books of account	Taxable turnover under determined	Amount of short levy of tax	Amount of penalty	Proposed Additional demand	Observation in brief
157	DC Tax Audit wing-I Indore	M/s Shanti Realities Private Limited 23721404469 1069/2010-11 VAT	2010-11 May 2013	130931848	134817423	3885575	505059	0	505059	Sale of Door frame of ₹ 1191287 treated as tax free and less assessed sale value of bricks cement and RMC ₹ 3343033.
158	DC Tax Audit wing-I Indore	M/s Amar Raja Battery Indore 2351102734 167/2010-11 VAT	2010-11 February 2013	285689124	335008583	49319459	6411530	19234590	25646120	In the absence of Audited Report of the concerned unit loss shown on account of battery of ₹ 40618778/- was not justifiable.
159	DC Tax Audit wing-I Indore	M/s Silver Realities Pvt. Limited 23440904976 3103/2010-11 VAT	2010-11 December 2012	171663937	173048944	1385007	334840	0	334840	Sale of Furniture and wooden material of ₹ 1385007 was not included in TTO thus less assessed.
160	CTO Circle Mandideep	M/s Shri Tunga Caterers 23684105068 200/13 VAT	2012-13 March 2015	29459385	52280942	22821557	1141077	0	1141077	Sale of Cooked food is incorrectly treated exempted sale of SEZ unit.
				<b>1560358388</b>	<b>2340090863</b>	<b>779732475</b>	<b>74813899</b>	<b>23013357</b>	<b>97827256</b>	
		<b>Grand Total</b>		<b>30946571856</b>	<b>35940767957</b>	<b>4994196101</b>	<b>402429423</b>	<b>418465365</b>	<b>820894788</b>	

**Appendix II**  
(Referred to in paragraph 2.2.12)  
**Application of Incorrect Rate of tax**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
1	RAC Sagar II	M/s Vijay Nirman Company Pvt Ltd Bina 23117404497 291/11 VAT	2010-11 May 2013	Miscellaneous material of work contract	1861831	5	1	74473	223419	297892	As per purchase statement all purchases made from out of state. However, as per section 11-A of VAT sub-rule 8-A(4)(ii) taxable @ five per cent instead of one per cent.
	RAC Sagar II	M/s Shanti Pulses Bina 23497403451 260/11 VAT	2010-11 May 2013	Bardana	497730	5	4	4977	14931	19908	Tax on bardana imposed @ four per cent instead of five per cent.
2	DC Tax Audit wing Bhopal	M/s Dream Kitchen Bhopal 23664005072 82/12 VAT	2011-12 August 2013	Modular Kitchen	3284101 454250	13 13	8 0	262728 59025	788184 177075	1050912 236100	Modular kitchen are taxable @ 13 per cent.
3	DC Tax Audit wing Bhopal	M/s D.K. Modular Furniture 23579014633 86/12 VAT	2011-12 June 2013	Furniture	1687660	13	5	135013	405039	540052	Furniture was taxable @ 13 per cent.
4	CTO Circle VII Indore	M/s H M Traders 23430701233 CS00000069352 167 VAT	2011-12 September 2013	Diesel Engine & Spare parts	1430662	13	5	114453	343359	457812	Lower rate of tax was applied in Diesel Engine & Spare parts .
5	DCCT-I Indore	M/s Micromax Informatics Ltd. 23900203607 23/2010 VAT	2009-10 June 2012	Mobile	10631215	12.5	5	797341	2392023	3189364	AA levied tax @ five per cent on sale of mobiles and accessories whereas the goods are taxable @ 12.5 per cent from 1.8.2009.
6	DCCT-I Indore	M/s Bhagwan Das Motors Pvt. Limited 2311150380 275/10 VAT	2009-10 June 2012	Auto Mobile parts	6444398	12.5	4	547774	1643322	2191096	Finished goods was wrongly treated as scrap by AA.
7	DCCT-I Indore	M/s Bhagwan Das Motors Pvt. Limited 2311150380 276/10 CST	2009-10 June 2012	Auto Mobile parts	1690100	12.5	4	143659	430977	574636	Finished goods was wrongly treated as scrap by AA and lower rate of tax was applied.



Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
8	RAC-II Bhopal	M/s Laxmi Tractors 23934602686 175/11VAT	2010-11 May 2013	Tractors Accessories	888428	13	5	71074	213222	284296	Accessories wrongly treated as spare parts and lower rate of tax was applied by the AA.
9	DCCT II Bhopal	M/s Desai Brothers 23954301975 25/111 VAT	2010-11 July 2013	Ginger paste	1947966	13	5	155837	467511	623348	No specific entry for Ginger paste therefore taxable @ 13 per cent.
10	CTO Circle Waidhan	M/s Yash Construction Singrauli 23607306306 13/11 VAT	2010-11 May 2013	Machinery and spare parts	45258901	13	5	3620712	10862136	14482848	Machinery parts are taxable @ 13 per cent .
11	CTO Circle Waidhan	M/s Ravi Diesel Singrauli 2386730519311/11 VAT	2010-11 August 2013	HEMM spare Parts	104870946	13	5	8389675	0	8389675	Machinery parts are taxable @ 13 per cent as per entry No II/IV/I.
12	CTO Circle Waidhan	M/s J.K Supplies and solution Singrauli 23387306524 215/11 VAT	2010-11 July 2013	Engine spare Parts	14443760	13	5	1155501	0	1155501	From audited account and form 49 purchase of engine spare and oil is established.
13	CTO Circle Waidhan	M/s Singhal traders Singrauli 23807302843 15/12 VAT	2011-12 December 13	Beverages	15028293	13	5	1202263	0	1202263	Beverages are taxable @ 13 per cent.
14	RAC II Sagar	M/s Bhadora Industries 23117800645 32/12 VAT	2011-12 January 2014	Electrical Cable and electric wire	594010	13	5	47521	142563	190084	Electric wire taxable @ 13 per cent as per residuary entry II/IV/I.
15	DCCT I Bhopal	M/s Bhaskar Industries Limited Weaving Div 23213602430 144/2011 VAT	2010-11 September 2013	Yarn waste	9106912	5	4	91069	273207	364276	Yarn waste is taxable @ five per cent as per entry No II/II/5(a).
16	CTO Circle I Gwalior	M/a Akay Sons Gwalior 23525101346 577/2012 VAT	2011-12 July 2014	Tiles and sanitary goods	6792734	13	5	543419	0	543419	As per audit report business of tiles and sanitary goods was certified which are taxed @ 13 per cent.
17	CTO Circle I Satna	M/s Kisan Seva Kendra Satna 2367004451 1310/2013 VAT	2012-13 December 2014	Diesel/ Petrol	14125390 9516065	23 /27	0/0	3248840 2569337	0 0	3248840 2569337	Tax was not imposed on Diesel/Petrol wrongly treated as tax paid.
18	CTO Circle I Bhopal	M/s S.M. Motors 230632605347 Self VAT	2010-11 Self	Motor vehicles	32160271	13	1.5	3698431	0	3698431	Sale of second hand vehicles is not certified by the registered dealer.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
19	CTO Circle I Bhopal	M/s Samta Food Products 233423602557 214/11VAT	2010-11 September 2013	Furniture	4687897	13	0	609425	0	609425	Furniture sale was wrongly classified as tax free timber sale therefore taxable @ 13 per cent.
20	DCCT Satna	M/s GMMCO Limited 232917300752 19/13 VAT	2012-13 January 2015	Motor Parts	943901920	13	5	75512153	226536459	302048612	Machinery parts (as per Form 49) were wrongly classified HEMM parts therefore taxable @ 13 per cent.
21	CTO Circle XI Indore	M/s Malhotra Marketing Pvt. Ltd. 23901103476 122/12 VAT	2011-12 May 2014	Safety razor	771104	13	5	61688	185064	246752	Sale was treated as oil & levied @ five per cent instead of sale of safety razor @ 13 per cent.
22	CTO Circle XI Indore	M/s Naughty Foods Pvt. Ltd. 23151104131 262/12 VAT	2011-12 July 2014	Confectionary, Lollypop, Bubblegum, Candy	2163453	13	5	173076	519228	692304	Sale of Confectionary & Candy were wrongly treated as packing scrap. Therefore lower rate of tax was applied.
23	CTO Circle X Indore	M/s Cool Corner 23541000466 CS000000214889 VAT	2012-13 December 2014	Refrigerator parts	1931932	13	5	154554	463662	618216	Sale of Refrigerator parts taxable @ 13 per cent however lower rate of tax applied.
24	CTO Circle III Bhopal	M/s Gurmukh Das contractor Bhopal 23033804483 CS00000002325 VAT	2011-12 June 2014	Wooden Doors and PCC Poles	901232	13	5	72098	216294	288392	Dealer is liable to tax on wooden doors @ 13 per cent instead of five per cent.
25	CTO Circle I Ujjain	M/s Tirupati Industries 23362605624 11/2014 VAT	2010-11 May 2014	Machinery	153575	13	1.5	17661	52983	70644	Tax on plant and machinery was imposed @ 1.5 per cent.
26	CTO Circle I Ujjain	M/s Patel Automobiles 23242607242 415/11-12 VAT	2011-12 June 2014	Battery parts inverter	423831	13	5	21192	0	21192	Tax on inverter was imposed @ 5 per cent instead of 13 per cent
27	CTO Circle XIII Indore	M/s Hindustan Construction Corporation 23201304360 116/10 VAT	2011-12 June 2014	Fire alarm system	11523627	13	5	921890	2765670	3687560	Security alarm fire alarm system taxable @ 13 per cent.
28	CTO Circle XIII Indore	M/s S.L.Wonder Pack Pvt Ltd 23831303771 CS000000143881 VAT	2011-12 July 2014	Plant and Machinery	750000	13	1.5	86250	258750	345000	Tax on Plant and Machinery was imposed @ 1.5 per cent.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
29	CTO Circle XIII Indore	M/s Kanwaldeep Sodhi 23671300949 99/12 VAT	2011-12 July 2014	Steel railing and green net	4724349	13	5	377948	1133844	1511792	Tax imposed incorrectly @ five per cent on steel railing and green net.
30	CTO Circle XIII Indore	M/s Sun shine Crockery 23431302827 CS00000196730 VAT	2012-13 January 2015	Crockery	3929657	13	5	314373	943119	1257492	Tax on crockery leviable @ 13 per cent.
31	CTO Circle XIII Indore	M/s Asian Natural Resources 23281301503 CS000000121121 VAT	2011-12 May 2014	Coal	1038560	5	4	10386	31158	41544	Tax on coal was leviable @ five per cent however lower rate of tax was applied.
32	CTO Circle XIII Indore	M/s Minda auto Care limited 2367304732 CS00000099970 VAT	2012-13 May 2014	Auto parts	27783231	13	5	2222658	0	2222658	Tax on auto parts leviable @ 13 per cent however lower rate of tax was applied.
33	CTO Circle Mandideep	M/s Makson Health Care Private Ltd 23654101641 30/2013 VAT	2012-13 February 2015	Vicks Candy Lolly pop	5899532	13	5	471962	1415886	1887848	Candy /lolly pop is taxable @ 13 per cent however lower rate of tax was applied.
34	CTO Circle Mandideep	M/s Makson Health Care Private Ltd 23654101641 30/2013 VAT	2011-12 June 2014	Vicks Candy Lolly pop	4723388	13	5	377871	1133613	1511484	Candy /lolly pop is taxable @ 13 per cent however lower rate of tax was applied.
35	CTO Circle II Gwalior	M/s B & M Sons Gwalior 238745201426 437/12 CST	2011-12 July 2014	Auto mobile parts	21288755	13	5	103100	0	103100	Automobile parts are taxable @ 13 per cent however lower rate of tax was applied.
36	CTO Circle II Gwalior	M/s Map Industries Ltd Gwalior 23495208499 598/12 VAT	2011-12 July 2014	Motor parts	12536012	13	5	1002881	3008643	4011524	Auto mobile parts is taxable @ 13 per cent taxable however lower rate of tax was applied.
37	CTO Circle Dewas	M/s Sharda Minerals and Chemicals Dewas 2332305183 CS00000337045 VAT	2012-13 March 2015	Colour Earth powder	21652780	13	5	1732222	5196666	6928888	Colour earth powder taxable @ 13 per cent however lower rate of tax was applied.
38	CTO Circle V Bhopal	M/s Virasha Infrastructure 23149003909 553/12 VAT	2011-12 July 2014	Building Material	4853254	5	0	242662	727986	970648	Dealer was liable to pay tax on the capital value of the sale of constructed building under Section 9(B). AA determined turnover against the provision

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
											of section 9(B) by allowing deduction on tax paid and tax free goods.
39	CTO Circle V Bhopal	M/s Speed Infrastructure India Pvt Ltd 23204008332 762/2012 VAT	2011-12 July 2014	Plant and Machinery	300000	13	1.5	34500	103500	138000	Tax on plant and machinery levied @ 1.5 per cent instead of 13 per cent.
40	CTO Circle V Bhopal	M/s Loknath Trading Company Bhopal 23974006502 80/12 VAT	2011-12 May 2014	Coal Briquette	5275826	13	5	472826	0	472826	Coal Briquette was taxed @ five per cent instead of 13 Per cent.
41	CTO Circle Sendhwa	M/s Malwiya Trolley Works anjared 23192204768 CS000000295685 VAT	2012-13 January 2015	Hydraulic trolley	1788346	13	5	143067	429201	572268	Hydraulic trolley is taxable @ 13 per cent as entry II/IV/I.
42	ACCT Div I Bhopal	M/s Sterling and Wilson Pvt Ltd 23294008331 199/13 VAT	2011-12 July 2014	Structural material	6366992	13	5	509359	1528077	2037436	Structural material is taxable @ 13 per cent however lower rate of tax was applied.
43	CTO Circle I Satna	M/s Excel Earthmovers 23567002621 1090/2102 VAT	2011-12 June 2014	Spare parts of earth moving machine	752258	5	3	15045	0	15045	Tax on spare parts earth moving machine is leviable @ five per cent.
44	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 3102/2010-11 VAT	2010-11 December 2012	Furniture	6993931	13	5	559515	0	559515	Furniture used in construction work was levied @ five per cent instead of 13 per cent.
45	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 2215/2011-12 VAT	2011-12 November 2013	Furniture	12697530	13	5	1015802	0	1015802	Furniture used in construction work was levied @ five per cent instead of 13 per cent.
46	DC Tax Audit wing-I Indore	M/s Indore treasure Indore 239509058511 3102/2010-11 VAT	2012-13 April 2014	Furniture cement and putti	28877231	13	5	2310178	0	2310178	Furniture used in construction work was levied @ five per cent instead of 13 per cent.
47	DC Tax Audit wing-I Indore	M/s Digital Inter greater Private Limited 23871002564 320/11 VAT	2010-11 November 2012	Display units (Token display system with bell )	5450315	13	5	436025	1308075	1744100	Display units (Token display system with bell ) were taxable @ 13 per cent However lower rate of tax was applied.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
48	DC Tax Audit wing-I Indore	Plyco industries 23971404089 2040000001499351 VAT	2011-12 December 2013	Wood panel and doors	3619445	13	5	289556	868668	1158224	Wood panel and doors were levied @ five per cent instead of 13 per cent.
49	DC Tax Audit wing-I Indore	M/s Mahalaxmi Agency 23500103238 592/2011-12 VAT	2011-12 January 2014	Lays Kurkure, cheetos	2992376	13	5	239390	718170	957560	Lays, Kurkure, cheetos biscuits were levied @ five per cent instead @ 13 per cent.
50	DC Tax Audit wing-I Indore	M/s Dil Bahar Supari 23660801065 2040000001334951 VAT	2011-12 September 2013	Gutka paan masala	733351	13	5	58668	176004	234672	Guttka Pan Masala levied @ five per cent however to be taxed @ 13 per cent.
51	DC Tax Audit wing-I Indore	M/s Samay Enterprises 23350902358 124/2010-11VAT	2010-11 January 2012	Watch	1262376	13	1	151485	0	151485	Watches are taxable @ 13 per cent. However lower rate of tax was applied.
<b>Total</b>					<b>1435463689</b>			<b>117654588</b>	<b>268097688</b>	<b>385752276</b>	

## Appendix III

(Referred to in paragraph 2.2.13.1)

## Short levy of tax due to allowing incorrect deduction

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Commodity	Turnover	Rate of tax (per cent)	Tax leviable	Tax levied	Amount of short levy of tax	Amount of penalty	Total	Audit Observation
1	CTO Circle IX Indore	M/s Additives Pharma and frozen ltd Indore 235709028192 CS000000023946	2010-11 May 2013	Food color flavor	37999850	13	4939981	4371664	568317	0	568317	Tax amount was not included in sales amount. However, deduction allowed against the provision of Section 2 (x) (iii).
2	CTO Circle I Ratlam	M/s Mohit Enterprises Ratlam 23983402720 307/11 (VAT)	2010-11 July 2013	Computer parts	246469	13	32041	28355	3686	11058	14744	
				Computer parts	9979429	5	498971	475211	23760	71280	95040	
3	DCCT II Bhopal	M/s Ramdev Sugar Mills Pvt Ltd sugar Div Bankhedi 23494304362 27/11(VAT)	2010-11 August 2013	Sugar, molasses	18834976	13	2448547	2166856	281691	845073	1126764	As per audit report sale certified exclusive of tax. However, deduction allowed against the provision of Section 2 (x) (iii)
4	DCCT II Bhopal	M/s Ramdev Sugar Mills Pvt Ltd sugar Div Bankhedi 23494304362 25/11(CST)	2010-11 August 2013	Sugar, molasses	27709566	2	554191	543325	10866	32598	43464	
					2048002	13	266362	259865	6497	19491	25988	
5	CTO Circle Khargone	M/s R.K. Vyankateshwarlu 232822107961 CS000000055451/ VAT	2010-11 September 2013	Work contract	2996928 5266067	13 5	389600 263303	344779 250765	57359	0	57359	
6	CTO Circle XIV Indore	M/s Shri Sai Sales Indore 23081403560 9/12/VAT	2010-11 May 13	Motor parts	5253999	13	683020	0	683020	0	683020	

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Commodity	Turnover	Rate of tax (per cent)	Tax leviable	Tax levied	Amount of short levy of tax	Amount of penalty	Total	Audit Observation	
7	CTO Circle I Gwalior	M/s Pragmatic Infrastructure Limited 23825208172 22/2013 VAT	2012-13 February 2015	Work contract or	45269087 15392086	5 13	2263454 2000971	3926441	337984	0	337984	Tax amount not included in sales amount. However, deduction allowed against the provision of Section 2 (x) (iii).	
8	CTO Circle I Satna	M/s Expert Computer 23887002639 849/2012 VAT	2011-12 June 2014	Computer parts	34058200 441402	5 13	1702910 57382	1621819 50781	87692	263076	350768		
9	CTO Circle I Bhopal	M/s Dynopower System 23643602227 116/11 (VAT)	2010-11 September 2013	Transformer repairing	3846601	13	500058	0	500058	1500174	2000232		
10	DCCT II Jabalpur	M/s B.L.A Industries Ltd Gadarwara 23096403371 28/11 VAT	2010-11 August 2013	Coal extraction	757710836 1260185	4 13	3030843 3 163824	29142724 144977	1184556	3553668	4738224		
11	CTO Circle-XI Indore	M/s Satyam Gas Agency 23781101408 57/12 (VAT)	2011-12 July, 2014	Gas equipment, Gas cylinder	5276883 126032729 25841179	4 5 13	211075 6301636 3359353	202957 6001559 2972879	694669	0	694669		
12	CTO Circle I Ujjain	M/s P. C. Gallery 23139025444 1020/13 VAT	2012-13 December 2014	Computer and accessories	41242464	5	2062123	1963926	98197	294591	392788		
13	CTO Circle II Gwalior	M/s Saudagar Mal Maman mal Pvt Ltd 23085203341 487/12 VAT	2011-12 June 2014	Hexanel wire, Iron tools etc	808262	13	105074	0	105074	315222	420296		
14	CTO Circle II Gwalior	M/s Bansal Brorhers 23135208212 CS000000097254 VAT	2011-12 July 2014	Ready made garments	721045	5	36052	0	36052	108075	144127		
<b>Total</b>					<b>1168236245</b>		<b>59148361</b>	<b>54468883</b>	<b>4679478</b>	<b>7014306</b>	<b>11693784</b>		

## Appendix IV

(Referred to in paragraph 2.2.13.2)

