



**Report of the
Comptroller and Auditor General of India
on
Revenue Sector
for the year ended 31 March 2016**



Government of Madhya Pradesh
Report No. 5 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 2016 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 and Expenditure 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 2015-16 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 2015-16 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 52 paragraphs including one Information Technology Audit on “**e-Registration (SAMPADA)**” and two audits on “**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002**” and “**Levy and Collection of Electricity Duty, Fees and Cess**” involving ₹ 970.62 crore. The Departments/Government have accepted audit observations involving ₹ 183.88 crore out of which ₹ 2.50 crore was recovered. Some of the major findings are mentioned below:

I General

The total receipts of the State Government for the year amounted to ₹ 1,05,510.60 crore against ₹ 88,640.78 crore for the previous year. Out of this, 46 *per cent* was raised by the State through tax revenue (₹ 40,240.43 crore) and non-tax revenue (₹ 8,568.80 crore). The balance 54 *per cent* was received from Government of India as State’s share of divisible union taxes (₹ 38,371.06 crore) and grants-in-aid (₹ 18,330.31 crore).

(Paragraph 1.1.1)

We test checked records of 396 units of Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fees, Mining Receipts and Electricity Duty during the year 2015-16 and observed underassessment/short levy/loss of revenue amounting to ₹ 2,229.45 crore in 6,45,050 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 868.37 crore involved in 64,031 cases which were pointed out in audit during 2015-16 and collected ₹ 6.55 crore in 7,403 cases.

(Paragraph 1.9)

II Stamps and Registration Fees

Information Technology Audit on “**e-Registration (SAMPADA)**” revealed the following:

The Department could not develop its own IT support team, although computerisation of the Department was envisaged as early as year 2000.

(Paragraph 2.4.11.3)

Despite abnormal delays in development of software, Department did not impose penalty on the software vendor amounting to ₹ 82.01 lakh.

(Paragraph 2.4.12.1)

The Department had paid ₹ 1.53 crore to the software vendor for changes made in the software by the vendor though they were in the scope of work.

(Paragraph 2.4.12.3)

The legacy data was not digitized as envisaged in the absence of which the possibility of multiple sale of same property could not be ruled out.

(Paragraph 2.4.12.4)

Payment of ₹ 3.73 crore was released to the hardware vendor without obtaining integration and testing report.

(Paragraph 2.4.13.1)

Despite negative account balances of ₹ 4.08 crore in 403 cases, e-Stamps were generated and commissions were also paid to service providers.

(Paragraph 2.4.16.7)

Absence of supervisory control in SAMPADA system resulted in short levy of Stamp duty and registration fees of ₹ 1.90 crore.

(Paragraph 2.4.16.8)

There was delayed response to the feedbacks and complaints of the users. Out of 3,360 complaints received in SAMPADA, 2,534 remained unresolved. During beneficiary survey of services provided under SAMPADA, conducted among 240 end users and service providers, 73 out of 142 respondents expressed dissatisfaction.

(Paragraph 2.4.32)

There was no mechanism in e-Registration system under which reconciliation of all the receipts in cyber treasury either through treasury or through e-payment by Service Providers could be done.

(Paragraph 2.4.36)

Cases referred by Sub Registrars (SRs) to the Collector of Stamps (District Registrars) for determination of market value of properties had not been finalised in time though the stipulated period of three months for disposal of referred cases had lapsed.

(Paragraph 2.5)

In 297 instruments, though the market value of the property was higher as per guidelines for the respective year, 42 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 ₹ 3.89 crore.

(Paragraph 2.6)

Mortgage deed of plots pledged in lieu of security for development work to be carried out by the coloniser, were not registered. The estimated development expenditure on these plots was ₹ 54.24 crore. As a result, Stamp duty and Registration fees amounting to ₹ 97.41 lakh on the cost of estimated development expenditure was not levied.

(Paragraph 2.7)

III Commercial Tax

Audit on "**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act**" revealed the following:

A total of 6,229 cases involving tax of ₹ 434.17 crore were passed in favour of appellants without obtaining the views of the Assessing Authorities concerned.

(Paragraph 3.3.7.1)

In 256 cases, the Appellate Authorities accepted declarations or certificates and allowed relief of tax amounting to ₹ 19.92 crore in favour of appellants, although requests for extension of time for submission of such declarations/certificates were not found in assessment and appeal files.

(Paragraph 3.3.7.2)

The Appellate Authority incorrectly waived off penalty amounting to ₹ 1.08 crore in 30 cases of 12 dealers.

(Paragraph 3.3.7.3)

In 476 cases, the Appellate Authorities allowed relief of tax amounting to ₹ 291.86 crore in favour of appellant but Commissioner did not scrutinise these cases to justify that second appeal was not required in these cases.

(Paragraph 3.3.8)

While determining the turnover, 11 Assessing Authorities allowed deduction of tax in 12 cases of 11 dealers from the aggregate of sale price, though tax was not included in the sale price. This irregular grant of deduction resulted in short levy of tax of ₹ 8.76 crore and penalty of ₹ 22.60 crore.

(Paragraph 3.4)

Twenty Assessing Authorities applied incorrect rates of tax in 27 cases of 24 dealers on turnover of ₹ 75.29 crore. This resulted in short levy of tax amounting to ₹ 11.23 crore including penalty of ₹ 5.70 crore.

(Paragraph 3.5)

Twenty eight Assessing Authorities in 51 cases of 47 dealers, allowed input tax rebate of ₹ 6.76 crore which was not in accordance with relevant provisions and rules. This resulted in short realisation of ₹ 10.32 crore including penalty of ₹ 3.56 crore.