## Incorrect depiction of figure in VAT Audit Report 41(A) under Section 39 of MP VAT Act

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Turnover	Rate of tax (per cent)	Tax leviable	Tax levied	Amount of short levy of tax	Amount of penalty	Total
<b>In VAT audit report cost of goods sold were derived on net purchases (i.e purchases without VAT), and Sale value of goods was derived after adding profit to the cost of goods sold so calculated. However Chartered Accountant wrongly depicted the sale value as with VAT instead of net sales in the Audit Report.</b>										
1	DCCT Satna	M/s Agrawal Motors Satna 23667003827 10/12 (VAT)	2011-12 February 2013	2556851487	13	332390693	294151647	38239046	114717138	152956184
2	Circle-XI Indore	Shail India Market Pvt Ltd 23291104636 /176/12 (jVAT)	2011-12 April 2014	389408465	13	50623100	44868108	5754992	17264976	23019968
3	Circle-XI Indore	M/s Daikin Air Conditioning India Pvt Ltd 23479017844 /215/12 (VAT)	2011-12 May 2014	167467814 2068341	13 5	21770816 103417	19526031	2348202	7044606	9392808
4	Circle-XI Indore	M/s USV Limited 23631100666 /26/13 (VAT)	2012-13 December 2014	412496594 13350949	5 13	20624830 1735623	19642695 1535950	1181808	3545424	4727232
5	Circle-XI Indore	M/s Malhotra Marketing Pvt. Ltd. 23901103476 /122/12 (VAT)	2011-12 May, 2014	225518967 860241	13 5	29317465 43012	26244263	3116214	9348642	12464856
6	Circle-XI Indore	M/s Micro lab Ltd. 23381103859 /133/12 (VAT)	2011-12 July, 2014	225397875 3200376	5 13	11269894 416049	11049115	636828	1910484	2547312
7	Circle-X Indore	M/s Supertron Electronics Limited 23211004091 /120/12 VAT	2011-12 July, 2014	216197631 2880462	5 13	10809882 374460	10295121 331381	557840	1673520	2231360
8	CTO Circle XIII Indore	M/s Bajaj Crop Limited 23211304112 CS00000145835 VAT	2012-13 December 2014	10762425 638708737	5 13	538121 83032136	512496 73479766	9577995	28733985	38311980
9	CTO Circle XIII Indore	M/s F.D.C. Limited 23141301289 CS0000000178969 VAT	2012-13 December 2014	366717820 16723567	5 13	18335891 2174064	17462753 1923950	1123252	3369756	4493008
10	CTO Circle XIII Indore	M/s F.D.C Limited 23141301289 CS000000092797 VAT	2011-12 May 2014	336607338 15771699	5 13	16830367 2050321	16033682 1814443	1032563	3097689	4130252
11	CTO Circle XIII Indore	M/s Reddy Laboratories 23531301511 CS0000000179451 VAT	2012-13 January 2015	377562646 27287547	5 13	18878132 3547381	21118449	1307064	3921192	5228256
12	CTO Circle V Bhopal	M/s Mobility Limited 23554004793 CS000000250889 VAT	2012-12 February 2015	565732519	13	73545227	65084272	8460955	25382865	33843820
13	CTO Circle V Bhopal	M/s Air Plaza Pvt Ltd 23319010294 CS000000250865 VAT	2012-13 February 2015	552739849 198886944	5 13	27636992 25855303	26320945 22880799	4290551	12871653	17162204
<b>Total</b>				<b>7,32,32,00,293</b>		<b>75,19,03,176</b>	<b>67,42,75,866</b>	<b>7,76,27,310</b>	<b>23,28,81,930</b>	<b>31,05,09,240</b>



**Appendix-V**

(Referred to in paragraph 2.2.14)

**Non-levy of tax on sales incorrectly treated as tax free**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Rate of Tax/entry no. in schedule	Turnover	Non levy of tax	Amount of penalty	Total
1	CTO Circle IX Indore	M/s Kothari Agritech Pvt Ltd Indore 23670905189 347/12 VAT	2011-12 May 2013	Agriculture Pipes	5 per cent II/II/64	27480344	1374017	4122051	5496068
2	DCCT Ratlam	M/s Kataria Industries Pvt. Ltd. 23953404531 CS00000029433 VAT	2010-11 June 2013	Sprinkler pipe and fittings	5 per cent II/II/64	7331309	366565	0	366565
3	DCCT Ratlam	M/s Kataria Industries Pvt. Ltd. 23953404531 CS00000029434 VAT	2010-11 June 2013	Sprinkler pipe and fittings	5 per cent II/II/64	15265294	763265	0	763265
4	CTO Circle Mandideep	M/s Mittal Fresh Foods Private Ltd 23374105384 189/2012 VAT	2011-12 June 2014	Tomato Sauce	5 per cent II/II/108	4033499	201675	0	201675
5	CTO Circle XII Indore	M/s Global Easy Water supply Pvt Ltd/23671203658/209/11 VAT	2010-11 April 2013	Drip Irrigation Pipe	5 per cent II/II/64	40100227	2005011	6015033	8020044
6	CTO Circle XI Indore	M/s VSN Engg. 23311104625 CS000000291149 VAT	2012-13 March 2015	Ventilator	13 per cent II/IV/1	2313437	300747	902241	1202988
7	CTO Circle Mandideep	M/s Jai Shri Krishna Traders Deori 23279059477 326/13 VAT	2012-13 February 2015	Pesticide	5 per cent II/II/24	2901108	145055	435165	580220
8	CTO Circle Dewas	M/s Tyagi Kissan Seva Kendra 23749000163 CS000000144718 VAT	2011-12 June 2014	Drip Irrigation Pipe	5 per cent II/II/64	5882929	294146	882438	1176584
9	CTO Circle V Bhopal	M/s Ruchi Security Printers Pvt Ltd 23764006473 99/12 VAT	2011-12 June 2014	Answer books with OMR sheets and barcode	5 per cent II/II/33	2094475	104724	314172	418896
<b>Total</b>						<b>10,74,02,622</b>	<b>55,55,205</b>	<b>1,26,71,100</b>	<b>1,82,26,305</b>

**Appendix- VI**  
(Referred to in paragraph 2.2.15.1)  
**Inadmissible grant of I.T.R. against certified purchase**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
1	Circle-IX Indore	M/s Kumar Enterprises/ 23240900042 04/12 VAT	2011-12 May-2013	2275661	2210665	64996	194988	259984	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
2	Circle-IX Indore	M/s Gandhi hardware stores/23480903596/93/2011	2010-11 May-2013	3127938	3121108	6830	20490	27320	
3	CTO-I Ratlam	M/s Jaikishan Fertilisers 23933401147 158/11 (VAT)	2011-12 January 2014	1009032	989770	19262	57786	77048	
4	DCCT II Bhopal	Crompton Greaves Ltd Transformer Div 23644104120 11/11(VAT)	2010-11 June-2013	39949984	39595055	354929	1064787	1419716	
				11469	0	11469	34407	45876	ITR allowed on Job work no details found on bills.
5	CTO Waidhan	R.K. Enterprises Singrauli 23047306032	2010-11 January 2013	260179	225817	34362	103086	137448	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
6	CTO Circle I Gwalior	M/s Sikarwar Cement Agency 23615204359 516/2013 VAT	2012-13 March 2015	2468936	0	2468936	0	2468936	ITR was sanctioned on purchase of ₹ 21460750 whereas as per trading account purchase of ₹ 21060750 was certified and no purchase list was found in the case.
7	CTO Circle I Gwalior	M/s Shri Hari Trading Company 23469036469 416/2013 VAT	2012-13 March 2015	4236336	4211386	24950	74850	99800	The dealer has received purchase amount of ₹ 191927 in respect of rate difference of purchase which was certified in audited account on which ITR was not reversed.
8	CTO Circle I Gwalior	M/s Emerald Industries Laskar Gwalior 23225104615 /384/2012	2011-12 July 2014	1145382	1012420	132962	0	132962	Excess ITR was allowed on purchases over and above the purchases certified in audited account.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
9	CTO Circle I Gwalior	M/s Deepak Traders Laskhar 23765104997 08/2013VAT	2012-13 August 2014	2590520	2472263	118257	0	118257	ITR was sanctioned on the purchase amount of ₹ 80974648 @ five per cent and purchase of ₹ 19927079 @ 13 per cent, however, as per audited account 13 per cent purchase was ₹ 18448857 and five per cent purchase was ₹ 82425870
10	CTO Circle I Satna	M/s R.M Services 23587103296 153/13 VAT	2012-13 January 2015	98302969	97095945	1207024	3621072	4828096	Excess ITR allowed on purchases as compared certified audited account.
11	CTO Circle I Bhopal	M/s Deepak Watch and Radio 23963601290 16/11 VAT	2010-11 May 2013	3163209	3055406	107803	323409	431212	ITR was sanctioned on the net purchase amount of ₹ 24332378 however, as per audited account net purchase certified was ₹ 23503122 hence excess ITR was allowed on difference amount.
12	DCCT Satna	M/s Northern Coal Field Limited Amlahi 23657300604 CS000000080260 (VAT)	2011-12 December 2013	49256423	46935850	2320573	6961719	9282292	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
13	DCCT Satna	M/s Hindalco Industries 23657306036 20/2012 VAT	2011-12 June 2014	21711962	0	21711962	0	21711962	
14	Circle-XI Indore	M/s Everest Tyres 23831100071 9/12 (VAT)	2011-12 November, 2014	14603016	14322078	280938	842814	1123752	
15	Circle-XI Indore	M/s Everest Tyres 23831100071 12/13 (VAT)	2012-13 November, 2014	17742269	17425916	316353	949059	1265412	
16	Circle-XI Indore	M/s Indore Steel & Iron Ltd. 23721100083 251/12 (VAT) Reopen	2010-11 September 2013	12580892	9300562	3280330	9840990	13121320	Amount of ₹ 25233310 on account of purchase of furnace oil was not certified in audited account hence ITR sanction on that amount is not admissible
17	Circle X Indore	M/s Design World 23251004166 CS000000291653	2012-13 December 2014	1297409	1259311	38098	114294	152392	The dealer has received rate difference in respect of purchase amount of ₹ 647119 out of which ₹ 293063 was in respect of Purchase within state which was certified in audited account on which ITR was not reversed.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
18	CTO Circle I Ujjain	M/s Satyam Sanitary and Hardware Store 23912602072 CS000000097648/2013 VAT	2011-12 July 2014	157473	104892	52581	0	52581	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
19	CTO Circle XIII Indore	M/s Viva Computers 23491303279 246/13 VAT	2012-13 February 2015	30039875	29685762	354113	0	354113	As per audited account Gross purchase is ₹ 150868988 which is inclusive of taxes, but ITR was sanctioned on amount of ₹ 152564634 hence excess amount of ITR was sanctioned on differential amount
20	CTO Circle XIII Indore	M/s X Act Road Equipment 23701302533 CS0000000196257 VAT	2012-13 March 2015	417136	400885	16251	48753	65004	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
21	CTO Circle Mandideep	M/s Balaji Production 23149064049 655/13 VAT	2012-13 December 2014	446271	366277	79994	0	79994	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
22	CTO Circle II Gwalior	M/s Karan Stumpings Pvt Ltd Gwalior 23115206671 CS0000000156039 VAT	2011-12 July 2014	2124872	877116	1247756	3743268	4991024	Excess ITR allowed on store purchase, packing material and fixed assets total amounting to ₹ 877116 and total ITR sanctioned was ₹ 2124872 hence excess ITR sanctioned of ₹ 1247756.
23	CTO Circle V Bhopal	M/s Ajay Paints Bhopal 23394006142 97/12 VAT CS000000137859	2011-12 June 2014	2318570	2249862	68708	206124	274832	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
24	CTO Circle Sendhwa	M/s Jaiswal Electric and General Store 23962100312 199/13 VAT	2012-13 January 2015	13005108	12578986	426122	0	426122	
25	DC Tax Audit wing-I Indore	M/s Mukesh Radios 23500701049 146/13	2012-13 October 2014	4581849	4407374	174475	0	174475	
26	DC Tax Audit wing-I Indore	M/s A-one Radios 23290500714	2011-12 March 2014	6241599 248963	6115609 0	125990 248963	377970 0	503960 248963	

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
		754/2011-12							forward
27	DC Tax Audit wing-I Indore	M/s Neo Automobile 23581424643 2222/11	2010-11 November 2011	3643517	3580738	62779	0	62779	Excess ITR was allowed on purchases over and above the purchases certified in audited account.
28	CTO XII Indore	M/s R.R. Tyre Indore/23751204002/422/ 2011 VAT	2010-11 September 2013	6359800	6279000	80800	242400	323200	ITR was also claimed on Entry tax amount ₹ 621542 @ 13 per cent
29	CTO Circle Mandideep	M/s Mahaveer Gas Agency 23529002513 97/134 VAT	2012-13 January 2015	4331249	4248417	82832	0	82832	ITR on Entry tax amount of ₹ 627169 was also allowed
30	CTO Circle XII Indore	M/s Tyre Tube UP Indore 23221201723 351/2011 VAT	2010-11 September 2013	2117501	2075981	41520	124560	166080	ITR was also claimed on Entry tax amount ₹ 621542 @ 13 per cent
31	CTO Circle I Bhopal	M/s D.K construction 23913603015 63/11 VAT	2010-11 May 2013	93406	0	93406	280218	373624	ITR allowed on purchases pertained to previous year.
32	CTO Circle I Bhopal	M/s Tata Capital Limited 23333600341 128/11 VAT	2010-11 September 2013	196824	0	196824	590472	787296	ITR allowed on purchases pertained to previous year.
33	DC Tax Audit Bhopal	M/s N R Construction Bhopal 23423607019 2/11 VAT	2010-11 July 2012	8052240	7700815	351425	1054275	1405700	ITR allowed on purchases pertained to previous year.
34	Circle-IX Indore	M/s Vardhman Enterprises/23020901327/ CS0000003454	2011-12 April -2013	1045053	857558	187495	0	187495	Excess allowance of ITR as AA incorrectly adjusted the carry forward ITR of 2009-10 in the year 2011-12.
				<b>361154892</b>	<b>324762824</b>	<b>36392068</b>	<b>30871791</b>	<b>67263859</b>	
35	CTO Circle XI Indore	M/s Naughty Foods Pvt. Ltd. 23151104131 262/12 (VAT)	2011-12 July 2014	724114	0	724114	0	724114	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
36	CTO Circle XI Indore	M/s Chandra Proteko Ltd. 23419074207 264/13	2012-13 November 2014	68158	0	68158	204474	272632	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
37	DC Tax Audit	O P Gupta Contractor,	2010-11	520578	262746	257832	773496	1031328	As per purchase list ITR on purchase

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
	Bhopal	23343805525 CS000002291	June-2013						from Jai Narayan Enterprises Gwalior has been allowed but in purchase list various Tin no has been mentioned.
38	Circle Circle IX Indore	M/s Chhada Tyres Indore 23560900254 13/2012 VAT	2011-12 March 2014	16287047	15294310	992737	0	992737	Verification of ITR was not done by selling dealer in terms of discount.
39	CTO Circle I Ratlam	M/s Sky technologies 23973404908 33/11 (VAT)	2010-11 September 2013	18081	0	18081	54243	72324	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
40	CTO Circle I Ratlam	Burhani Glasses 23943403421 428/11	2010-11 September 2013	65920	0	65920	197760	263680	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
41	CTO Circle Waidhan	Delhi Machinery Stores 23987300083	2010-11 January, 2013	392272	0	392272	0	392272	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
42	CTO Circle Waidhan	Singrauli Trading Corporation 23707300819	2010-11 January, 2013	1997201	0	1997201	0	1997201	
43	CTO Circle Waidhan	Sharma Battery Works 23597301316	2010-11 May, 2013	680820	0	680820	0	680820	
44	CTO Circle Waidhan	Aryan Associates 23287304736	2010-11 January, 2013	415845	0	415845	0	415845	
45	CTO Circle Waidhan	Digital Enterprises 23847305731	2010-11 January, 2013	171818	0	171818	0	171818	
46	CTO Circle Waidhan	Weavel Technology Ltd. 23927305742	2010-11 January, 2013	104524	0	104524	0	104524	
47	CTO Circle Waidhan	Vareli Technech Pvt. Ltd. 23287305706	2010-11 December 2013	87851	0	87851	0	87851	
48	CTO Circle Waidhan	Shriram Kirana, Deosar 23957305386	2010-11 June, 2013	158284	0	158284	0	158284	
49	CTO Circle	Raj Electronics	2010-11	231262	0	231262	0	231262	

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount of ITR Claimed/Accepted	ITR admissible as per dealer records	Amount of ITR objected	Amount of penalty	Amount of proposed additional demand	Audit Observation
	Waidhan	23627306198	January, 2013						
50	CTO Circle Waidhan	Jai Bhawani Enterprises 23347305770	2010-11 May, 2013	132971	0	132971	0	132971	
51	CTO Circle I Gwalior	M/s Sikarwar Agency 23825208657 514/2013 VAT	2012-13 March 2015	2779423	0	2779423	0	2779423	Evidence of claimed ITR as Purchase list, invoices, audited account etc., not found in the case file.
52	Circle X Indore	M/s Sudarshan Marketing 23719023231 CS00000000218586 VAT	2012-13 August 2014	8258308	7962762	295546	0	295546	In credit notes vat amount is shown separately but dealer claims full ITR on the purchase.
53	CTO Circle II Gwalior	M/s Sikarwar Cement Agency Gwalior 23615204359 1036/12 VAT	2011-12 July 2014	2340393	0	2340393	0	2340393	Purchase list/bills were not found with the case file.
54	DCCT I Bhopal	M/s Shapers Construction Limited Bhopal. 23883600655 37/11 VAT	2010-11 September 2013	1673845	0	1673845	0	1673845	ITR has been allowed on such items which were not directly charged to the work.
<b>Grand Total</b>				<b>37108715</b>	<b>23519818</b>	<b>13588897</b>	<b>1229973</b>	<b>14818870</b>	
<b>Grand Total</b>				<b>398263607</b>	<b>348282642</b>	<b>49980965</b>	<b>32101764</b>	<b>82082729</b>	

## Appendix-VII

(Referred to in paragraph 2.2.15.3)

## Non reversal /less reversal of ITR in the event of the Goods stock transferred out of State

(Amount in ₹)

Sl No.	Name Of Unit	Detail of Unit Dealer, TIN, Case No	Period /Month of assessment	Amount of total ITR Reversed	Amount of ITR Reversal	Addition al demand of ITR	Amount of penalty as per section 21 (₹)	Amount of additional demand (₹)	Audit Observation
1	DCCT Satna	Northern Coalfield Nigahi Project 23507300638 25/2012 VAT	2011-12 March 2014	0	39707	39707	119121	158828	No reversal of ITR as compared to the ratio of Stock Transferred.
2	CTO Circle XI Indore	M/s Soft Medicaps Ltd. 23911104683 273/12 (VAT)	2011-12 July 2014	0	81927	81927	245781	327708	No reversal of ITR as compared to the ratio of Stock Transferred.
3	CTO III Bhopal	M/s Paras Kirana Stores Bhopal 23673805295 CS0000000197325 VAT	2012-13 October 2014	0	179272	179272	537816	717088	No reversal of ITR as compared to the ratio of Stock Transferred.
4	CTO III Bhopal	M/s Paras Kirana Stores Bhopal 23673805295 CS000000089619 VAT	2011-12 May 2014	0	44141	44141	132424	176565	No reversal of ITR as compared to the ratio of Stock Transferred.
5	CTO Circle XIII Indore	M/s Metro Cash and Carry India Pvt :Ltd 23249049780 459/12 VAT	2012-12 February 2015	0	20312	20312	60936	81248	No reversal of ITR as compared to the ratio of Stock Transferred.
6	CTO Circle XIII Indore	M/s Shree Balaji Industries 23941303080 CS000000121819 VAT 2012	2011-12 June 2014	0	259667	259667	779001	1038668	No reversal of ITR as compared to the ratio of Stock Transferred and manufactured tax-free goods
7	CTO Circle XIII Indore	M/s Ravi Homes Industries 23931300321 CS000000120470 VAT	2011-12 June 2014	0	60698	60698	182094	242792	No reversal of ITR n respect of tax paid Packing material used in tax free interstate sales.
8	CTO Circle V Bhopal	M/s Ruchi Security Printers Pvt Ltd 23764006473 99/12 vat	2011-12 June 2014	0	88029	88029	264087	352116	No reversal of ITR as compared to the ratio of Stock Transferred and manufactured tax-free goods
9	CTO Circle Sendhwa	M/s Punjab Auto Service 23022101023 214/2013	2012-13 February 2015	0	31395	31395	0	31395	No reversal of ITR as compared to the ratio of disposal of goods otherwise than by way of sale.
10	CTO Circle Sendhwa	M/s Tirupati Fuels 23859011889 425/2013	2012-13 February 2015	0	15067	15067	0	15067	No reversal of ITR as compared to the ratio of disposal of goods otherwise than by way of sale.



SI No.	Name Of Unit	Detail of Unit Dealer, TIN, Case No	Period /Month of assessment	Amount of total ITR Reversed	Amount of ITR Reversal	Addition al demand of ITR	Amount of penalty as per section 21 (₹)	Amount of additional demand (₹)	Audit Observation
11	CTO Circle Sendhwa	M/s Arti Auto Centre 23769007824 361/2013	2012-13 February 2015	0	42755	42755	0	42755	No reversal of ITR as compared to the ratio of disposal of goods otherwise than by way of sale.
				<b>0</b>	<b>862970</b>	<b>862970</b>	<b>2321260</b>	<b>3184230</b>	
12	DCCT Ratlam	Kissan Irrigation & Infrastructure 23481604518 CS000000029021 VAT	2010-11 April 2013	919406	981406	62000	0	62000	Less reversal of ITR as compared to the ratio of Stock Transferred.
13	DCCT Ratlam	Himtechno forge Limited 23961601926 159/VAT	2010-11 September 2013	454150	1929311	1475161	0	1475161	Less reversal of ITR as compared to the ratio of Stock Transferred.
14	DCCT Ratlam	M/s Venus Alloys Private Limited Mandsaur 23323101995 CS00000054395	2011-12 May 2013	424958	484861	59903	0	59903	Less reversal of ITR as compared to the ratio of Stock Transferred.
15	CTO VII Indore	Sumi Tomo Chemicals India Pvt. Limited 23441304422 389/11	2010-11 July 2013	0	92326	92326	0	92326	Less reversal of ITR as compared to the ratio of Stock Transferred.
16	CTO Circle I Bhopal	M/s Aditya Food Product Bhopal 23643605928 CS00000035971 289/11/VAT	2010-11 September 2013	86633	211893	125260	0	125260	Less reversal of ITR as compared to the ratio of Stock Transferred.
17	DCCT II Jabalpur	M/s Calderys India Refractories Ltd 23846206388 19/11 VAT	2010-11 September 2013	924927	1238568	313641	940923	1254564	Less reversal of ITR as compared to the ratio of Stock Transferred.
18	CTO Circle X Indore	M/s U.V. Resin Pvt Limited 23111004243 882/12 VAT	2011-12 July 2014	8934	19886	10952	0	10952	Less reversal of ITR as compared to the ratio of Stock Transferred.
			<b>Total</b>	<b>2819008</b>	<b>4958251</b>	<b>2139243</b>	<b>940923</b>	<b>3080166</b>	
<b>Grand Total</b>				<b>2819008</b>	<b>5821221</b>	<b>3002213</b>	<b>3262183</b>	<b>6264396</b>	

**Appendix-VIII**  
(Referred to in paragraph 2.2.15.4 )  
**Non-Verification of ITR on Iron & steel and edible oil**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Name of Commodity	Period /Month of assessment	Amount of ITR Claimed/Accepted	Amount of ITR objected
1	DC Tax Audit wing Bhopal	M/s Maqsood Steel 23153704216	Iron & Steel	2010-11	740562	740562
2	DC Tax Audit wing Bhopal	M/s Steel Centre 23633601132 /CS0000000038816	Iron & Steel	2010-11 April 2013	961727	961727
3	DC Tax Audit wing Bhopal	M/s Gupta Steels 23583703834/Not available	Iron & Steel	2010-11	47832	47832
4	DC Tax Audit wing Bhopal	M/s Laxmi Steels 23773802718 4/VAT	Iron & Steel	2010-11	875507	875507
5	DC Tax Audit wing Bhopal	M/s Mechanical Constructions 2356360024990	Iron & Steel	2011- July 2013	1397478	1397478
6	DC Tax Audit wing Bhopal	M/s Mohammadi Agency 23584004437 /50/29-9.13/VAT	Iron & Steel,	2010-11 September 2013	1895330	1895330
7	RAC II Sagar	M/s Anand Steel 23127401630 /12/11VAT	Iron & Steel	2010-June 2013	4247317	4247317
8	RAC II Sagar	M/s Amit Ispat 23777801834 /203/11 VAT	Scrap of Iron & steel	2010-11 January 2013	2397097	2397097
9	CTO IX Indore	M/s Bhatia Motor Stotes 23270902305 /CS000000001690	Steel rings	2011-12 May 2013	680831	680831
10	DCCT Ratlam	M/s Kataria Industries Pvt. Ltd. 23953404531 /CS00000029434 (VAT)	Iron Steel	2010-11 June 2013	60414994	60414994
11	DCCT Ratlam	M/s Venus Alloys Private Limited Mandsaur 23323101995 /CS00000054395	Iron Steel	2011-12 May 2013	870810	870810
12	DCCT Ratlam	J K files Limited 23811605161 /179/11 (VAT)	Iron Steel	2010-11 August 2013	5084392	5084392
13	CTO-I Ratlam	M/s Nakoda Traders 23333404387 /430/2011 (VAT)	Edible Oil	2010-11 August 2013	1322421	1322421
14	CTO-I Ratlam	Manglam Steel 23933404251/408/11 (VAT)	Iron Steel	2010-11 August 2013	168373	168373
15	CTO VII Indore	M/s P Wires India Pvt. Ltd. 23240702550/ 274/12(VAT)	Iron Steel	2011-12 December 2013	860797	860797
16	DCCT-I Indore	Ram Darshan Mills 23511500178/ 269/10 (VAT)	Iron Steel	2009-10 June 2012	3192039	3192039
17	DCCT-I Indore	M/s Seema Oil Traders Indore 23441502205 /263/10 VAT	Edible Oil	2009-10 June 2012	5791822	5791822
18	ACCT-II Bhopal	M/s Sewa Ram Sadoramal 23074200027/ 4/12 VAT	Edible Oil	2011-12 December 2013	1465399	1465399
19	CTO Khargone	M/s Super Steel 23932106973 / CS000000004564/VAT	Iron & Steel	2010-11 September 2013	843088	843088
20	DCCT II Bhopal	M/s Satrang Steel & Alloys Private Limited Mandideep 23794104571	Iron & Steel	2010-11 January 2014	9034146	9034146
21	CTO Circle XIV	M/s K. Narendra & Co. 23371403837 / CS00000058726	Iron & Steel	2010-11 June 2013	2954587	2954587
22	CTO Circle XIV	R.R.Steel 23841403433 / 385/12VAT	Iron & Steel	2011-12 October 2013	3521018	3521018

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Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Name of Commodity	Period /Month of assessment	Amount of ITR Claimed/Accepted	Amount of ITR objected
23	CTO Circle XIV	JMD Oils 23521404482 / 385/12VAT	Edible Oil	2010-11 May 2013	4920532	4920532
24	CTO Circle XIV	Paresh Steel Indore 23481400527 / 68/12VAT	Iron & Steel	2010-11 February 2014	7173966	7173966
25	DCCT I Bhopal	Sanjay Steels 23873604977 / 84/11 VAT	Iron & Steel	2010-11/ 09/2013	8109726	8109726
26	DCCT I Bhopal	Betul Oils & Floors Ltd 23864003507 /84/11 VAT	Edible Oil	2010-11/ 09/2013	9074000	9074000
27	DCCT I Bhopal	Divya Steels 23984001695 / 84/11 VAT	Iron & Steel	2010-11/ 09/2013	8690106	8690106
28	CTO Circle I Bhopal	M/s D.K construction 23913603015 / 63/11 VAT	Iron & Steel	2010-11 May 2013	693993	693993
29	CTO Circle I Bhopal	M/s Agro Energy 23323601060 / 81/11VAT	Iron & Steel	2010-11 August 2013	240368	240368
30	CTO Circle I Bhopal	M/s Sakshi Enterprises 23693605076 / 287/11 VAT	Iron & Steel	2010-11 July 2013	651017	651017
31	CTO Circle I Bhopal	M/s Rajdhani Steels TIN 2873601000 / 66/11	Iron & Steel	2010-11 July 2013	2593870	2593870
32	CTO Circle I Bhopal	M/s Laser cut Technology private limited 23503605811 / 161/11	Iron & Steel	2010-11 June 2013	1311372	1311372
33	CTO Circle I Bhopal	M/s Bhopal Engineering 23403600434 / 219/11 VAT	Iron & Steel	2010-11/ 09/2013	712382	712382
34	CTO Circle I Bhopal	M/s Sanjay Industrial Steel Bhopal 23933606593 / 92/11VAT	Iron & Steel	2010-11/ 09/2013	6409034	6409034
35	CTO Circle XI Indore	M/s Baldeo Steels Indore 23741100169 /CS000000131813	Iron & Steel	2011-12/ 07/2014	795060	795060
36	CTO Circle XI Indore	M/s Nova Ispat Pvt. Ltd. 23581105107 / CS00000082896	Iron & Steel	2011-12/ 07/2014	576210	576210
37	CTO Circle XI Indore	M/s Muskan Marketing 23171104508 /CS00000082964	Iron & Steel	2011-12/ 07/2014	608010	608010
38	CTO Circle III Bhopal	M/s Om Traders Bairagarh 23683803495 /CS00000003025	Iron & Steel	2011-12	1833853	1833853
39	CTO Circle III Bhopal	M/s Modern Steel Traders 23123801863 /CS000000011595	Iron & Steel	2011-12 May 2014	1440190	1440190
40	CTO Circle III Bhopal	M/s Vasumal Santumal 23953800873 /CS000000124086	Edible Oil	2012-13 December 2014	1074862	1074862
41	CTO Circle Mandideep	M/s Shree Balaji associate 23224405633 /105/13 VAT	Iron & Steel	2012-13 February 2015	10392378	10392378
42	CTO Circle Mandideep	M/s Chandumal Sanmukhdas 23524700445 /116/13 VAT	Edible Oil	2012-13 February 2015	19107650	19107650
43	ACCT I Bhopal	M/s Hakeem Sales Corporation Bhopal 23704001170 /05/2012	Iron and Steel	2011-12 June 2014	5725023	5725023
44	ACCT I Bhopal	M/s The India Sales Corporation 23034001684 /8/2012	Iron and Steel	2011-12 June 2014	6015654	6015654
45	ACCT I Bhopal	M/s Fortune Bhopal 23383705108 /131/2013	Edible Oil	2012-13 January 2015	5239773	5239773
<b>Total</b>					<b>21,21,56,596</b>	<b>21,21,56,596</b>



**Appendix- IX**

(Referred to in paragraph 2.2.17.1)

**Concessions/exemptions allowed without forms and against defective forms***(Amount in ₹)*

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Penalty	Total	Audit observation
1	DC CT Ratlam	Dhanuka Extension Private limited 23553203864 101/CST	2012-13 March 2014	Edible Oil	1668858	5	2	50065	0	50065	C forms not duly filled with prescribed particulars viz name of commodity, purpose of goods purchased etc.
2	DC CT Ratlam	Kissan Irrigation & Infrastructure 23481604518 CS000000029021 VAT	2010-11 April 2013	Pipe and fittings	612605546	5	0	30630277	0	30630277	C forms not duly filled with prescribed particulars viz name of commodity, purpose of goods purchased etc.
3	DCCT Ratlam	Himtechno forge Limited 23961601926 159/VAT	2010-11 September 2013	Forgings	200113279	4	0	8004531	0	8004531	F forms not duly filled with prescribed particulars viz name of commodity, purpose of goods purchased etc.
4	DCCT Ratlam	J K files Limited 23811605161 179/11 (VAT)	2010-11 August 2013	Iron & Steel	221786904	4	0	8871476	0	8871476	Required particulars in F forms were not filled however accepted by the AAs.
5	CTO-I Ratlam	M/s Jai Man Textile Pvt. Ltd. 23323400949 770/11 (VAT)	2010-11 August 2013	Cotton Bales	40025675	4	2	800514	2401542	3202056	Incomplete C forms were accepted which was not verifiable from TINXSYS
6	CTO VII Indore	M/s Max Flex Amazing System Indore 2330104499 CS0000003493	2010-11 September 2013	Flex Printing Ink	2748655	5	0	137433	0	137433	Required particulars in F forms were not filled however accepted by the AAs.
7	CTO VII Indore	Sumi Tomo Chemicals India Pvt. Limited 23441304422 389/11	2010-11 July 2013	Agro Chemicals	8185583	5	0	409279	0	409279	Required particulars in F forms were not filled however accepted by the AAs.
8	DCCT-I Indore	Ambika Solvex 23871404338 CS0000000532	2010-11 September 2013	Oil	513556012	4	0	20542240	0	20542240	C & F Forms were incomplete and in the absence of Form 49(out going) the stock transferred is not certified (Notification No.53 dated 24.04.2010).
					577847422	4	2	11556948	0	11556948	
9	DCCT-I Indore	M/s M K Kotex 23251404097 CS0000000648	2010-11 February 2013	Cotton & cotton seeds	63133015	4	2	1262660	0	1262660	C Forms were incomplete and in the absence of Form 49(out going) the stock transferred is not certified (Notification No.53 dated 24.04.2010).

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Penalty	Total	Audit observation
					37537153	4	0	1501486	0	1501486	Sale is within state and it was treated as export (H Form supported).
					<b>2279208102</b>			<b>83766909</b>	<b>2401542</b>	<b>86168451</b>	
10	CTO IX Indore	M/s Pace Tail Communication 23120905055 CS000000011065 CST	2010-11 September 2013	Mobile & telephone	2328740	13	5	186300	0	186300	C forms were not found and incorrect rate of five per cent instead of 13 per cent was applied.
11	CTO Circle II Gwalior	M/s Unipatch Rubber Ltd / 23165202812 CS00000093693 CST	2011-12 June 2014	Rubber patches adhesives	93654719	13	0	12175113	0	12175113	F form does not indicated bill invoice amount.
12	DC Tax Audit wing-I Indore	M/s Hindalco Industries Limited / 23451101056 1607/2010-11	2010-11 August 2012	Hydrated and calcined aluminum	1952371	5	2	58571	175713	234284	C form pertains not pertains to the concern dealer.
13	Circle XII Indore	M/s Impex commercial 23501204770 CS00000001820 (CST)	2010-11 June 2013	TMT Bar	4705233	4	2	94105	282315	376420	Value of nine C forms was ₹ 1346312135 however, concessional rate was allowed on ₹ 139336468.
14	Circle XII Indore	M/s Impex commercial 23501204770 CS00000001820 (CST)	2010-11 June 2013	TMT Bar	5833845	4	2	116677	0	116677	C for No MH10/0401953 and MH12/A435406 on which bill and dates were not mentioned.
15	CTO Circle I Bhopal	M/s Jackson Enterprises 23453606566 CS0000000970 VAT	2010-11 September 2013	Generating sets	1018699	13	0	132431	0	132431	F form were incomplete like date quantity were not mentioned.
16	DCCT II Jabalpur	M/s Mahaveer Coal Resources Pvt Ltd 23787206297 / 2/11 CST	2010-11 September 2013	Coal	143678744	4	2	2873575	8620725	11494300	Required particulars were not mentioned in the C forms.
17	DCCT Satna	ESSAR Power MP Limited Singrauli 23637305853 41/12 (ET)	2011-12 June 2014	Machinery parts	12697948	13	2	1396774	0	1396774	Invoices mentioned in C form were not in sequence of dates and other particulars.
18	DC Tax Audit Bhopal	M/s Gulati Industries 23233601643 CS00000042030CST	2010-11 April 2010	Industrial paint	72774	13	2	8005	24015	32020	C form of ₹ 72777 were not found.
19	CTO Khargone	M/s Gulshan Traders 23572108141 CS000000059247/CST	2010-11 May 2013	Chilli	442466	5	2	13274	0	13274	C form amounting to ₹ 442466 were not found in the case.
20	CTO Circle IX Indore	M/s Force Multipliers 23630900361 16/2012 CST	2011-12 January 2014	Mobile and computer	6711295	13	2	738242	0	738242	C form of ₹ 6711295 were not found.
21	DCCT I Bhopal	M/s Drive India enterprises solution limited	2010-11 September 2013	Mobile hand set	9321237	13	0	1211761	0	1211761	F form were not found with the case file however deduction

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Turnover	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Penalty	Total	Audit observation
		23223605092 25/2011 VAT									was allowed.
22	CTO Circle I Gwalior	M/s MoolChand Madhoda Gwalior 23115100844 477/2012 CST	2011-12 July 2014	Tilli, tilhan	539281	5	2	16178	48534	64712	C form amounting to ₹ 539281 were not found in the case.
23	CTO Circle XI Indore	M/s RPG Life Sciences Ltd. 23681104373 CS0000000186212(CST)	2011-12 July, 2014	Drugs & Medicines	9996966	5	2	291173	0	291173	C form amounting to ₹ 9996966 were not found in the case.
24	CTO Circle XI Indore	M/s Vallace Pharmaceuticals Pvt.Ltd. 23521100696 CS000000131837 (VAT)	2011-12 June 2014	Drugs & Medicines	2112028	5	0	105601	0	105601	F form amounting to ₹ 2112028 were not found in the case
25	CTO Circle XI Indore	M/s Cadilla Pharmaceuticals Pvt.Ltd. 23651101043 CS000000103577 (VAT)	2011-12 July 2014	Drugs & Medicines	4197970	5	0	209898	629694	839592	F form amounting to ₹ 2112028 were not found in the case.
26	CTO Circle XIII Indore	M/s Okaya Power Limited 23951303608 CS0000000184814 VAT	2012-13 February 2015	Mobile and battery	344667	13	0	44807	0	44807	F form amounting to ₹ 344667 were not found in the case.
27	CTO Circle II Gwalior	M/s B & M Sons Gwalior 238745201426 437/12 CST	2011-12 July 2014	Auto mobile parts	726630	13	5	58130	0	58130	C forms amounting to ₹ 726630 were not found.
28	CTO Circle II Gwalior	M/s Jai Maruti Gas Cylinder 230452022199 CS000000178998 CST	2012-13 June 2014	Gas Cylinder	83999169	5	2	2519975	0	2519975	C forms amounting to ₹ 83999169 were not found.
29	CTO Circle II Gwalior	M/s M.P. Telelink Ltd 23575202926 CS00000003705CST	2011-12 June 2014	Lubricant, paint, warmish	13664117	5	2	409923	0	409923	C forms amounting to ₹ 13664117 were not found.
<b>Grand Total</b>					<b>397998899</b>			<b>22660513</b>	<b>9780996</b>	<b>32441509</b>	
					<b>2677207001</b>			<b>106427422</b>	<b>12182538</b>	<b>118609960</b>	

**Appendix-X**

(Referred to in paragraph 2.2.17.2)

**Forms covering transactions beyond the prescribed period**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount involved (invalid forms)	Name of commodity	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of Penalty	Proposed additional demand	Audit Observation
1	DCCT Ratlam	M/s Rishabh Ginning Ratlam 23653404696 165/11	2010-11 October 2013	22899705	Cottons	4	2	457994	0	457994	Transaction in C form beyond three months.
2	CTO Circle XIV Indore	M/s K.G. Gold Spring 23471404655 CS0000013193/11	2010-11 September 2013	228065	Leaf spring	13	1	27368	0	27368	Transaction in C form beyond three months.
3	CTO Circle XIV Indore	M/s Khems Engineering 23431200395 378/11CST	2010-11 May 2013	135823	Air Cond. parts	13	2	14941	0	14941	Transaction in C form beyond three months.
4	Circle XII Indore	M/s Atulit Chemicals Products 23501200987 CS00000001801 CST	2010-11 June 2013	10599271	Chemicals	5	0	529964	0	529964	Transaction in F form beyond one months.
5	Circle XII Indore	M/s Union Enterprises 23601204812 CS0000000074952 CST	2010-11 September 2013	1365378	HCL	5	0	68269	0	68269	Transaction in three C forms beyond three months and in four C forms bill date not found.
6	CTO Circle I Bhopal	M/s B.K. Enterprises 23313600626 231/11 CST	2010-11 September 2013	16023354	Machinery	13	2	1762569	0-	1762569	Transaction in C form beyond three months.
7	CTO Circle I Bhopal	M/s Bend Joint Pvt Ltd 23123600200 199/11 CST	2010-11 September 2013	18973666	Iron and steel pipes	13	2	2087103	0	2087103	Transaction in C form beyond three months.
8	CTO Circle XI Indore	M/s Pack Art 23081103345 CS000000255566	2012-13 March 2015	720666	Packing Material	5	2	21619	0	21619	Transaction in three C forms beyond three months.
9	CTO Circle XI Indore	M/s Hitech Metal Formings 23961100048 264/11 (CST)	2010-11 September 2013	2678867	Automobile parts & Fire extinguishers	13	0	341424	0	341424	Details of transaction on forms beyond three months.
10	CTO Circle XI Indore	M/s Nivea India Ltd. 23531104310 419/9 (CST)	2008-09 May, 2011	6073826	Cosmetics	12.5	2	637752	0	637752	Transaction in three C forms beyond three months and in four C forms bill date not found.



Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Amount involved (invalid forms)	Name of commodity	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of Penalty	Proposed additional demand	Audit Observation
11	CTO Circle I Ujjain	M/s Sawan industries 23342602531 427/12 ETc	2011-12 May 2014	500106	Mehndi and herbal products	5	2	15003	0	15003	Transaction in C form beyond three months.
12	CTO Circle I Ujjain	M/s L.K.Me Chemicals 23502603607 360/2013 (CST)	2012-13 March 2015	190259	Jadi & booti	5	2	5708	17124	22832	Transaction in C form beyond three months.
13	CTO Circle XIII Indore	M/s Alcure Pharmaceuticals 23343502303 CS0000000305154 CST	2012-13 January 2015	205502	Ayurvedic Medicines	5	2	6165	0	6165	Transaction in C form beyond three months.
14	CTO Circle Dewas	M/s Viraj Conductors Pvt Ltd 23512302659 CS000000153316	2012-13 January 2015	4384787	Copper Wire	5	2	1315440	0	1315440	Transaction in C form beyond three months.
15	CTO Circle Dewas	M/s Ram Cotton Industries 23272302888 CS000000103305	2011-12 July 2014	3292353	Cotton	5	2	98771	0	98771	Transaction in C form beyond three months.
16	CTO Circle Dewas	M/s Mangla Engineering Limited 23412302229 CS000000102315	2011-12 June 2014	8174169	Pumps and parts	5	2	245225	0	245225	Transaction in C form beyond three months.
17	CTO Circle Dewas	M/s Munshi Ram, Dewas 23732303411 CS000000103242	2011-12 June 2014	8616305	Pumps and parts	5	2	258489	0	258489	Transaction in C form beyond three months.
18	CTO Circle Dewas	M/s Mangla Engineering Ltd 23512302756 CS000000103335	2011-12 June 2014	6058795	Pumps and parts	5	2	181764	0	181764	Transaction in C form beyond three months.
19	CTO Circle Sendhwa	M/s KK fine coat Pvt Ltd 23869019454 470/12 CST	2012-13 February 2015	3159194	Cotton	5	2	94776	0	94776	Transaction in C form beyond three months.
20	ACCT Div I Bhopal	M/s Bhasker Vyankatesh Products Pvt Ltd 23773705815 /47/13 CST	2012-13 January 2015	1308338	Detergent Soap	13	2	143917	0	143917	Transaction in C form beyond three months.
<b>Total</b>				<b>9,66,14,763</b>				<b>83,14,261</b>	<b>17,124</b>	<b>83,31,385</b>	

**Appendix- XI**

(Referred to in paragraph 2.2.18)

**Adjustment of irregular TDS against assessed tax**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Tax assessed	Amount of Irregular/less TDS	Audit Observation
1	RAC II Sagar	M/s Royal Traders Rehli 23457502862 231/11	2010-2011/ April/2013	36,52,828	314212	More than one month transactions included
2	RAC II Sagar	M/s Agrawal Grain stores 23457502377 240/11	2010-2011/ April/2013	34,96,409	1007119	More than one month transactions included
3	RAC II Sagar	M/s Sanwariya trading 23167505010 223/11	2010-2011/ April/2013	36,54,211	152709	More than one month transactions included
4	DC Tax Audit Bhopal	M/s Elec Feb Bhopal TIN 23723705309 CS00000000830	2010-11 June 2013	18,48,279	821285	No TDS certificate found
5	DCCT-I Indore	M/s M K Kottex Indore 23251404097 /CS00000651	2010-11 February 2013	15091155	8879681	More than one month transactions included
6	ACCT-II Bhopal	Narmada Zinning & processing 23624600577 /11/2011 (VAT)	2010-11 April 2013	15130239	535335	More than one month transactions included
7	ACCT-II Bhopal	Kishan Kumar Jitendra Kumar 23404602056 /158/11 VAT	2010-11 May 2013	4076638	221234	More than one month transactions included
8	CTO Khargone	M/s Prakhar Enterprises Khargone 23392104166 /CS00000004705 VAT	2010-11 June 2013	1409954	381827	More than one month transactions included
9	CTO Circle XIV Indore	M/s MS Corporation 23621400935 /268/2011	2010-11 September 2013	1600558	107876	More than one month transactions included
10	CTO Circle X Indore	M/s Meena Agency 23689013361 /147/13 VAT	2012-13 January 2015	19703192	982531	More than one month transactions included
11	CTO Circle X Indore	M/s Narayan Ginning and Oil 23651001230 /37/13 VAT	2012-13 February 2015	5748854	437536	More than one month transactions included
12	CTO Circle III Bhopal	M/s Himalaya House 23043805593 /CS0000000099616	2011-12 June 2014	66657	66657	More than one month transactions included
13	CTO Circle III Bhopal	M/s Mahaveer Oil Mill 23853804032 /CS000000042221	2009-10 June 2014	790744	790744	More than one month transactions included
14	CTO Circle Mandideep	M/s Padam Chand Shikhar Chand 23434100598 /183/12 VAT	2011-12 June 2014	3999816	1720965	More than one month transactions included
15	CTO Circle Mandideep	M/s Rajesh Kumar Mohan Lal 23484501326 168/12 VAT	2011-12 May 2014	7903064	502018	More than one month transactions included
16	CTO Circle Mandideep	M/s Ghanshyam Das Mahesh 23194501631 136/2012 VAT	2011-12 April 2014	3147155	66592	More than one month transactions included
17	CTO Circle Mandideep	M/s Raj Kumar Rajendra Kumar 2325400337 118/12 VAT	2011-12 April 2014	4146727	72200	More than one month transactions included
18	CTO Circle Mandideep	M/s Shiv Shanker Traders 23354402312 11/2012 VAT	2011-12 June 2014	2020320	464802	More than one month transactions included
19	CTO Circle Mandideep	M/s Singhai Brothers 23524403819 175/2012 VAT	2011-12 June 2014	3605736	1483965	More than one month transactions included
20	CTO Circle II Gwalior	M/s Chirag Industries	2012-13	2609689	1071361	More than one month transactions

Sl. No	Detail of Unit	Name of Dealer,TIN,Case No.	Period /Month of assessment	Tax assessed	Amount of Irregular/less TDS	Audit Observation
		23115206186 /CS000000178803 VAT	January 2015			included
21	CTO Circle II Gwalior	M/s C.P. Industries 23695202278 /CS000000179667 VAT	2012-12 February 2015	9973999	896595	More than one month transactions included
22	CTO Circle Dewas	M/s Sanjay Traders Dewas 2372304841 /CS000000113595 VAT	2011-12 July 2014	381368	87539	TDS pertaining to year 2010-11 were accepted and allowed for 2011-12.
23	CTO Circle Dewas	M/s Kapadia udyog Dewas 23852302957 /CS00000104641	2011-12 June 2014	1595383	849405	More than one month transactions included
24	CTO Circle Dewas	M/s Balu Ram chander 23692300814 / CS0000000104696 VAT	2011-12 June 2014	1835304	774831	More than one month transactions included
25	CTO Circle Dewas	M/s Narmada Shri Biotech Dewas 23212305928 CS000000104655 VAT	2011-12 June 2014	1738815	306787	More than one month transactions included
26	CTO Circle Sendhwa	M/s Prem Prakash Ginning and Processing 23272103747 270/2012 VAT	2012-13 February 2015	13114785	5535134	More than one month transactions included
27	CTO Circle Sendhwa	M/s Vikas Ginning and Procerassing 23982103599 262/2012-13	2012-13 February 2015	8232522	1014214	More than one month transactions included
28	CTO Circle Sendhwa	M/s Kisan Ginning Ydhyog 23572103873 459/2012-13	2012-13 February 2015	20937651	1462678	More than one month transactions included
29	CTO Circle Sendhwa	M/s C.M. Industries 23512102354 235/2012-13	2012-13 February 2015	5023627	2687485	More than one month transactions included
30	CTO Circle Sendhwa	M/s K.K. Finecot Private Ltd Khargone 23869019454 468/2012-13	2012-13 February 2015	18222461	1554134	More than one month transactions included
31	CTO Circle Sendhwa	M/s Prahlad Cotton Corporation Khargone 23572103582 258/2012-13	2012-13 February 2015	6700945	639626	More than one month transactions included
32	CTO Circle Sendhwa	M/s K.K. Fiber Khargone 23352107389 187/2012	2012-13 February 2015	9226435	314871	More than one month transactions included
33	CTO Circle Sendhwa	M/s Soni Ginning Sendhwa 23542202490 37/2012-13	2012-13 September 2014	10212978	1554243	More than one month transactions included
34	CTO Circle Sendhwa	M/s Telco Ginning & Oil Mill 23182103748 998/2012	2011-12 June 2014	2007429	1351089	More than one month transactions included
35	CTO Circle Sendhwa	M/s Aarti Cotton Company 23292107907 365/2012-13	2012-13 February 2015	13593019	1389681	More than one month transactions included
36	CTO Circle Sendhwa	M/s Aarti Cotton Company 23292107907 216/2011-12	2011-12 June 2014	8741922	1130420	More than one month transactions included
37	CTO Circle Sendhwa	M/s Ruchi Cotton Khargone 23502108131 387/2012-13	2012-13 February 2015	10864755	1015596	More than one month transactions included
38	CTO Circle Sendhwa	M/s Satyam Industries 23642204957 104/2013	2012-13 October 2014	9123085	786399	More than one month transactions included
39	CTO Circle Sendhwa	M/s Mahaveer Cotton Fibres 23102205060 107/2012-13	2012-13 February 2015	12130123	824741	More than one month transactions included
40	ACCT Div I Bhopal	M/s Laxman Prasad Batanlal Sahu 23673700826 80/2013 VAT	2012-13 February 2015	4920409	255664	More than one month transactions included
<b>Total</b>				<b>25,96,27,513</b>	<b>44,51,1781</b>	



**Appendix – XII**

(Referred to in paragraph 2.4)

**Incorrect determination of turnover**

(Amount in ₹)

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	TTO as per books/ TTO determined by the AA	Under determination of taxable turnover	Rate of tax applicable (per cent)	Amount of short realisation	Audit Observation	Reply in brief
1.	<u>CTO-I Katni</u> M/s Balaji Marble and Tiles	<u>2010-11</u> June 2013	1,32,77,870/ 12,39,611	1,20,38,259	1.5&13&5	5,08,237 <u>2,03,548 (Intt)</u> 7,11,785	The AA failed to include the sale price of vehicle, machinery and earth moving machine in the turnover as recorded in the audited accounts.	On being pointed out the AA stated to take action after examination.
2.	<u>ACCT Dn II Gwalior</u> M/s Rajmarg Creations	<u>2010-11</u> Sept 2013	28,16,950/ 0	28,16,950	13	3,66,204 <u>1,64,791 (Intt)</u> 5,30,995	The AA failed to include the sale price of Plant and machinery in the turnover	After this was pointed out the AA stated that the action would be taken after verification.
3.	<u>CTO, Shajapur</u> M/s Sanitary House	<u>2009-10</u> Dec 2011	1,25,68,657/ 1,14,44,762	11,23,895	12.5&4	1,33,837 <u>4,01,511 (pen)</u> 5,35,348	The AA incorrectly allowed deduction of tax from the turnover.	After this was pointed out the assessing authority stated that action would be taken after verification
4.	<u>CTO, Mandsaur</u> M/s Mridul Enterprises	<u>2010-11</u> Self Assessment	3,98,43,254/ 3,70,93,087	27,50,167	13	3,57,522 <u>10,72,566(pen)</u> 14,30,088	The AA accepted the turnover of Mobiles ₹ 3,70,93,087 as determined by the dealer in the self-assessed case where as it is recorded as ₹ 3,99,03,279 in the audited accounts.	After this was pointed out the AA stated that the action would be taken after verification.
5	<u>DCCT TAW Indore II</u> M/s Surana Traders	<u>2009-10</u> April 12& Oct 12	14,13,75,822/ 13,64,41,070	49,34,752	5	2,46,738	The AA determined the turnover ₹ 13,64,41,070 of the dealer where as it is recorded as ₹ 14,13,75,822 in the audited accounts.	After this was pointed out the AA stated that the action would be taken after verification.
6	<u>DCCT TAW Jabalpur</u> M/s Shreeram Hardware & Lubricant	<u>2011-12</u> Aug 2013	3,13,96,994/ 2,74,83,559	39,13,435	5&13	1,91,505 <u>89,050 (intt.)</u> 2,80,555	The AA incorrectly allowed deduction of tax from the turnover.	After this was pointed out the AA stated that action would be taken after verification.

7	<u>CTO II, Jabalpur</u> <u>M/s Laxmi Pipe</u> <u>Traders</u>	<u>2009-10</u> Self assessment	2,19,52,592/ 1,80,39,498	3913094	4&5&12.5	1,95,654 <u>5,86,962 (pen)</u> 7,82,616	The AA accepted the turnover ₹ 1,80,39,498 as determined by the dealer in the self-assessed case where as it is recorded as ₹ 2,19,52,592 in the audited accounts.	After this was pointed out the AA stated that action would be taken after verification.
8	<u>CTO IV,</u> <u>Jabalpur</u> <u>M/s Ramanand</u> <u>Pandey</u>	<u>2010-11</u> Sep 2013	37,17,768/ 31,71,884	5,45,884	13	62,801	The AA determined the turnover ₹ 31,71,884 of the dealer where as it is recoded as ₹ 37,17,768 in the proposal for assessment submitted by the dealer.	After this was pointed out the AA stated that action would be taken after verification.
9	<u>CTO I, Satna</u> <u>M/s Pawan</u> <u>Trading Co.</u>	<u>2011-12</u> Self assessment	99,63,504/ 12,09,824	87,53,680	5	4,13,961	The AA accepted the turnover of Tili ₹ 12,09,824 as determined by the dealer in the self- assessed case where as it is recorded as ₹ 99,63,504 in the audited accounts.	After this was pointed out, the AA did not furnish any reply till date.
10	<u>CTO Shahdol</u> <u>M/s Shri ram</u> <u>Construction</u>	<u>2010-11</u> Sept 2013	1,01,11,587/ 84,50,205	16,61,382	5	79,113	The AA determined the turnover ₹ 84,50,205 of the dealer where as it calculates to ₹ 1,01,11,587as per audited accounts of the dealer.	After this was pointed out, the AA stated that action would be taken after verification.
11	<u>CTO Shahdol</u> <u>M/s S. Khodiyar</u> <u>Construction</u>	<u>2010-11</u> Sep 2013	2,70,95,119/ 2,20,70,151	50,24,968,	5&13	3,07,783	The AA determined the turnover ₹ 2,20,70,151 of the dealer where as it calculates to ₹ 2,70,95,119as per audited accounts of the dealer.	After this was pointed out, the AA stated that action would be taken after verification.
12	<u>CTO XIII,</u> <u>Indore</u> <u>M/s Akash</u> <u>Namkeen Pvt.</u> <u>Ltd.</u>	<u>2010-11</u> Jan 2013	23,20,553/ 11,26,069	11,94,484	13&1.5	93,449	The AA determined the turnover of fixed assets ₹ 11,26,069 of the dealer where as it is recorded as ₹ 23,20,553 in the audited accounts.	After this was pointed out, the AA Stated action would be taken after verification.
<b>Total</b>			<b><u>31,64,40,670</u></b> <b><u>26,77,69,720</u></b>	<b>4,86,70,950</b>		<b>29,56,804</b> <b><u>25,18,428</u></b> <b>54,75,232</b>		

**Appendix – XIII**  
(Referred to paragraph 2.5)  
**“Application of Incorrect rate of tax”**

(Amount in ₹)

Sl. No	Name of the Auditee Unit/Dealer	Assessment Period/Month of assessment	Commodity/ Taxable Turnover	Rate of tax applicable/ Applied Rate (%)	Amount of Short levy of tax	Reply of the Department and Audit observation
1	CTO Circle II, <u>Ujjain</u> M/s Saumya Enterprises	<u>2010-11</u> Sep. 2013	Paper, paper dona and boards/ 12,66,080	<u>13</u> 5	1,01,286	The AA stated that the 'Paper cup' is an English word which is commonly used and also called 'Dona' in Hindi. Reply is not acceptable as the commodity 'Bowls'(Dona) is different from cup and glass. Bowls are inserted in entry no. II/II/29 from 1/4/11. So it is taxable as per entry II/IV/1 in 2010-11.
2	ACCT Div-II <u>Gwalior</u> M/s Moti Tractors & Gen. Finance Pvt. Ltd	<u>2010-11</u> Sep.2013	Tractor accessories/ 23,78,074	<u>13</u> 5	1,90,246	The AA stated that the action would be taken after verification.
3	CTO Circle- Sehore M/s Tatpar Gas Agency	<u>2009-10</u> Apr.2012	LPG/ 5,62,675	<u>12.5</u> 4	47,827(T) <u>1,43,481(P)</u> 1,91,308	The AA stated that the action would be taken after verification.
4	<u>CTO II Bhopal</u> M/s Vijay pumps	<u>2007-08</u> July 2010	Diesel oil <u>engines</u> / 26,95,931	<u>12.5</u> 4	2,29,154	The AA stated that the dealer deals in purchase and sale of pump set and not in engines. Reply is not tenable as it is evident by Form-49 that the dealer has purchased Diesel Engines from out of state.
5	CTO Circle Khandwa M/s Sahni Batteries	<u>2008-09</u> June 2011	Inverters/ 12,26,290	<u>12.5</u> 4	1,04,235	No reply on the matter has been given by Assessing authority.
6	CTO Circle Harda M/s Agrawal Enterprises	<u>2008-09</u> Apr. 2011	Machinery/ 13,21,496	<u>12.5</u> 4	1,12,327 <u>3,36,981</u> 4,49,308	The AA stated that action would be taken after verification.
7	ACCT-Sagar M/s Ashok Agencies	<u>2010-11</u> Jan 2013	Tractor accessories/ 16,96,412	<u>13</u> 5	1,35,713	The AA stated that action would be taken after verification.
8	<u>ACCT-Neemuch</u> M/s Tex Felt, Neemuch	<u>2010-11</u> Sep. 2013	Felt & Felt component/ 2,63,09,563 (state) <u>14,26,691</u> (cent.) 2,77,36,254	<u>13</u> 5	21,04,765(VAT) <u>1,14,135(CST)</u> 22,18,900	The assessing authority (AA) stated in state case that the AA is not competent to assess the case against the order of the Appellate Authority, and in central case that the tax was levied by considering wool felt as cloth. The reply of the AA is not acceptable in light of the CCT's order in the case of M/s Sealwell where the applicable rate of tax determined is 13 per cent.

Sl. No	Name of the Auditee Unit/Dealer	Assessment Period/Month of assessment	Commodity/ Taxable Turnover	Rate of tax applicable/ Applied Rate (%)	Amount of Short levy of tax	Reply of the Department and Audit observation
9	<u>CTO,Dewas</u> M/s India motorcycle Co. Dewas	<u>2010-11</u> <u>Sep. 2013</u>	Inverters/ 15,35,253	<u>13</u> 5	1,22,820(T) <u>3,68,460(P)</u> 4,91,280	The assessing authority (AA) stated that action would be taken after verification
10	<u>CTO Dewas</u> M/s Shreejee Sales Corp. Dewas	<u>2010-11</u> Deemed assessment	Inverters/ 40,15,526	<u>13</u> 5	3,21,242(T) <u>9,63,726(P)</u> 12,84,968	The assessing authority (AA) stated that action would be taken after verification
11	<u>ACCT Div I Indore</u> M/s Neeraj Pratibha Joint Venture	<u>2010-11</u> <u>June 2013</u>	Supply & fitting of electrical equipments/ 9,86,62,002	<u>4</u> 2	19,73,240	The assessing authority (AA) stated that the difference of the amount of TDS issued by the contractee and the amount of TDS enclosed in the file will be verified and enclosed. The reply is not in consonance with the fact as the contractee has wrongly deducted the tax at the rate of two per cent instead of four per cent as required by the composition order.
12	<u>DCCT Ujjain</u> M/s Grasim Ind. Ltd. Nagda	<u>2009-10</u> <u>June 2012</u>	Bleaching powder/ 79,47,729	<u>12.5</u> <u>4&amp;5</u>	641221	The AA stated that action would be taken after verification.
13	<u>DCCT Ujjain</u> M/s Grasim Ind. Ltd. Nagda	<u>2009-10</u> <u>June 2012</u>	Bleaching powder/ 15,31,536	<u>12.5</u> <u>4&amp;5</u>	1,24,833	The AA stated that action would be taken after verification.
14	<u>CTO Circle-II Katni</u> M/s Sharda Traders	<u>2010-11</u> <u>Dec.2013</u>	Machinery spare parts/ 6,54,456	<u>13</u> <u>5</u>	52356(T) 157068(P) 209424	The AA stated that action would be taken after verification.
15	<u>CTO Circle-II Katni</u> M/s Ujala Industries	<u>2011-12</u> <u>Dec. 2013</u>	Whitening agent/ 61,79,664	<u>13</u> 5	494373(T) <u>1483119(P)</u> 1977492	The AA stated that action would be taken after verification.
16	<u>CTO Circle-II Katni</u> M/s Ujala Industries	<u>2012-13</u> <u>Mar. 2014</u>	Whitening agent/ 6401318	<u>13</u> <u>5</u>	512105(T) <u>1536315(P)</u> 2048420	The AA stated that action would be taken after verification.



Sl. No	Name of the Auditee Unit/Dealer	Assessment Period/Month of assessment	Commodity/ Taxable Turnover	Rate of tax applicable/ Applied Rate (%)	Amount of Short levy of tax	Reply of the Department and Audit observation
17	CTO II Katni M/s Kamal Electronics	2010-11 April 2013	Inverters, Home UPS/ 64,96,507	<u>13</u> <u>5</u>	5,19,721	The assessing authority (AA), referring to a judicial pronouncement of Punjab VAT Act, stated that the dealer deals in UPS and External batteries. UPS is liable to tax at the rate of five per cent under the entry no. 51(8) ii of MP VAT Act, 2002. The reply of the AA does not correctly interpret the fact as the referred decision pertains to Punjab VAT Act where the schedule entry is different from that of MP VAT Act, 2002. The schedule entry in MP VAT Act, 2002 is "Computer and parts thereof and Information Technology Products". In Punjab VAT Act there is no condition of Information Technology Products. It has been discussed elaborately in the decision. According to the decision also the sold goods is liable to tax at the rate of 13 per cent.
18	CTO II Katni M/s Cosmos India	2010-11 Sep 2013	Machinery parts, Motor parts/ 1,0096,499	<u>13</u> <u>5</u>	8,07,720	The assessing authority (AA) stated that tax is leviable at both rates, five per cent and 13 per cent on sale of machinery parts and agricultural equipments. The reply does not interpret the fact correctly as the objection proposes levy of tax at the rate of 13 per cent on the sale of. Machinery parts/Motor parts not on the sale of agricultural equipments and Machinery parts/Motor parts is liable to tax at the rate of 13 per cent.
<b>Total</b>			<b>182403702</b>		<b>8595184(T)</b> <b><u>5103285(P)</u></b> <b>13698469</b>	

## Appendix – XIV

(Referred to in paragraph 2.6)

## “Non-realisation of tax on sales incorrectly treated as tax paid/Tax free”

(Amount in ₹)

Sl. No.	Name of auditee unit Dealer	Assessment Period month of assessment	Month of audit month of issue of IR	TTO (₹)	Rate of tax Applicable (%) / commodity	Amount of non-levy (₹)	Reply in brief
1	AC I/c/Circle-11,Indore M/s Malviya Filling station	2011-2012 Mar-14	May 14 Aug-14	2,24,35,832	13 / Auto LPG	29,16,658 <u>87,49,974 (P)</u> 1,16,66,632	After this was pointed out, the assessing authority stated that action would be taken after Verification.
2	CTO-8, Indore M/s Captain Polyplast Ltd.	2010-11 May-13	Dec-14 Jan-15	18,25,873	5 / Drip line	91,294 <u>2,73,882 (P)</u> 3,65,176	After this was pointed out, the assessing authority stated that action would be taken after verification.
3	CTO – Dhar M/s Shreeram Krishi Kendra	2010-11 Feb-13	Mar-14 April-14	51,17,986	5 / Pesticides	2,59,899	After this was pointed out, the assessing authority (AA) stated that Bio-fertilizers and Bio-pesticides (Product of Dung) are tax free under entry no. 26 of schedule I. The reply is not tenable as pesticides are not included in schedule I and are taxable as per entry II/II/24 of the Act.
4	CTO-I, Neemuch M/s Shekhar Associates	2011-12 Dec-13	Jan-15 Feb-15	57,77,496	5 / Drip line	2,88,875 <u>8,66,625 (P)</u> <u>11,55,500</u>	After this was pointed out, the assessing authority stated that the sprinkler (Drip irrigation equipments) is tax free under entry I/72 of the Act. The reply is not tenable as pipes and motors are not included in entry no. I/72 during 2011-12 and are taxable under entry II/II/64.
5	CTO-4, Jabalpur M/s Dilip Trading Co.	2012-13 self assessment	Jan-15 Feb-15	32,35,756	5 / Cotton seed	1,61,788 <u>4,85,364(P)</u> 6,47,152	After this was pointed out, the assessing authority stated that action would be taken after verification.
<b>Total</b>				<b>3,83,92,943</b>		<b>Tax= 37,18,514</b> <b>Pen.=1,03,75,845</b> <b>Total=1,40,94,359</b>	

**Appendix – XV**  
(Referred to in paragraph 2.7)  
**Allowance of inadmissible ITR**

(Amount in ₹)

Sl. No	Name of Audit Unit/Dealer	Assessment period/ month of assessment	Amount of ITR allowed/ Amount of ITR allowable	Amount of inadmissible ITR	Audit observation	Assessing Authorities reply and Audit comments
1.	CTO Ashok Nagar Circle M/s Krishna auto parts Shahdol	2010-11 Dec.-12	26,78,798 24,08,430	2,70,368	As per purchase list, Input tax paid on two wheelers and spare parts was ₹ 24,08,430. The AA allowed ITR of ₹ 26,78,798 for purchase of the same.	The AA stated that action would be taken after verification..
2.	AC I/C Circle-I Ujjain M/s Ambika Enterprises	2010-11 Sep.-13	30,91,031 25,42,822	5,48,209	As per audited accounts ITR of ₹25,42,822 on purchase of <b>Building Material</b> was admissible on the purchase price of ₹1,95,60,172. The AA allowed ITR of ₹ 30,91,031 on purchase price of ₹2,37,77,148 of the same.	The AA stated that action would be taken after verification.
3.	CTO Circle- Sagar M/s Sagar cooperative	2010-11 Sep.-13	7,59,512 0	7,59 ,512	The AA allowed the ITR on purchase of <b>Chemical Fertilizer</b> though tax was not separately charged in the purchase bills.	The AA stated that action would be taken after verification.
4.	CTO Circle-15 Indore M/s R.R. and company Indore	2010-11 self assessment	1,14,28,589 1,11,84,419	2,44,170 (P)7,32,510 9,76,680	ITR on purchase price of ₹8,79,25,876 of <b>Cement</b> was claimed and allowed whereas as per audited accounts on purchase price of ₹8,60,47,645 was admissible.	The AA stated that action would be taken after verification.
5.	AC I/C,Circle-I Ujjain M/s Vikas industries Ujjain	2010-11 Sep.-13	8,08,647 6,38,204	1,70,443	ITR reversible on account of stock transfer of Scrap of <b>Copper and Brass</b> was not reversed.	The AA stated that action would be taken after verification.
6.	CTO Circle- Harda / M/s Kisan Hardware Evam Krishi	2009-10 June-12	3,08,495 2,41,183	67,312	ITR allowed on purchase return of <b>Pesticides</b> also.	The AA stated that action would be taken after verification.
7.	I/C AC,Circle-III, Gwalior M/s Sonu Udyog	2009-10 June-12	1,20,46,617 1,15,37,572	5,09,045	ITR allowed was more than that admissible on the purchase value of <b>Soap and Detergent</b> .	The AA stated that the ITR has been granted on the basis of purchase lists and bills produced. The reply is not tenable as the objection is based on the purchases recorded in audited accounts.
8.	ACCT, Chhindwara M/s Kunal motors	2009-10 June-12	14,49,303 13,95,927	53,376	ITR allowed on purchase of <b>Motor Vehicles</b> for ₹1,15,67,413 whereas audited accounts show purchase value of the same ₹1,11,67,412.	The AA stated that action would be taken after verification.
9.	CTO Circle-I, Indore M/s Nitin Traders	2012-13 Self assessment	18,57,448 17,65,834	91,614 (P)2,74,872 3,66,456	ITR allowed on purchase of <b>Cement</b> for ₹1,42,09,844 whereas audited accounts show purchase value of the same ₹ 1,35,83,341.	The AA stated that action would be taken after verification.
10.	ACCT, Neemuch M/s Donypolo Udyog ltd.	2010-11 May-13	61,493 nil	61,493 1,84,479(P) 2,45,972	ITR allowed on <b>Building material</b> whereas ITR was not allowable on the in view of Notification.	stated that action would be taken after verification.

Sl. No	Name of Audit Unit/Dealer	Assessment period/ month of assessment	Amount of ITR allowed/ Amount of ITR allowable	Amount of inadmissible ITR	Audit observation	Assessing Authorities reply and Audit comments
11.	<u>CTO, Circle- Shahdol</u> M/s Abhay pratap singh	<u>2011-12/</u> self assessment	<u>10,38,352</u> 7,37,135	3,01,217	ITR allowed on purchase of <b>Cement and other construction goods</b> of ₹1,30,14,455 whereas audited accounts show purchase value of the same ₹69,90,115.	The AA stated that action would be taken after verification.
12.	<u>AC Div.-II, Indore</u> M/s Imperial oil and chemicals , Indore	<u>2010-11</u> April-13	<u>34,46,824</u> nil	34,46,824 (P)1,03,40,472 1,37,87,296	ITR reversible on account of stock transfer of <b>Edible oil</b> was not reversed.	The AA stated that imported goods have been made SOS on which ITR is not reversible. The reply is not in consonance with the fact as imported goods have been sold on the spot of purchase this has been stated by the AA in the assessment order itself.
13.	<u>CTO Circle-I, Ujjain</u> M/s G.S. Medalika	<u>2011-12</u> Feb.-14	<u>2,15,547</u> nil	2,15,547	ITR reversible on account of stock transfer of <b>Utensils of Copper and Brass</b> and tax free sales of manufactured <b>handmade utensils</b> was not reversed.	The AA stated that action would be taken after verification.
14.	<u>CTO Circle-I, Satna</u> M/s Kalpataru power transmission	<u>2010-11</u> July-13	<u>44,39,925</u> 43,62,853	77,072 (Intt) 30,058 1,07,130	ITR was allowed on import purchase of <b>Steel</b> .	The AA stated that ITR has been calculated after bifurcating inter state purchase from purchase list. The reply is not tenable as it is evident from purchase list that ITR has incorrectly been allowed on the purchases from SAIL Nagpur.(Bill No. 381 and 384 dt:31/5/10)
15.	<u>CTO Circle-I, Satna</u> M/s Rama sales	<u>2010-11</u> Aug.-13	<u>61,44,328</u> 60,23,732	1,20,596 (Intt.) 48,841 1,69,437	ITR allowed on purchase of <b>Hindustan Lever products</b> for ₹ 4,79,76,180 whereas audited accounts show purchase value of the same ₹ 4,70,48,511.	The AA stated that action would be taken after verification
16.	<u>CTO Circle-I, Satna</u> M/s Mehrotra radio service	<u>2011-12</u> Self assessment	<u>3,10,099</u> 1,44,610	1,65,489	ITR of ₹ 3,10,099 was allowed on account of credit of ITR forwarded from previous year whereas the Assessment order of previous year showed ₹1,44,610 as credit of ITR forwarded for next year.	The AA stated that action would be taken after verification
17.	<u>CTO Circle-I, Satna</u> M/s Raj Traders	<u>2010-11</u> June-13	<u>12,23,891</u> 11,59,064	(T) 64,827 (P) 1,94,481 2,59,308	ITR of ₹ 12,23,891 was allowed for the purchase of <b>Oil seeds</b> made during the year whereas the audited accounts show total of tax paid on the purchases made during the year as ₹11,59,064.	The AA stated that action would be taken after verification
<b>Total</b>			<b><u>51308899</u></b> <b><u>44141785</u></b>	<b>Tax 71,67,114/-</b> <b>Pen/Int.-</b> <b>1,18,05,713/-</b> <b>G.T-</b> <b>1,89,72,827/-</b>		

**Appendix – XVI**  
(Referred to in paragraph 2.8)  
**Non levy/short levy of Entry Tax**

(Amount in ₹)

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
1	RAC II Sagar	M/s Jakotiya Plastic Pvt Ltd Damoh 23817603932 248/11 ET	2010-11 June/2013	Plastic Packing material	87827703	1	0	878277	2434831	3313108	Packing material was covered in Part III of schedule II of ET Act w.e.f. 1.4.10 and liable to ET @ one per cent.
2	RAC II Sagar	M/s S.R. Traders 23027501789 285/11 ET	2010-11 May 2013	Milk powder	16803085	2	1	168031	504093	672124	Milk powder was covered in Entry No 31 Part II of schedule II of ET Act w.e.f. 1.4.10 and liable to ET @ two per cent.
3	RAC II Sagar	M/s Kamlesh Traders Gadhakota 23227502552 278/11ET	2010-11 May 2013	Oil seeds	6576799	1	0	65766	197298	263064	AA determine excess purchase value of soyabean sale on declaration forms which effect less levy of Tax on purchase of soyabean . Department replied action would be taken after verification.
4	RAC II Sagar	M/s Fortune Stones Ltd Chhatarpur 23287701854 169/12 ET	2011-12 December 2013	Tyres, lubricants, MS angle etc	4679679	2	1	46797	140391	187188	As per form 49 purchases certified as goods lubricants, grease, MS angle, tyres on which ET was payable @ 2 per cent . Department replied action would be taken after verification.
5	RAC II Sagar	M/s Narayan Builders India Ltd Tikamgarh 23977801336 247/12 ET	2011-12 January 2014	Bitumen	34725505	2	1	347255	0	347255	ET was payable @ two per cent on Bitumin as per entry No II/II/26(5). Department replied action would be taken after verification.
	RAC II Sagar	M/s Narayan Builders India Ltd Tikamgarh 23977801336 247/12 ET	2011-12 January 2014	Miscellaneous	23207148	1	0	232071	0	232071	ET was not levied on miscellaneous items . Department replied action would be taken after verification.
6	RAC II Sagar	M/s Royal Traders Rehli 23457502862 232/11 ET	2010-11 April 2013	Oil seeds	1516254	1	0	15163	45489	60652	AA determine excess purchase value of soyabean sale on declaration forms which effect less levy of Tax on purchase of soyabean . Department replied action would be taken after verification.
7	RAC II Sagar	M/s Agarwal Grain stores Gadhakota 24457502377 241/11 ET	2010-11 April 2013	Oil seeds	1067507	1	0	10675	32025	42700	AA determine excess purchase value of soyabean sale on declaration forms which effect less levy of Tax on purchase of soyabean . Department replied action would be taken after verification.
8	DC Tax Audit	M/s Bhopal Timbers Govindpura Bhopal 23893601377 26/11 ET	2010-11 July 2012	Timber	1620773	2	1	16207	48621	64828	Tax on Timber imposed @ one per cent when brought from outside state Department replied action would be taken after verification.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
	DC Tax Audit Bhopal	M/s Bhopal Timbers Govindpura Bhopal 23893601377 26/11 ET	2010-11 July 2012	Machinery	81600	1	0	816	2448	3264	Purchase of plant and machinery not included in TTO Department replied action would be taken after verification.
9	DC Tax Audit Bhopal	M/s Sami Traders TIN23233705627 CS0000000844 ET	2010-11 August 2013	Iron Scrap	1090400	2	0	21808	65424	87232	Freight is not included in TTO Department replied action would be taken after verification.
10	CTO IX Indore	M/s Additives Pharma and frozen ltd Indore 235709028192 244/11ET	2010-11 May 2013	Food Color and Frozen	34624537	2	1	346245	1038735	1384980	Food colour flavours was taxable @ two per cent as per entry No II/I Sl No 31 Department replied action would be taken after verification.
11	CTO IX Indore	M/s R.V Infrastructure Pvt Ltd Indore 23530904199 275/11 ET	2010-11 June 2013	LDO/Furnace Oil	3013859	10	1	271247	813741	1084988	ET on LDO/Furnace oil was taxable @ 10 per cent Department replied action would be taken after verification.
				Bitumin	21966460	2	1	219664	658992	878656	ET on bitumen was taxable @ two per cent Department replied action would be taken after verification.
12	CTO IX Indore	M/s Kothari Agrotech Pvt Ltd 23670905189 347/12 ET	2011-12 May 2013	HDPE Pipes	40575908	1	0	405759	1217277	1623036	In the absence of form 49 purchase of tax free goods ₹ 40575908 cannot be established and ET was taxable @ one per cent
13	CTO IX Indore	M/s Pace Tail Communication Indore 23120905055 CS000000011065	2010-11 September 2013	Mobile Telephone parts	7021857	2	1	70219	210657	280876	Mobile and telephone parts are taxable @ two per cent w.e.f 1/4/10 and it comes under schedule II/1/28.
14	DCCT Ratlam	M/s Piyush Traders Mandsaur 23313101564 69/2011	2010-11 July 2013	Soyabean	1175256	1	0	11753	35259	47012	AA determine excess purchase value of soyabean sale on declaration forms which effect less levy of Tax on purchase of soyabean . Department replied action would be taken after verification.
15	CTO-I Ratlam	M/s Balveer Singh Rathore 23773403078 349/2011 (ET)	2010-11 June 2013	Bitumen	5309746	2	1	53097	159291	212388	ET was payable @ two per cent on bitumen as per schedule II/II 26 (5).
				Others	1943280	1	0	19433	58299	77732	Less determined purchase amount of ₹ 1943280 on which ET was payable @ one per cent Department replied action would be taken after verification.
16	CTO-I Ratlam	M/s Rathore Construction 2386340144 398/11 (ET)	2010-11 September 2013	Bitumen	1064907	2	1	10649	31947	42596	ET was payable @ two per cent as per schedule entry No III/ 26(5) Department replied action would be taken after verification.
				Others	1547100	1	0	15471	46413	61884	Less Purchases were shown in the Audited account Department replied action would be taken after verification.

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
17	CTO-I Ratlam	M/s Ratanlal Mayaram Ratlam 23063401868 192/11 (ET)	2010-11 May 2013	Miscellaneous Goods	12614619	1	0	126146	0	126146	Additional demand of Tax under 11A was not deposited with in 15 days hence case was to be assessed under section 20.
18	CTO VII Indore	M/s H M Traders 23430701233 CS00000069352 167/12(ET)	2011-12 September 2013	Diesel Engine & Spare parts	1340450	1	0	13405	40215	53620	Details in form 49 received from check post clearly establish the purchase Diesel Engine & Spare parts . it is taxable under @ one per cent.
19	CTO VII Indore	M/s Vikas Distributor 23590701242 168/12	2011-12 February 2014	Iron & Steels	3133839	2	1	31338	94014	125352	Details in form 49 received from check post clearly establish the purchase Iron & Steel tools saws/iron tools it is taxable @ one per cent.
20	DCCT-I Indore	Smriti Trading Corporation 23270501307 CS0000000110319 (ET)	2011-12 December 2013	Milk Powder	50414073	2	1	504141	1512423	2016564	Dealer is liable to pay tax @ two per cent on SMP as per Entry No 31 Part II of schedule II of ET Act .
21	DCCT-I Indore	M/s Seema Oil Traders 23441502205 264/10 ET	2009-10 June 2012	Oil	110617127	1	0	1106171	3318513	4424684	Deductions allowed on purchase value of ₹ 110617127 treated as sport sale on the basis of builties. But as per the RTO registration mention on builties truck, auto rickshaw goods and records not found at the same time good purchased from the sale bill issued certified that the goods sold to the same dealer and on the bills it was clearly mentioned that insurance on buyer account and accordingly as per section 3 liability of ET arises on M/s Seema Oil Traders Department replied action would be taken after verification.
22	DCCT-I Indore	M/s Micromax Informatics Ltd. 23900203607 25/2010 (ET)	2009-10 June 2012	Mobile	10616678	1	0	106167	318501	424668	Amount of ₹ 10616678 was return back out of stock transfer amounting to ₹ 88877505 hence liability of ET arises on stock transfer return back. Department replied action would be taken after verification.
23	DCCT-I Indore	Ram Darshan Mills 23511500178 269/10 (ET)	2009-10 June 2012	Iron & Steel	9532878	2	0	190658	0	190658	Exempted goods not certified in the absence of Form 49 Department replied action would be taken after verification.
24	ACCT-II Bhopal	M/s Govind Rai Contractor Hoshangabad 161/11 (VAT)	2010-11 September 2013	Bitumen	7866931	2	1	78669	236007	314676	ET on bitumin was payable @ two per cent as per schedule entry No II/I 26(5).
25	ACCT-II	M/s Agrasen Traders Timarni 23984602125 88/2011 (RT)	2010-11 May 2013	Oilseeds	925080	1	0	9251	27753	37004	AA determine excess purchase value of soyabean sale on declaration forms which effect less levy of Tax on purchase of soyabean . Department replied action would

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
											be taken after verification.
26	CTO Waidhan	M/s Gajraj Chemicals Waidhan 23187304985 20/11 ET	2010-11 June 2013	Explosives	225100000	2	1	2251000	6753000	9004000	As per schedule III entry no one explosives is taxable @ two per cent . The Department replied action would be taken after verification.
27	CTO Waidhan	M/s MK Associates Singrauli 23647300658 4/11 ET	2010-11 September 2013	HEMM Machinery	27821507	1	0	278215	834645	1112860	In ET Assessment Order purchase value of ₹ 202775172 was deducted in respect of ISS but as per CST Case interstate Sales amounting to ₹ 201274128 was certified hence liability of ET arises on difference amount Department replied action would be taken after verification.
28	CTO Waidhan	M/s Rana Pratap Singh Nandgaon 23907300709 1086/11 ET	2010-11 September 2013	Bitumen	1426627	2	1	14266	42798	57064	ET was payable @ two per cent as per schedule entry No III/ 26(5) Department replied action would be taken after verification.
29	CTO Waidhan	M/s Singrauli Auto Centre 23737302112 56/11 ET	2010-11 April 13	Grease	548000	2	1	5480	16440	21920	Form 49 certified that grease purchase of ₹ 548000 on which ET @ two per cent was leviable. Department replied action would be taken after verification
30	CTO Circle XIV Indore	M/s RMC Redimix 23824404026 216/11VAT	2010-11 June 13	Redimix concrete	57815602	1	0	578156	0	578156	Dealer is liable to pay tax @ one per cent
31	CTO Circle XIV Indore	M/s Bholebaba Dairy industries Ltd. 23921404068 248/12 ET	2010-11 March 14	Skimmed Milk Powder	12675000	2	1	126750	380250	507000	Dealer is liable to pay tax @ two per cent on SMP as per Entry No 31 Part II of schedule II of ET Act Department replied action would be taken after verification
32	CTO Circle XIV Indore	M/s Kamlesh Gupta & Co. 23631404664 CS000000006298/11 ET	2010-11 July 13	Iron & Steel	3192738	2	0	63855	191565	255420	Goods purchased from Bhopal and Pithampur certified ET not paid hence liable to pay ET @ two per cent. The Department replied action would be taken after verification
33	CTO Circle XIV Indore	M/s Abhishek Marketing Indore 23511404342 337/11 ET	2010-11 September 13	SMP	1292291	2	1	12923	38769	51692	Dealer is liable to pay tax @ two per cent on SMP as per Entry No 31 Part II of schedule II of ET Act Department replied action would be taken after verification.
34	CTO XII Indore	M/s R.R. Tyre Indore 23751204002/ 422/2011 VAT	2010-11 September 2013	Tyre Tubes	2649769	2	1	26499	79497	105996	ET on Tyre Tubes as per schedule entry No II/I/29 is liable @ two per cent Department replied action would be taken after verification.
35	DCCT I Bhopal	M/s Shapers Construction Limited Bhopal. 23883600655	2010-11 September 2013	Bitumen	114724965	2	1	1147249	3441747	4588996	ET on bitumin was payable @ two per cent as per schedule entry No II/I 26(5).



Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
		15/11 ET									
36	DCCT I Bhopal	M/s Dilip Buildcon 23974000876 123/11 ET	2010-11 September 2013	Bitumen	363611147	2	1	3636111	10908333	14544444	ET on bitumin was payable @ two per cent as per schedule entry No II/I 26(5).
37	DCCT I Bhopal	M/s S.K. Jain 23303603011 105/11 VAT	2010-11 August 2013	Miscellaneous	498500617	1	0	4985006	14955018	19940024	Dealer is liable to pay tax @ one per cent .
38	DCCT I Bhopal	M/s Anik Industries Limited Bhopal 234641055286 119/11 ET	2010-11 August 2013	SMP	57612598	2	1	576126	0	576126	In exemption certificate SMP was not mention as raw material and also in appeal order it was specified to be taxed @ two per cent Entry No 31 Part II of schedule II of ET Act.
39	CTO Circle I Gwalior	M/s Pragmatic Infrastructure Limited 23825208172 22/2013 ET	2012-13 February 2015	TMT Bar	14240512	2	0	284810	854431	1139241	ET on amount of ₹ 14240512 was certified that ET was not paid on the purchase from M/s Jaideep Ispat and M/s Rathi Iron and Steel hence liable to pay ET @ two per cent Department replied action would be taken after verification.
40	CTO Circle I Gwalior	M/s Gurukripa Associates 2325520176 49/2013 ET	2012-13 February 2015	TMT Bar and Cement	4837265	2	0	96745	290236	386981	ET was not paid on TMT Bar and Cement amounting to ₹ 4837265 on the purchase of M/s Rathi Iron and Steel and M/s Prism Cement Department replied action would be taken after verification.
41	CTO Circle I Gwalior	M/s H.S Infrotech Private Limited 23059002948 57/2013 ET	2012-13 February 2015	TMT Bar	1600535	2	0	32011	96033	128044	ET on the purchase amounting to ₹ 1600535 was not paid on the purchase from M/s Shivangi Rolling Mills Department replied action would be taken after verification.
42	CTO Circle I Gwalior	M/s D.G.Saw and Metal Work Pvt ltd 23989009354 CS000000166618 ET	2010-11 July 2014	Miscellaneous	4581853	1	0	45819	0	45819	As per Form 49 purchase from Haridwar ET was not paid on amounting to ₹ 4581853 Department replied action would be taken after verification.
43	CTO Circle I Gwalior	M/a Akay Sons Gwalior 23525101346 578/2012 ET	2010-11 July 2014	Water tank and sanitary goods	4704114	1	0	47041	0	47041	Entry tax was levied on the purchase of ₹ 4866829 whereas in audited account purchase of ₹ 9570943 was certified.
44	CTO Circle I Satna	M/s Ragini Enterprises Satna 23607000756 58/2012 ET	2011-12 May 2014	Milk, Ghee chocolate	3425999	2	1	34260	102780	137040	Dealer is liable to pay tax @ two per cent Department replied action would be taken after verification Department replied action would be taken after verification.
45	CTO Circle I Satna	M/s EL Tel power Pvt Ltd 23979035448 130/2013 ET	2012-13 December 2014	Transformer	8919873	5	1	356795	1070385	1427180	Dealer is liable to pay tax @ five per cent Department replied action would be taken after verification
46	CTO Circle I Satna	M/s EL Tel power Pvt Ltd 23979035448	2011-12 July 2014	Transformer	6000000	5	1	240000	0	240000	Dealer is liable to pay tax @ five per cent Department replied action would be taken

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
		CS000000 159473 ET									after verification
47	CTO Circle I Satna	M/s Jain Sons Bandhav Garh Satna 23669034218 141/2013 ET	2012-13 January 2015	Steel Bar	11463124	5	2	343896	0	343896	Dealer is liable to pay Entry tax on steel bar purchased from outside taxed @ five per cent
	CTO Circle I Satna	M/s Jain Sons Bandhav Garh Satna 23669034218 141/2013 ET	2012-13 January 2015	Steel	963421555	2	0	19268431	0	19268431	No facts were made available in the case regarding tax paid hence dealer is liable to pay tax @ two per cent.
48	CTO Circle I Satna	M/s Excel Earthmovers 23567002621 1090/2012 VAT	2011-12 June 2014	Earth moving machine and spare parts	752268	5	3	15045	0	15045	Due non submission of E-I C forms assessment authority levied tax @ three per cent . Department replied action would be taken after verification.
49	CTO Circle I Bhopal	M/s Sakshi Enterprises 23693605076 287/11 ET	2010-11 July 2013	Iron and Steel	9968290	2	0	199366	0	199366	Dealer is liable to pay tax @ two per cent as railway sidings and railway line are not covered under local area.
50	CTO Circle I Bhopal	M/s Rajdhani Steels TIN 2873601000 66/11	2010-11 July 2013	Iron and steel	42702828	2	0	854057	0	854057	Dealer is liable to pay tax @ two per cent as railway sidings and railway line are not covered under local area
51	DCCT II Jabalpur	M/s Coastal products pvt Ltd 23486206974 31/2011 ET	2010-11 September 2013	Machinery	1211744527	1	0	12117445	36352335	48469780	AA irregularly classified by purchase of Machinery as incidental goods under section 11 A therefore ET is not leviable Tax was not imposed on machinery purchase (tunnel boring machine).
52	DCCT II Jabalpur	M/s Coastal products pvt Ltd 23486206974 31/2011 ET	2010-11 September 2013	Tyre tubes & Lubricants	22193058	2	1	221931	665793	887724	As per form 49 purchase of lubricants and tyre tubes was certified hence liable to pay ET @ two per cent Department replied action would be taken after verification.
53	DCCT II Jabalpur	M/s Sharad Traders Narsinghpur 238364013153/11 ET	2010-11 September 2013	Soyabean	3622389	1	0	36224	108672	144896	profit not deducted therefore ET was payable @ one per cent on differential amount.
54	DCCT II Jabalpur	M/s Narmada Sugar Mill Pvt Ltd 231664020232/ 2/11 ET	2010-11 April 2013	PP Bags	3822622	5	1	152905	458715	611620	PP Bags beyond notification period is taxable @ five per cent Department replied action would be taken after verification.
55	DCCT II Jabalpur	M/s B.L.A Industries Ltd Gadarwara 23096403371 28/11 VAT	2010-11 August 2013	Coal	42162526	2	0	843250	2529750	3373000	Entry was leviable @ two per cent on coal which was not levied.
56	DCCT II Jabalpur	M/s Sharda Maa Enterprises 23716024180 18/11 VAT	2010-11 July 2013	Coal and Iron	205818457	2	0	4116369	12349107	16465476	Entry was leviable @ two per cent on coal which was not levied Department replied action would be taken after verification.

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57	DCCT II Jabalpur	M/s Mahaveer Coal Resources Pvt Ltd 23787206297 06/11 ET	2010-11 September 2013	Coal	95164087	2	0	1903282	5709846	7613128	Transportation charges/washery amounting to ₹ 95164087 were not included in the TTO hence chargeable @ two per cent.
58	DCCT II Jabalpur	M/s Mahaveer Coal Resources Pvt Ltd 23787206297	2010-11 September 2013	Coal	52786427	2	0	1055728	0	1055728	Necessary mention regarding "ET not paid" stamp were not mentioned in the bills. Hence liable to pay ET @ two per cent.
59	DCCT II Jabalpur	M/s Neer Nidhi Marketing Pvt. Ltd 23536206995 24/11 ET	2010-11 September 2013	Coal and iron and steel	128082999	2	0	2561660	0	2561660	Entry tax was leviable @ two per cent on HEMM Spares and part which was not levied.
60	DCCT Satna	M/s Satna Solvent limited Satna 23537002686 61/11 ET	2010-11 June 2013	Hexane	4320358	10	1	388832	1166496	1555328	Entry tax was leviable under section 4A @ 10 per cent on hexane as per notification no. A-3-195-05-1-(14) dated 1.4.2007 Department replied action would be taken after verification.
61	DCCT Satna	M/s GMMCO Limited 232917300752 19/13 ET	2012-13 January 2013	HEMM Spare parts	1000635395	2	1	10006354	30019062	40025416	Entry tax was leviable @ two per cent on HEMM Spares and parts which was not levied Department replied action would be taken after verification.
62	DCCT Satna	ESSAR Power MP Limited Singrauli 23637305853 41/12 (ET)	2011-12 June 2014	Raw Material, Plant & Machinery	3736499708	1	0	37364998	0	37364998	Entry was leviable @ one per cent Raw Material, Plant & Machinery which was not levied treating it as pre production expenses Department replied action would be taken after verification.
63	CTO Circle XI Indore	M/s Mamta Transformers Pvt. Ltd. 23981100037 8/12 (ET)	2011-12 June 2014	Transformer	118962421	1	0	1189624	2379248	3568872	Sale bills on manufacturing unit were not authenticated as "Entry Tax not paid, local goods" Department replied action would be taken after verification.
64	CTO Circle XI Indore	M/s Mamta Transformers Pvt. Ltd. 23981100037 11/13 (ET)	2012-13 November 2014	Transformer	118614898	1	0	1186149	2372298	3558447	Sale bills on manufacturing unit were not authenticated as "Entry Tax not paid, local goods" Department replied action would be taken after verification.
65	CTO Circle XI Indore	M/s VSN Engineering 23311104625 CS0000000291149 (ET)	2012-13 March 2015	Machinery parts	496698	1	0	4967	14901	19868	Out of state purchase was ₹ 1072510 However ET was imposed on 575812, therefore remaining amount was taxable @ one per cent Department replied action would be taken after verification
66	CTO Circle XI Indore	M/s Hightech Technomart Pvt. Ltd. 23330105611 CS0000000312503	2012-13 March 2015	Electrical goods	5054181	2	1	50541	151123	201664	Electrical goods levied @ two per cent instead of one per cent as per entry no II/III/I Department replied action would be taken after verification.
67	CTO Circle XI Indore	M/s Plast-o-fiber Industries Ltd. 23211100897	2011-12 July 2014	Industrial fiber sheet	161420	1	0	1614	4842	6456	Direct expenses of freight & cartridge of ₹ 161420 were not included in purchase Department replied action would be taken after verification.

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		CS0000000131836									
68	CTO Circle X Indore	M/s Deepak Traders 23181004447 1003/12 (ET)	2011-12 July 2014	Electrical goods	1884007	1	0	18840	56520	75360	Invoices were E.T. not paid therefore E.T. was payable @ one per cent in 2011-12 Department replied action would be taken after verification.
69	CTO III Bhopal	M/s Gurmukh Das contractor Bhopal 23033804483 CS00000002325	2011-12 June 2014	TMT Bars	15779777	5	2	473393	1420179	1893572	TMT Bars were taxed @ two per cent instead of five per cent Department replied action would be taken after verification.
70	CTO III Bhopal	M/s Gurmukh Das contractor Bhopal 23033804483 CS00000002325 2329/ET	2011-12 June 2014	Bitumin	1555302	2	1	15553	46659	62212	ET on bitumin was payable @ two per cent as per schedule entry No II/I 26(5). The Department replied action would be taken after verification.
71	CTO III Bhopal	M/s My Bike Kohefiza Bhopal 23503806407 CS000000063648	2011-12 July 2014	Old and second hand vehicles	9444363	1	0	94443	283329	377772	ET was not levied on old and second hand vehicles. The Department replied action would be taken after verification.
72	CTO Circle I Ujjain	M/s Sawan industries 23342602531 427/12 ET	2011-12 May 2014	Menhdi and menhdi powder	3375000	1	0	33750	101250	135000	Treating menhdi as herbal tax not imposed. The Department replied action would be taken after verification.
73	CTO Circle I Ujjain	M/s Navneet Seeds 23972608411 982/2012 VAT	2012-13 December 2014	Soyabean	10867542	1	0	108675	0	108675	Dealer is liable to pay tax @ one per cent Department replied action would be taken after verification.
74	CTO Circle XIII Indore	M/s Metro Cash and Carry India Pvt :Ltd 23249049780 459/12 VAT	2012-12 February 2015	Kirana Cosmetics	29974139	1	0	299741	899223	1198964	As per audited account purchase amount of ₹ 18649814 was certified as tax free but in AA deduction on account of tax free amount ₹ 48623953 allowed hence difference amount was taxable @ one per cent . The Department replied action would be taken after verification
75	CTO Circle Mandideep	M/s Hythro Power Corporation Limited Betul 23684705692 106/13 VAT,48/2013 CST,96/2013 ET	2012-13 February 2015	PCC Pole, insulator, galvanize stay set, transformer, fues unit	125000000	1	0	1250000	3750000	5000000	Assessing authority disallows E-IC transaction in the absence of non submission of forms and treating as IS Sales . ET on purchase value of IS sales is not levied Department replied action would be taken after verification.
76	CTO Circle Mandideep	M/s Manaksia Limited 23504102257 23/2013 ET	2012-13 February 2015	Mosquito Coil and aluminum coil Stand	14527114	2	1	145271	0	145271	As per schedule II/III/I ET on coil stand is taxable @ two per cent Department replied action would be taken after verification.
77	CTO Circle Mandideep	M/s Balaji Production 23149064049 561/13 ET	2012-13 December 2014	Plant and Machinery	2173914	2	1	21739	0	21739	Plant and machinery is taxable @ two per cent . The Department replied action would be taken after verification.

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78	CTO Circle II Gwalior	M/s Sumedha Vehicles Pvt Ltd 23275205225 CS000000255177 ET	2012-13 January 2015	Motor vehicles and spare parts	2466106	2	0	49322	147966	197288	Deduction on account of local goods amounting to ₹ 22429182 was allowed but in the case bill amounting to ₹ 19963076 were found. Department replied action would be taken after verification.
79	CTO Circle II Gwalior	M/s LakhPath Singh contractor 23985203525 1372/2012 VAT	2011-12 July 2014	Bitumin	5469023	2	1	54690	164070	218760	Bitumen was taxable @ two per cent. as per entry No II/I/26(5). The Department replied action would be taken after verification.
80	CTO Circle II Gwalior	M/s Shivani Enterprises 23025204150 762/12 VAT	2011-12 July 2014	Hot plates	5416753	2	1	54168	162504	216672	Hot plates was taxable @ two per cent as per entry no II/I/21 Department replied action would be taken after verification
81	CTO Circle II Gwalior	M/s Gwalior Sahkari Dudgh Sangh 23965203245 CS000000136171	2011-12 June 2014	Milk Powder	8884200	2	1	88842	266526	355368	SMP was taxable @ two per cent as per entry no II/I/31. The Department replied action would be taken after verification.
82	CTO Circle II Gwalior	M/s Ramendra Singh Kushwaha 23335203349 CS000000132595ET	2011-12 June 2014	Bitumin	8211468	2	0	164229	492687	656916	AA imposed ET tax on bitumin @ two per cent on amount of ₹ 1209810. However, amount of ₹ 6517273 (40.89 % ) used in composition work from the total receipt of bitumin of ₹ 15938552 AA. Hence tax on differential amount of ₹ 8211468 is leviable @ two per cent. The Department replied action would be taken after verification.
82	CTO Circle II Gwalior	M/s T D T Copper Ltd Gwalior 23909006161 CS000000179730 ET	2012-13 November 2014	Copper wire, rod	3324358	1	0	33244	99732	132976	ET was imposed @ one per cent after deducting inter-state sales from gross purchase. However in VAT and CST case gross sales and ISS sales of ₹ 184972444 and ₹ 29307264 respectively determined hence ET on differential amount of ₹ 3324358 @ one per cent. Department replied action would be taken after verification.
83	CTO Circle Dewas	M/s Unnati Construction Pvt Ltd 23752306019 CS000000110515	2011-12 June 2014	Redimix Concrete	10826821	2	0	216536	0	216536	AA imposed tax on URD purchase amounting to ₹ 8787272 and allows deduction on the purchase from M/s Ashoka BuildCon amounting to ₹ 108226821 M/s Ashoka Buildcon is manufacturing unit and purchase from manufacturing unit is not tax paid hence liable to pay ET @ two per cent.
84	CTO Circle Dewas	M/s S Kumars Ltd Dewa23542301236 CS0000001974467	2012-13 February 2015	Plant and Machinery	8377842	2	1	83778	251335	335113	ET on Plant and machinery leviable @ two per cent instead of one per cent.
85	CTO Circle Dewas	M/s Moolchand Gopi Kirhan Garg 23052302136 CS000000103450	2011-12 July 2014	Bardana	6773745	1	0	67737	0	67737	Purchase on Bardana amounting to ₹ 6773745 was not included in TTO Department replied action would be taken after verification.

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86	CTO Circle V Bhopal	M/s Infab Infrastructure Private Limited 23794005922 CS00000118527 ET	2011-12 June 2014	Steel TMT Bar	15762401	5	2	472872	1418616	1891488	Tax on TMT bar is taxable @ five per cent on the purchase from outside state . The Department replied action would be taken after verification.
	CTO Circle V Bhopal	M/s Infab Infrastructure Private Limited 23794005922 CS00000118527 ET	2011-12 June 2014	Steel	7916922	2	0	158338	475014	633352	AA allows deduction of ₹ 31141775 as tax paid purchase. as per sale bill issued from M/s Essar Steel sale against declaration has been certified vide notification dated 1/4/10 issued under the ET act 1976 hence purchase not certified as ET paid and taxable @ two per cent Department replied action would be taken after verification.
87	CTO Circle V Bhopal	M/s Weartech Engineer Pvt Ltd 23584000848 CS000000205004 ET	2012-13 February 2015	Fixed Assets	12908513	2	0	258170	774510	1032680	AA determines total taxable purchase of ₹263114208 in which fixed assets purchase amount of ₹ 2996272 . In audited account purchase of Bhopal branch certified of ₹ 273026449 hence less TTO determined of ₹ 12908513 is taxable @ two per cent Department replied action would be taken after verification.
88	CTO Circle V Bhopal	M/s Maruti enterprises 23794007959 678/12 ET	2011-12 July 2014	Coal	1944820	3	2	19448	58344	77792	ET on coal is liable @ three per cent as per entry No II/I/3 and AA levied tax @ two per cent. The Department replied action would be taken after verification.
89	CTO Circle V Bhopal	M/s Reliance Infra Tel Ltd 23464007025 204/12 ET	2011-12 July 2014	Telecommunication Towers and Equipments	91120308	2	1	911203	2733609	3644812	Tax telecommunication towers is taxable @ two per cent as per entry No II/32. The Department replied action would be taken after verification.
90	CTO Circle V Bhopal	M/s Alcatel Lucent Network Management Services 23284008385 121/12 ET	2011-12 July 2014	Telecommunication Towers and Equipments	17025437	2	1	170254	510762	681016	Tax telecommunication towers is taxable @ two per cent as per entry No II/32. The Department replied action would be taken after verification.
91	CTO Circle V Bhopal	M/s Jay Ambay Stone Crusher 23074001565 CS000000171941 ET	2011-12 July 2014	Explosives	650760	2	0	13015	39045	52060	Explosives is taxable @ two per cent. The Department replied action would be taken after verification.
		M/s Jay Ambay Stone Crusher 23074001565 CS000000171941 ET	2011-12 July 2014	Gitti	3743543	1	0	37435	112305	149740	Stamp of ET paid is shown in bill invoices and ET was not paid . The Department replied action would be taken after verification
92	ACCT Div I Bhopal	M/s Sterling and Wilson Pvt Ltd 23294008331 199/13 ET	2012-13 July 2014	Transformer	55520729	5	1	2220829	6662487	8883316	ET on Transformer is taxable @ two per cent instead of two per cent as per section 4A.

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93	ACCT Div I Bhopal	M/s Raj Radios Bhopal 23473700257 87/2013 ET	2012-13 October 2014	Public address system	4138356	2	0	82766	248298	331064	Transportation charges was not included in purchase
94	ACCT Div I Bhopal	M/s Sarvotam Fuels and Minerals 2318902311 123/2013 ET	2011-12 July 2014	Coal	1422401	3	0	42672	0	42672	As per audited account coal purchase was ₹ 274706502 and direct expenses of ₹ 611340 by adding direct expenses total purchase 275317842 tax on differential amount ₹ 422401 is leviable @ three per cent.
95	DC Tax Audit wing-I Indore	M/s Sai nath engineering Industries 23021100565 3046/1011	2010-11 December 2012	Auto parts	37296646	1	0	372966	1118898	1491864	Goods purchased from outside state not incorporated in purchase. Hence liable to pay ET.
96	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 2/2011	2010-11 September 2013	Building material	99502729	1	0	995027	0	995027	Less purchased taxed as compare to audited account Department replied action would be taken after verification.
97	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 391/2012	2011-12 February 2014	Building material	131104256	1	0	1311043	0	1311043	Less purchased taxed as compare to audited account Department replied action would be taken after verification.
	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 391/2012	2011-12 February 2014	TMT Bar	22900156	5	2	687005	2061015	2748020	TMT bar purchased from outside the state taxed @ five per cent. The Department replied action would be taken after verification
98	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 622/2014	2012-13 March 2014	Building material	168388600	1	0	1683886	0	1683886	Less purchased taxed as compare to audited account Department replied action would be taken after verification.
	DC Tax Audit wing-I Indore	M/s DLF Garden City Indore 2326114604 622/2014	2012-13 March 2014	Cement	7926761	2	0	158535	475596	634131	Purchase of Cement treated as ET paid Department replied action would be taken after verification.
99	DC Tax Audit wing-I Indore	M/s Manidhari Trading company 23980501256 41/2010—11 ET	2010-11 September 2012	Tea	2569001	1	0	25690	77070	102760	Consignment expenses taken ₹ 952579 in place of ₹ 3521580 as declared in audited account hence ET liability arises.
100	DC Tax Audit wing-I Indore	M/s Vikas Distributors 23590701242 642/11 ET	2010-11 April 2012	Iron Tools	15632259	2	1	156323	0	156323	ET on Imported Iron and steel is taxable @ two per cent as per entry II/II/30 . The Department replied action would be taken after verification.
101	DC Tax Audit	M/s Amar Raja Battery Indore	2010-11 February	Battery	1,24,40,404	1	0	1,24,404	0	1,24,404	Excess deduction on account of stock transferred/inter state sale. The Department



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	wing-I Indore	2351102734 167/2010-11	2013								replied action would be taken after verification
102	DC Tax Audit wing-I Indore	M/s Samay Enterprises 23350902358 124/2010-11	2010-11 January 2012	Watch	15,29,003	1	0	15,290	0	15,290	Purchase of watch treated as tax free. Department replied action would be taken after verification.
103	DCCT II Bhopal	M/s Sunil Hightech Engineer Limited Betul	2010-11 September 2013	Iron & steel	10,68,34,850	2	0	21,36,697	0	21,36,697	Deductions of purchase of iron and steel is allowed in terms of E-1 C purchase but as per contract it was certified that material used in construction work has been purchased out of state.
104	CTO Circle-I Katni	M/s Rajee Prakash Associates 23436206371 CS0000000017989	2010-11 Sep. 13	Packing material	61,41,157	1	0	61,412	27,297	88,709	ET was not levied treating the commodity as Sch.III goods whereas ET @ one per cent is leviable on Packing material as per Entry I/III/Sch. II. The AA stated that the action would be taken after verification.
105	CTO Circle-XIII Indore	M/s Aadinath Packaging 23771304289 CS0000000047390	2010-11 May 13	PP fabrics	66,89,934	5	1	2,67,597	8,02,791	10,70,388	ET is leviable @ five per cent. But while assessing AA levied only one per cent. The AA stated that the action would be taken after verification.
106	I/C AC Circle-XIII Indore	M/s Masand Agritech 23961304039 47/11	2010-11 Oct. 13	HDPE bags	2,41,68,170	5	1	9,66,727	29,00,181	38,66,908	ET is leviable @ five per cent but while assessing AA levied only one per cent. The AA stated that the action would be taken after verification.
107	CTO-III Gwalior	M/s Sant Ravidas Charan Shilp Vikas Evam Anusandhan Kendra 2381511235 CS0000000026105	2010-11 Sep. 13	Leather goods	60,69,726	2	1	60,697	1,82,091	2,42,788	ET is leviable @ two per cent but while assessing AA levied only one per cent. The AA stated that the action would be taken after verification.
108	ACCT Circle-I Katni	M/s Balaji Enterprises Katni 23856207498 277/11	2010-11 Sep. 13	Coal	80,93,105	2	1	80,931	36,419	1,17,350	ET is leviable @ five per cent but while assessing AA levied only one per cent. The AA stated that the action would be taken after verification.
109	ACCT, Satna	M/s Eltel Engineer, Satna 23987102203 26/12	2011-12 Not available self assessed.	Transformers	34,00,000	5	1	1,36,000	4,08,000	5,44,000	ET is leviable @ five per cent but while assessing AA levied only one per cent. The AA stated that the action would be taken after verification.
110	ACCT, Div-II Gwalior/	M/s Paras Training Co. 23885003469 45/2011	2010-11 Sep. 13	Oil seeds & bardana	34,69,54,296	1	0	5,93,974	0	5,93,974	The AA stated that the Audit has made the calculation by including "Mandi Tax" and "Nirashrit Shulk" on tax free goods also on which ET is not leviable. The reply is not acceptable as section 2(5) of VAT Act states that purchase price includes local taxes and



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											any other charges paid in respect of such purchase.
111	ACCT, Satna	M/s Kotumal hasanand, Satna 23237100045 CS0000000069243	2011-12 March-14	Gur	1,04,66,081	1	0	1,04,660	3,13,980	4,18,640	While assessing the AA treated the commodity as Tax free and did not levy ET whereas one per cent ET was leviable. The AA stated that the action would be taken after verification.
112	CTO Circle Dhar	M/s Balaji explosive 23121603552 1492/10	2009-10 April-12	Explosives	31,72,959	2	0	63,459	0	63,459	While assessing the AA treated the commodity as Tax paid goods and did not levy ET whereas two per cent ET was leviable. The AA raised a demand of ₹ 63459 of tax and for ₹ 190377 for penalty (Nov. 14)
113	CTO Circle Burhanpur	M/s Texmo pipe and products ltd. 23311908464 282/10	2009-10 May-12	PVC resin & HDPE	1,72,01,534	1	0	1,72,015	0	1,72,015	While assessing the AA treated the commodity as Tax paid goods and did not levy ET whereas one per cent ET was leviable. The AA stated that the action would be taken after verification.
114	CTO Circle-II Bhopal	M/s Jhulelal Bakey 2384702236 273/07	2006-07 & 07-08 May-09	Maida	50,91,394 40,71,399	1	0	50,914 40,714		91,628	While assessing the AA treated the commodity as Tax free and did not levy ET whereas one per cent ET was leviable. The AA stated that the action would be taken after verification.
115	CTO Circle-IV Bhopal	M/s Ashirwad electronics 23383902503 124/10	2009-10 April-12	Electronic goods	45,27,196	1	0	40,426	0	40,426	While finalizing the AA authority incorrectly considered the purchase as ₹4,84,567 instead of ₹45,27,196 .The Department stated that the amount has been recovered.
116	CTO Circle-Narsinghpur	M/s Narmada Fertilizers 23596403581 113/2008	2007-08 June-10	Fertilizer, HDPE bags Furnace oil	9,50,426 62,280 8,13,000	1 5 10	0 1 1	9,504 2,491 73,170		85,165	The AA treated Fertilizers as Tax paid goods and did not levy ET whereas one per cent ET was leviable. In case of HDPE bags and Furnace oil, ET was leviable @ five per cent and 10 per cent respectively but AA levied only one per cent ET. The AA stated that the action would be taken after verification.
		M/s Narmada Fertilizers 23596403581 96/2009	2008-09 Sep-10	Fertilizer, HDPE bags Furnace oil	26,59,764 9,25,175 5,96,088	1 5 10	0 1 1	26,598 37,007 53,648		1,17,253	
117	CTO Circle-II Bhopal	M/s Vijay pumps 23313703688 122/08	2007-08 July-10	Diesel oil engines	22,84,408	1	0	22,844	9,435	32,279	The AA treated the commodity as Tax free and did not levy ET whereas one per cent ET was leviable. The AA stated that the dealer deals in pump set not in engines, accordingly ET has not been levied.. The reply is not tenable as the dealer has purchased Diesel engines from out of state.
118	CTO Circle Dhar	M/s Shiram Krishi Kendra 23661602964 CS0000000043917	2010-11 Feb.-13	Bio-Pesticides	63,04,744	1	0	63,047	0	63,047	While assessing the AA treated the commodity as Tax free and did not levy ET whereas one per cent ET was leviable. The AA stated that Bio-fertilizers and Bio-pesticides (Product of Dung) are tax free

Sl. No	Detail of Unit	Name of Dealer, TIN, Case No.	Period /Month of assessment	Name of commodity	Cost of goods/TTO	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Amount of penalty	Total	Observation in brief and reply of department
											under entry no. 26 of schedule I. The reply is not tenable as bio-pesticides are not included in schedule I but are taxable as per entry II/II/24 of the Act.
119	RAC, Div-I, Indore	M/s Kothari Iron steel co. 23720203706 CS0000000016323	2010-11 Feb.-13	Iron & steel	2,23,83,143	2	0	4,47,663	0	4,47,663	While assessing the AA treated the commodity as Tax paid goods and did not levy ET whereas two per cent ET was leviable. The AA stated that action would be taken after verification.
120	CTO Circle-Shahdol	M/s Doshi Ion exchange and chemical industries 23127205205 206/11	2010-11 Sep.-13	Pipes & fittings	3,90,72,500	1	0	3,90,725	1,69,965	5,60,690	While assessing the AA treated the commodity as Tax free and did not levy ET whereas one per cent ET was leviable. The AA stated that action would be taken after verification.
121	CTO Circle-I Satna	M/s R.M. sales 23667004700 46/12	2011-12/ self assessed case	Spare parts of vehicles	3,09,53,710	1	0	3,09,537	9,28,611	12,38,148	The dealer included only a part of the purchases for calculation of ET. After this was pointed out, the AA did not furnish any reply till date.
122	CTO Circle-I Satna	M/s Mahalaxmi tiles 23727004166 474/12	2011-12/ self assessed case	Tiles	1,36,34,286	2	1	1,36,343	0	1,36,343	ET is leviable @ two per cent but while assessing AA levied only one per cent. After this was pointed out, the AA did not furnish any reply till date.
123	CTO Circle-II Ujjain	M/s Madan mohan enterprises 23672703278 131/11	2010-11 Aug.-13	Oil seeds	2,96,30,560	1	0	2,96,305	1,24,448	4,20,753	The commodity is tax free, if bought from a registered dealer. However, oilseeds were purchased from an unregistered dealer, hence ET leviable @ one per cent. The AA stated that action would be taken after verification.
124	CTO Circle-I Satna /	M/s Steel traders 237070001089 743/11	2011-12 March-14	TMT bars	26,40,562	5	2	79,217	26,141	1,05,358	ET is leviable @ five per cent but while assessing AA levied only two per cent. After this was pointed out, the AA did not furnish any reply till date.
<b>Total</b>					<b>11389800212</b>			<b>134029578</b>	<b>178463680</b>	<b>312493258</b>	

**Appendix - XVII**  
(Referred to in paragraph 2.9)  
**Inadmissible grant of exemptions**

(Amount in ₹)

Sl. No.	Name of Unit	Dealer Tin Case No	Assessment period Month of assessment	Name of commodity	Turn-over (₹ in lakh)	Rate of tax applicable (per cent)	Rate of tax applied (per cent)	Amount of short levy of tax	Penalty	Total demand	Our comment	Department Reply	Our Comment
1	DC CT Ratlam	Dhanuka Extension Private limited	2012-13 March 2014	Hexane	16184082	10	0	1618408	4855224	6473632	As per notification exemption of ET not applicable on refining of edible oil so Dealer is not eligible for exemption of ET	Action will be taken after verification	Final action is awaited in audit.
				Other Goods	517324503	1	0	5173245	15519735	20692980			
2	DC CT Ratlam	Dhanuka Extension Private limited	2011-12 February 2014	Hexane	12163304	10	0	1216330	3648990	4865320	Exemption was allowed though the dealer could not fulfil the terms and conditions of the notification as Quantitative statement, raw material consumption statement (Certified by CA) etc. was unavailable.	Action will be taken after verification	Final action is awaited in audit.
				Other Goods	421611426	1	0	4216114	12648342	16864456			
3	DC CT Ratlam	Kisan Irrigation & Infrastructure	2010-11 April 2013	Resin Chemicals, HDEP, Packing Material etc.	937035112	1	0	9370351	28111053	37481404	ET is not levied on Plant and machinery.	Action will be taken after verification	Final action is awaited in audit.
4	DC CT Ratlam	M/s Kataria Industries Pvt. Ltd.	2010-11 June 2013	Plant and machinery	38760911	1	0	387609	1162827	1550436		Action will be taken after verification	Final action is awaited in audit.

5	DC CT Ratlam	Gujrat Ambuja Transport Private limited	2010-11 April 2013	Hexane	7836200	10	0	783620	2350860	3134480	Exemption was allowed though the dealer could not fulfil the terms and conditions of the notification as Quantitative statement, raw material consumption statement (Certified by CA) etc. was not available.	Exemption was granted as per the certificate. And Account was certified by the CA	Audit account of the unit and Production certificate was produced to audit.
				Coal	23547229	2	0	470945	1412835	1883780			
				Soya Seed etc.	1290597391	1	0	12905974	38717922	51623896			
6	DCCT -I Indore	Ambika Solvex	2010-11 September 2013	Soya Seeds and Crude oil	234875590	1	0	2348755	7046265	9395020	Separate Audited Account, quantitative, production details (certified by CA) was not available. Therefore dealer could not fulfilled the terms and conditions of the notification.	Exemption notification was submitted at the time of assessment.	It was neither found in assessment file nor produced to audit.
7	DCCT -I Indore	M/s BhagwanDas Motors Pvt. Limited	2009-10 June 2012	Raw Material of automobile Parts	118325367	1	0	1183254	3549762	4733016	Return not submitted by the dealer even though exemption was allowed .	Action will be taken after verification	Final Action is awaited in audit.
8	DCCT II Bhopal	M/s Crompton Greaves Ltd Transformer Division	2010-11 May 2013	Transformer	1830752720	1	0	5988534	17965602	23954136	Separate Audited Account, quantitative, production details (certified by CA) was not available. Therefore dealer could not fulfilled the terms and conditions of the notification.	Exemption on Entry tax is allowed as per certificate on installed capacity	Required certificate as per conditions laid down in notification was neither found with the case nor with

													reply.
9	DCCT II Bhopal	Abhishek Industries Budhni	2010-11 July 2013	Yarn	1456649983	1	0	14566500	43699500	58266000		Exemption notification was submitted at the time of assessment.	It was neither found in assessment file nor produced to audit.
10	DCCT II Bhopal	M/s Satrang Steel & Alloys Private Ltd Mandideep	2010-11 January 2014	Iron & Steel	415620997	1	0	4156210	12468630	16624840	Dealer availed exemption on entire quantity of raw material. ET exemption was to be allowed only on raw material for extended capacity of unit.	Production is within installed capacity hence exemption is valid	Entire raw material was not to be exempted.
11	CTO Circle XI Indore	M/s Vindhya Papers	2012-13 February 2015	Coal	3342955	2	0	66859	200577	267436	ET Exemption was neither found enclosed with the case file nor produced to audit.	Dealer does not fulfill the conditions of exemption notification.	
12			2012-13 February 2015	Other material	20483828	1	0	203838	611514	815352			
13	CTO Circle 10, Indore	M/s Raider Trans International	2011-12 July 2014	Conveyer Belt	9333000	1	0	93330	279990	373320	Plant and machinery purchased does not come under incidental goods	Action will be taken after verification	Final action is awaited in audit.
14	CTO Circle Sendhwa	M/s Rahul Cotton Factory Sanwad	2012-13 June 2014	Bardana Store packing material	966122	1	0	9661	28983	38644	As per notification criteria on installed and production capacity not fulfilled		
15			2012-13 June 2015		795345	2	1	15906	47718	63624			
<b>Total</b>					<b>7356206065</b>			<b>64775443</b>	<b>194326329</b>	<b>259101772</b>			

**Annexure-XVIII**  
(Referred to in paragraph 5.2.14)  
**Underassessment of diversion premium and rent**

(Amount in ₹)						
Sl. No.	Name of Unit	Para No./ HM No./ Date	No. of cases	Area in Sq Metre	Audit observations	Premium, Diversion rent, upkar & penalty leviable/ levied/ short levied
1.	Collector (Diversion) Dhar	<u>1</u> <u>7</u> 30.10.14	1	15007	The SDO (Revenue) assessed premium and diversion rent on the area of 6510 sqm instead of 15007 sqm net planning area as approved by Town and country planning Department. This resulted in short levy of ₹ 4.15 lakh in the form of premium and diversion rent.	<u>732340</u> <u>317364</u> 414976
2.	Tahsildar Mhow	<u>1(a)</u> <u>5</u> 29.1.15	1	33100	The SDO (Revenue) decided a case of diversion (diversion without permission w.e.f year 2005-06). In this case penalty up to ₹ 69.51 lakh (@ 20 per cent of market value of land) was not imposed and diversion rent was levied from year 2013-14 instead of the year 2005-06.	<u>8443611</u> <u>209979</u> 8233632
3.	Rajdhani Pariyojna, Bhopal	<u>6</u> <u>16</u> 26.3.15	47	574587	In 47 cases, diversion rent payable in 2012-13 was levied in 2013-14 which resulted in short levy of diversion rent of ₹ 29.26 lakh.	<u>5852370</u> <u>2926185</u> 2926185
4.	Collector (Diversion) Chhatarpur	<u>2(1)</u> <u>09</u> 12.11.14	1	40180	The SDO (Revenue) underassessed premium and diversion rent due to calculation mistake.	<u>244695</u> <u>151946</u> 92749
		<u>2(2)</u> <u>09</u> 12.11.14	1	13040	The SDO (Revenue) assessed premium and diversion rent on the area of 8240 sqm instead of 13040 sqm. This resulted in short levy of ₹ 0.20 lakh in the form of premium and diversion rent.	<u>98584</u> <u>37572</u> 61012
5.5	Collector (Diversion) Ujjain 2011-12	<u>3(1)</u> <u>09</u> 24.04.15	1	11460	The SDO (Revenue) assessed premium and diversion rent on the area of 2192.35 sqm instead of 11460 sqm net planning area as approved by Town and country planning Department This resulted in short levy of ₹ 8.79 lakh in the form of premium and diversion rent.	<u>1086408</u> <u>207836</u> 878572
6.6	Tahsil Raghurajnagar (Satna) 2012-13	<u>1</u> <u>11</u> 16.01.15	1	130020	The SDO (Revenue) under assessed premium and diversion rent due to incorrect application of rates. This resulted in short levy of ₹ 4.56 lakh in the form of premium and diversion rent.	<u>931613</u> <u>475660</u> 455953
<b>Total</b>			<b>53</b>	<b>817399</b>		<u><b>17389621</b></u> <u><b>4326542</b></u> <b>13063079</b>

**Appendix-XIX**  
(Referred to in paragraph 6.4)  
**Incorrect determination of market value**

(Amount in ₹)

Sl. No.	Name of unit	Object ion period	Total no. of instru ments	Registered value/ value as per guideline	Leviable SD/RF	Levied SD/RF	Differ ence SD/RF	Total Amount	Audit observations in brief	
									Nature of irregularities	No. of cases
1.	SRGadarwara (Narsingpur)	01/12 to 08/13	06	<u>34449000</u> 46050190	<u>2768824</u> 369273	<u>2054215</u> 276530	<u>714609</u> 92743	807352	1. Guidelines regarding property situated on roadside violated 2. Guidelines regarding different slabs for different a/c holder not followed 3. Irrigated land valued as unirrigated	01 04 01
2.	SR Anuppur	05/10 to 08/12	04	<u>9513000</u> 17029200	<u>1423617</u> 136814	<u>593280</u> 63070	<u>830337</u> 73744	904081	1. Guidelines regarding different slabs for different a/c holder not followed 2. Guidelines regarding property situated on roadside violated	03 01
3.	SR Kotma (Anuppur)	09/11 to 03/13	05	<u>8393800</u> 22757040	<u>1520299</u> 182834	<u>588064</u> 67865	<u>932235</u> 114969	1047204	1. Guidelines regarding different slabs for different a/c holder not followed 2. Rate for land with trees not applied as per guidelines	04 01

Sl. No.	Name of unit	Object ion period	Total no. of instruments	Registered value/ value as per guideline	Leviable SD/RF	Levied SD/RF	Differene SD/RF	Total Amount	Audit observations in brief	
									Nature of irregularities	No. of cases
4.	SR Khargone	10/13 to 03/14	10	<u>54929530</u> 73624368	<u>5049861</u> 615601	<u>3505120</u> 429530	<u>1544741</u> 186071	1730812	1. Guidelines regarding different slabs for different a/c holder not followed 2. Land with machinery- value of machinery not included while valuating the land 3. Irrigated land valued as unirrigated 4. Incorrect application of rates regarding plot/row houses 5. Guidelines regarding property situated on corner/roadside violated 6. Commercial land valued as residential	01      01 02 03  01 02
5.	SR Chhatarpur	04/13	01	<u>8086000</u> 13940520	<u>1010688</u> 111670	<u>586240</u> 64840	<u>424448</u> 46830	471278	Commercial land valued as residential	01
6	SR Badwaha	08/12	01	<u>3500000</u> 7575000	<u>303000</u> 60745	<u>140000</u> 28145	<u>163000</u> 32600	195600	Commercial land valued as residential	01
<b>Total</b>			<b>27</b>	<b><u>118871330</u></b> <b>180976318</b>	<b><u>12076289</u></b> <b>1476937</b>	<b><u>7466919</u></b> <b>929980</b>	<b><u>4609370</u></b> <b>546957</b>	<b>5156327</b>		



**Appendix-XX**  
(Referred to in paragraph 6.5)  
**Short levy of Stamp duty and Registration fees on lease deed**

(Amount in ₹)

Sl. No.	Name of unit	No. of cases	Leviable SD/RF	Levied SD/RF	Difference SD/RF	Audit observations in brief
1	SR Gadarwara,	7	<u>1,94,39,808</u> 1,45,49,687	<u>1,78,32,200</u> 1,33,75,150	16,06,708 <u>11,74,537</u> 27,82,145	While calculating SDRF, 3% increase in every 3 years was not taken into account while the rate of surcharge was levied 0.5% instead of 5%.
2	SR Anuppur,	2	<u>42,08,048</u> 31,56,036	<u>37,92,110</u> 28,44,085	4,15,938 <u>3,11,951</u> 7,27,889	In these cases, the lease period was 15 years, and 15% increase every 5-year block was provided in the lease agreement. Therefore, as per rules SD @ 7.5% and surcharge @ 5% was to be levied, which was not done in these cases.
3	SR Umaria	5	<u>2,25,524</u> 1,69,144	<u>83,800</u> 62,855	1,41,724 <u>1,06,289</u> 2,48,013	
4	SR Sukhalia (Indore III)	3	<u>16,54,961</u> 12,41,220	<u>16,30,600</u> 2,24,245	24,361 <u>10,16,975</u> 10,41,336	
<b>Total</b>		<b>17</b>			<b>47,99,383</b>	

**Appendix-XXI**

(Referred to in paragraph 6.6)

**Short levy of stamp duty and registration fee on instruments of power of attorney (POA)**

Sl. No.	Name of unit	No. of cases	Market Value (in ₹)	Leviable SD/RF (in ₹)	Levied SD/RF (in ₹)	Difference SD/RF (in ₹)	Audit observations in brief
1	SR Rajgarh,	7	19,75,552/-	<u>1,27,548</u> 17,018	<u>3,400</u> 875	1,24,148 <u>16,143</u> 1,40,291	According to the Rule, POA can be given on payment of ₹ 1000/- only for a period not exceeding one year. This should be clearly mentioned in the POA. However, we observed that POA was given on payment of stamp duty of ₹ 1000/- and the period was found to be either exceeding one year or was not explicitly mentioned, which is in contravention of the rules.
2	SR Kotma (Anuppur)	4	1,03,18,911/-	<u>5,15,946</u> 83,133	<u>4,000</u> 400	5,11,946 <u>82,733</u> 5,94,679	
3	SR Khandwa	1	2,17,47,180/- <u>13,63,500</u> 2,31,10,680/-	<u>11,55,534</u> 1,85,033	<u>1000</u> 100	11,54,534 <u>1,84,933</u> 13,39,468	
4	SR Umariya	5	1,02,57,184/-	<u>6,75,370</u> 82,782	<u>5000</u> 500	6,70,410 <u>82,282</u> 7,52,692	
<b>Total</b>		<b>17</b>				<b>28,27,130</b>	

**Appendix-XXII**

(Referred to in paragraph 6.7)

**Non-registration of Mortgage deeds**

Sl. No.	Name of unit	Area of the property and rate at which calculated	No. of cases/Permission year/Estimated development cost (in ₹)	Leviable SD/RF (in ₹)
1.	SR Gotegaon (Narsinghpur)	6022 sq.m. x ₹3800/sq.m.	01/ <u>12/12</u> 2,28,83,600	<u>2,28,836</u> /1,83,214
2.	SR Badwaha (Khargone)	1. 18846.98sq.m. x ₹1600/sq.m. 2. 46481.39sq.m. x ₹1600/sq.m.	02/ <u>05/12 to 10/13</u> 10,45,25,392	<u>10,45,254</u> /8,36,498
3.	SR Satna	7610 sq.m. x ₹3100(app.)/sq.m.	01/ <u>05/13</u> 2,35,82,500	<u>2,35,825</u> /1,88,805
<b>Total</b>				<b>₹ 27,18,432</b>

**Appendix-XXIII**  
(Referred to in paragraph 6.8)  
**Irregular exemption of Stamp Duty**

(Amount in ₹)

Sl. No.	Name of unit	No. of cases	Valuation of the property with higher value	Leviable SD/RF	Levied SD/RF	Difference SD/RF
1	SR Depalpur (Indore)	1	1 <sup>st</sup> party – 1.328x5000000=6640000 2 <sup>nd</sup> party – 1.052x6000000=6312000 185.87x6000= <u>1115220</u> 7427220	<u>3,71,361</u> 59,563	<u>100</u> 53,265	3,71,261 <u>6,298</u> 3,77,559
2	SR Gadarwara (Narsingpur)	1	1 <sup>st</sup> party – 1.243x850000=10,56,550 2 <sup>nd</sup> party – 0.677x850000=5,75,450	<u>52,850</u> 8,601	0 8,610	52,850 0
		1	1 <sup>st</sup> party – 1.088x840000=9,13,920 2 <sup>nd</sup> party – 0.677x850000=5,75,450	<u>55,100</u> 8,961	<u>100</u> 8,970	<u>55,000</u> 0
		1	1 <sup>st</sup> party – 0.601x1400000=841400 2 <sup>nd</sup> party – 0.667x2500000=1667500	<u>83375</u> 13485	<u>0</u> 8230	<u>83375</u> 5255
		1	1 <sup>st</sup> party – 1.736x4000000=6944000 2 <sup>nd</sup> party – 1.203x4000000=4812000	<u>347200</u> 55697	<u>5000</u> 55705	<u>342200</u> 0
		1	1 <sup>st</sup> party – 3.264x1000000=3264000 2 <sup>nd</sup> party – 3.832x1000000=3832000	<u>191600</u> 30810	<u>0</u> 30810	<u>191600</u> 0
		5		<u>7,30,125</u> 1,17,554	<u>5,100</u> 1,12,325	<u>7,25,025</u> <u>5,229</u> 7,30,254
<b>Total</b>		<b>6</b>		<b><u>11,01,486</u></b> <b>1,77,117</b>	<b><u>5,200</u></b> <b>1,65,590</b>	<b>11,07,813</b>

**Appendix XXIV**

(Referred to in paragraph 7.4)

**Short levy of Stamp duty and Registration fees on instruments of lease deeds of mines***( ₹ in lakh)*

Sl. No	Name of units/ period of AIR	No. of cases	Contract Amount	Leviable SD/RF	Levied SD/RF	Balance Amount of SD /RF
01	DMO Katni 04/13-03/14	05	34,37,86,050	1,71,89,303/ 1,28,91,979	500/0	1,71,88,803/ 1,28,91,979
02	DMO Tikamgarh 04/13-03/14	02	11,43,45,000	57,17,250/ 42,87,938	200/0	57,17,050/ 42,87,938
<b>Total</b>		<b>07</b>	<b>45,81,31,050</b>	<b>2,29,06,553/ 1,71,79,917</b>	<b>700/0</b>	<b>2,29,05,853/ 1,71,79,917</b>
				<b>4,00,86,470</b>		<b>4,00,85,770</b>

**Appendix XXV**

(Referred to in paragraph 7.5.2)

**Non/Short realisation of dead rent in mining lease***( ₹ in lakh)*

Sl. No.	Name of unit & period	No. of cases	Payable amount	Paid amount	Balance amount
01	DMO Chhindwara 04/13-03/14	05	4.68	-	4.68
02	DMO Anuppur 04/13-03/14	03	5.87	-	5.87
03	DMO Sagar 04/12-03/14	01	2.12	-	2.12
04	DMO Katni 04/13-03/14	28	11.68	-	11.68
05	DMO, Satna	157	32.74	--	32.74
<b>TOTAL</b>		<b>194</b>	<b>57.09</b>		<b>57.09</b>

**Appendix XXVI**  
(Referred to in paragraph 7.7)  
**Non/Short realisation of contract money in trade quarries**

( ₹in lakh)

Sl. No.	Name of unit and period	No. of cases	Payable amount	Paid amount	Balance amount
1	DMO Shajapur 04/11-03/14	2	4.19	1.41	2.78
2	DMO Vidisha 04/12-03/14	2	1.19	-	1.19
3	DMO Harda 04/11-03/14	3	2.57	0.48	2.09
4	DMOUmaria 04/13-03/14	4	4.60	-	4.60
5	DMO Sidhi 04/13-03/14	1	25.34	-	25.34
6	DMO Ratlam 04/11-03/14	7	9.68	1.29	8.39
7	DMO, Morena 04/10-03/12	2	4.76	--	4.76
8	DMO, Sheopur 04/09-03/12	6	5.91	0.16	5.75
9	DMO, Shivpuri 04/11-03/13	1	7.50	--	7.50
<b>Total</b>		<b>28</b>	<b>65.74</b>	<b>3.34</b>	<b>62.40</b>

**Appendix XXVII**  
(Referred to in paragraph 7.10)  
**Non-levy/realisation of interest on belated payments**

( ₹in lakh)

Sl. No.	Name of Unit	No. of Contractors	Delay in days	Interest leviable	Interest levied	Balance Amount
1	DMO, Anuppur	01	459	4.42	--	4.42
	DMO, Chindwara	01	258 to 1718	2.54	--	2.54
	<b>Total (Mining Lease)</b>	<b>02</b>		<b>6.96</b>	<b>--</b>	<b>6.96</b>
2.	DMO, Anuppur	08	24 to 417	1.47		1.47
	DMO, Chindwara	04	15 to 190	1.86	--	1.86
	DMO, Shajapur	03	28 to 114	0.92	--	0.92
	DMO, Jabalpur	04	11 to 452	4.79	--	4.79
	DMO, Panna	07	07 to 261	2.07	--	2.07
	<b>Total (Trade Quarry)</b>	<b>26</b>		<b>11.11</b>	<b>--</b>	<b>11.11</b>
3	DMO, Tikamgarh	13	40 to 163	1.11	--	1.11
	DMO, Harda	06	21 to 1357	1.77	--	1.77
	DMO, Shivpuri	05	42 to 593	1.04	--	1.04
	DMO, Dewas	06	31 to 338	0.61	--	0.61
	DMO, Hoshangabad	01	16 to 228	3.12	--	3.12
	DMO, Ujjain	13	70 to 1165	5.03	--	5.03
	DMO, Panna	01	63 to 1303	0.53	--	0.53
	<b>Total – (Quarry Lease)</b>	<b>45</b>		<b>13.21</b>	<b>--</b>	<b>13.21</b>
<b>Grand Total</b>		<b>73</b>		<b>31.28</b>		<b>31.28</b>

**Appendix – XXVIII**  
(Referred to in paragraph 8.2.11)  
**Loss of revenue due to illicit felling**

(₹ in lakh)

Sl. No.	Division	No. of coupes	No. of trees felled	No. of Stumps	Percentage of Stumps	Loss
1	Sehore (G)	6	3261	458	14	4.88
2	Burhanpur (G)	28	15361	10228	67	128.83
3	Khandwa (G)	6	20309	7050	35	107.68
4	Dewas (G)	26	17657	3196	18	22.75
5	Singrauli (G)	14	13534	9736	72	188.84
6	Mandla (P)	16	12894	5072	39	89.91
7	Dindori (P)	2	4060	674	17	5.46
8	Balaghat North (P)	13	22060	4736	21	57.93
9	Katni (G)	16	20514	4389	21	45.11
<b>Total</b>		<b>127</b>	<b>129650</b>	<b>45539</b>	<b>14 to 72</b>	<b>651.39</b>

**Appendix – XXIX**

(Referred to in paragraph 8.2.13)

**Short assessment and recovery of compensation in forest offence cases**

(Amount in ₹)

Sl. No.	Division	No. of Cases	Value of forest produce	Leviable amount	Levied Amount	Short levy
1	Sehore (G)	52	482997	965994	123350	842644
2	Burhanpur (G)	16	87441	174882	63450	111432
3	Khandwa (G)	6	37286	74572	43500	31072
4	Singrauli (G)	16	18440	36880	6048	30832
5	Sidhi (G)	25	60996	121992	14078	107914
6	Chhindwara South (G)	6	44287	88574	7635	80939
7	Katni (G)	27	7735	22166	19612	2554
<b>Total</b>		<b>148</b>	<b>739182</b>	<b>1485060</b>	<b>277673</b>	<b>1207387</b>

**Appendix – XXX**

(Referred to in paragraph 8.2.20.1)

**Loss due to re-measurement of forest produce sent from coupes into depot***(₹ in lakh)*

Sl. No.	Division	No. of coupes	Sent from Coupe	Received in depot	Shortfall	Loss
1	Sehore (G)	19	1129.517	1097.481	32.036	6.63
2	Khandwa (P)	41	12719.85	12459.43	260.42	54.56
3	Singrauli (G)	14	1013.314	998.689	14.625	3.06
4	Mandla (P)	6	2330.792	2310.181	20.611	4.32
5	Dindori (P)	17	4115.571	3968.958	146.613	30.72
6	Balaghat North (P)	11	1079.972	1058.787	21.185	4.44
7	Harda (P)	7	653.242	642.213	11.029	2.31
8	Katni (G)	12	1041.986	991.816	50.17	10.51
<b>Total</b>		<b>127</b>	<b>24084.244</b>	<b>23527.555</b>	<b>556.689</b>	<b>116.55</b>

**Appendix – XXXI**

(Referred to in paragraph 8.2.21)

**Loss due to shortfall in confiscated forest***(Material in cu m)*

Sl. No.	Division	No. of cases	POR Material sent to depot	POR material received in depot	Shortfall	Loss (in ₹)
1	Sehore (G)	44	194.555	144.736	49.819	1043808
2	Khandwa (P)	26	93.995	85.499	8.496	178008
3	Dewas (G)	18	50.45	46.917	3.533	74023
4	Sidhi (G)	11	17.378	13.854	3.524	73835
5	Mandla (P)	21	27.041	15.562	11.479	240508
6	Balaghat North (P)	74	864.261	638.472	225.789	4730731
7	Harda (P)	40	69.852	63.195	6.657	139477
<b>Total</b>		<b>234</b>	<b>1317.532</b>	<b>1008.235</b>	<b>309.297</b>	<b>6480390</b>



**Appendix – XXXII**

(Referred to in paragraph 8.2.22)

**Loss due to shortage of forest produce found in physical verification**

(Material in Nos.)

Sl. No.	Division	Period	Shortage			Loss in ₹
			Bamboo	Poles	Fuel stacks	
1	Sehore (G)	2010-14	23839	1068	50	550920
2	Burhanpur (G)	2010, 2012, 2013	0	0	114.75	178948
3	Khandwa (G)	2012, 2013, 2014	3200	67	63.55	210422
4	Singrauli (G)	2014	5170	33	20	121450
5	Chhindwara South (G)	2011-14	16435	417	57.5	896201
6	Katni (G)	2010-12 & 2014	3753	1221	557.25	827076
<b>Total</b>			<b>52397</b>	<b>2806</b>	<b>863.05</b>	<b>2785017</b>
<b>Barricading Material</b>						
1	Sehore (G)	2008-14	2613	434		149743
2	Gwalior (G)	2010-14	3564	779	0	149398
<b>Total</b>			<b>6177</b>	<b>1213</b>	<b>0</b>	<b>299141</b>
<b>Grand Total</b>						<b>3084158</b>

**Appendix- XXXIII**

(Referred to in paragraph 8.2.24)

**Non-adherence to conditions of sanction**

(Material in cu m)

Sl. No.	Division	Actual/ Estimated Production			Seizure of POR Material	Yield under FCA felling	Total	Irregular Revenue (₹ in Lakh)
		Timber	Poles	Fuel wood				
1	Sehore (G)	3617.639	0	2303	559.831	0	559.831	117.30
2	Burhanpur (G)	1226.853	0	1050.147	1229.339	0	1229.339	257.57
3	Singrauli (G)	5418.253	0	4721	591.649	4960.277	5551.926	1163.24
4	Sidhi (G)	7412.429	0	5490	133.589	3095.528	3229.117	676.56
5	Chhindwara South (G)	5347.581	10521	2968.7	221.33	0	221.330	46.37
6	Katni (G)	1679.979	0	4140	105.051	0	105.051	22.01
<b>Total</b>		<b>24702.734</b>	<b>10521</b>	<b>20672.847</b>	<b>2840.789</b>	<b>8055.805</b>	<b>10896.594</b>	<b>2283.05</b>

**Appendix –XXXIV**  
(Referred to in paragraph 8.2.25)  
**Felling of trees of below selection girth**

(₹ in lakh)

Sl. No.	Division	No. of Coupes	Total No. of Felled trees	No. trees under selection Girth	Irregular Revenue
1	Sehore (G)	5	7439	7158	62.48
2	Burhanpur (G)	10	3980	1208	85.82
3	Khandwa (G)	16	23253	15579	227.85
4	Dewas (G)	15	12162	10835	80.74
5	Singrauli (G)	11	1620	1314	27.99
6	Mandla (P)	21	9723	2896	69.57
7	Dindori (P)	5	14850	7620	185.12
8	Chhindwara South (G)	17	11758	11420	31.21
9	Balaghat North (P)	14	1930	923	39.13
10	Harda (P)	17	17989	9987	59.37
<b>Total</b>		<b>131</b>	<b>104704</b>	<b>68940</b>	<b>869.28</b>

<b>GLOSSARY OF ABBREVIATIONS</b>	
AA	Assessing Authority
ACCT	Assistant Commissioner Commercial Tax
ACM	Audit committee meeting
ATR	Action Taken Report
ARTO	Additional Regional Transport Office
AEB	Anti Evasion Bureau
ACTO	Assistant Commercial Tax Officer
AEC	Assistant Excise Commissioners
BL	Bulk litre
CAMPA	Compensatory Afforestation Management and Planning Authority
MV Act	Motor Vehicles Act
CMVR	Central Motor Vehicles Rules
CA	Compensatory Afforestation
CCF (G)	Conservator of Forest (General)
CCF (P)	Conservator of Forest (Production)
CTD	Commercial Tax Department
CTO/AC	Commercial Tax Officer/Assistant Commissioner
CCT	Commissioner of Commercial Tax
CSLR	Commissioner, Settlement and Land Records
CST	Central Sales Tax
CTO	Commercial Tax Officer
DCCT	Deputy Commissioner Commercial Tax
DC	Deputy Commissioner
DEC	Deputy Excise Commissioners
DIGR	Deputy Inspector General Registration
DEO	District Excise Officer
DMO	District Mining Office
DTO	District Transport Office
ENA	Extra Neutral Alcohol
EVC	Excise Verification Certificate
HSN	Harmonised System of Nomenclature
IGR	Inspector General, Registration
IAC	Internal Audit Cell
IR	Inspection Report
ITR	Input Tax Rebate
JIGR	Joint Inspector General, Registration
LRC	Land Revenue Code
MPLA	M.P Lokdhan ( <i>Shodhya Rashiyon Ki Vasuli</i> ) Adhiniyam
MPFC	Madhya Pradesh Finance Code
MPFL	Madhya Pradesh Foreign Liquor

MPFFR	Madhya Pradesh Forest Financial Rules
MPLRC	Madhya Pradesh Land Revenue Code
MPPRA	Madhya Pradesh <i>Panchayat Raj Adhiniyam</i>
MPTC	Madhya Pradesh Treasury Code
MPSMCL	Madhya Pradesh State Mining Corporation Limited
MPHB	Madhya Pradesh Housing Board
PA	Performance Audit
POA	Power of Attorney
PCCF	Principal Chief Conservator of Forests
PRC	Principal Revenue Commissioner
PL	Proof Litre
PAC	Public Accounts Committee
RTOs	Regional Transport Offices
RBC	Revenue Book Circular
RRC	Revenue Recovery Certificate
RSA	Revenue Sector Audit
SD	Stamp Duty
SDR	Senior District Registrar
SDO	Sub Divisional Officers
SLR	Superintendent Land Record
TAW	Tax Audit Wing
TA	Taxation Authority
TC	Transport Commissioner
TDS	Tax Deducted at Source
TIN	Tax Identification Number
VATIS	Value Added Tax Information System
VAT	Value Added Tax
WP	Working Plan