(Paragraph 3.6.1)

Thirty four Assessing Authorities under determined the taxable turnover by ₹ 51.63 crore against the turnover recorded in the audited books of accounts/sale list/relevant records in 56 cases of 53 dealers. As a result, tax of ₹ 10.24 crore including interest ₹ 1.90 crore and penalty of ₹ 5.22 crore could not be levied.

(Paragraph 3.7)

Thirty six Assessing Authorities either not levied or levied at incorrect rates of Entry Tax on goods like iron and steel, machinery, HDPE sheet, TMT bars, coal, limestone, tiles etc. having turnover of ₹ 184.43 crore, on their entry into local area or granted incorrect exemption of Entry Tax in 59 cases to 58 dealers without submission of prescribed declaration forms. As a result, entry tax of ₹ 9.27 crore including penalty of ₹ 2.01 crore could not be realised.

(Paragraph 3.8)

Four Assessing Authorities did not impose penalty in four cases on four dealers under Section 21, although omissions leading to assessment were attributable to the dealers. This resulted in short realisation of revenue of ₹ 5.39 crore.

(Paragraph 3.9)

Assessing Authorities incorrectly determined the turnover and did not levy tax on certain items procured by a contractor for use in project. This resulted in short levy of tax amounting to ₹ 2.48 crore.

(Paragraph 3.10)

IV Electricity Duty

Audit on "Levy and Collection of Electricity Duty, Fee and cess" revealed the following:

The Energy Development Cess amounting to ₹ 325.17 crore was not utilised for the purpose for which cess was levied and Department also did not timely transfer the amount of Energy Development Cess amounting to ₹ 88.22 crore into Electricity Development Fund.

(Paragraph 4.2.9)

Department did not levy interest of ₹ 272.11 crore on outstanding balances with DISCOMs.

(Paragraph 4.2.10)

The Orient Paper Mills Limited *suo moto* claimed exemption from payment of electricity duty without obtaining a certificate of eligibility for exemption. As a result, electricity duty amounting to ₹ 51.79 crore could not be realised.

(Paragraph 4.2.11)

Department incurred loss of revenue amounting to ₹ 16 crore as separate meters were not installed for dutiable and not dutiable energy consumption of electricity.

(Paragraph 4.2.12)

Department could not achieve targets of annual inspection of electrical installations, jeopardising the safety of medium and high tension electric installations. As a result of this, inspection fees amounting to ₹ 11.35 crore remained not accrued.

(Paragraph 4.2.13)

Due to application of incorrect rate of duty, electricity duty not realised from high tension consumers by ₹ 1.43 crore.

(Paragraph 4.2.14)

V Mining Receipts

The lessee did not commence the commercial production at mines allotted to it by the due date despite availing the benefits of subsidised stamp duty and registration fees under the Industrial Policy of the State Government. The Department did not recover the amount of rebate of Stamp duty and registration fees amounting to ₹ 9.46 crore on agreement of allotment of lease and interest of ₹ 8.08 crore thereon, despite conditions of agreement not fulfilled.

(Paragraph 5.4)

In six district mining offices, agreements of 22 mining/quarry leases were executed on unduly stamped lease agreement. As a result, Stamp duty and Registration fees amounting to ₹ 4.19 crore was not realised/short realised.

(Paragraph 5.5.1)

In one district mining office, instead of levying the stamp duty on full amount of contract money in accordance with the Departmental instructions,

agreements of three trade quarry leases were executed on stamp papers of lesser amount. As a result, Stamp Duty and Registration Fees of ₹ 7.66 crore was not realised/short realised.

(Paragraph 5.5.2)

In 10 district mining offices, 99 mining lessees had paid ₹ 11.91 crore of rural infrastructure and road development tax against the payable amount of ₹ 17.89 crore for the period 2014-15. This resulted in short realisation of revenue amounting to ₹ 5.98 crore.

(Paragraph 5.6)

In six district mining offices, the Department did not levy interest of ₹ 5.67 crore on belated payments of royalty by lessees in respect of 18 lessees of mining leases as per the provisions of the Rules.

(Paragraph 5.7)

VI State Excise

In three excise offices, excise verification certificates (EVC) in respect of 175 permits for transportation of foreign liquor/beer were not furnished to the authorities who issued the transport/export permit duly obtained from the Officer-in-charge of the destination units. EVCs were not furnished against export/transport of 7,93,797.56 proof litre foreign liquor and 3,87,165 bulk litre beer involving excise duty of ₹ 62.27 lakh in beer and ₹ 16.99 crore in liquor.

(Paragraph 6.4)

In two excise offices, 11 poppy straw licensees carried out trade of narcotic substance through 12 licenses without payment of license fees. Their licenses were not revoked by the District Collector in contravention of the provisions of the Gazette Notification. This resulted in short recovery of license fees of ₹ 12.15 crore.

(Paragraph 6.5)

In 107 warehouses of 51 districts of Madhya Pradesh, arrangements for Very Small Aperture Terminal (VSAT) connectivity were not made, contravening the provisions of tender document. The Department did not levy penalty amounting to ₹ 6.05 crore on the warehouses.

(Paragraph 6.6)

In 22 excise offices, the licensees of country liquor warehouses and bottling units did not maintain minimum stock of bottled country liquor at 48 country liquor warehouses and six country liquor bottling units. However, penalty amounting to ₹ 2.76 crore for breach and continued contravention of rules was not imposed against the licensees.

(Paragraph 6.7)

In six excise offices, during export/transport of foreign liquor, beer and ENA, total wastages in excess of admissible limit was 1,22,329.50 proof litre in the case of the foreign liquor, 9,035.58 bulk litre in the case of beer and 15940.79 proof litre in the case of Extra Neutral Alcohol. On this, excess wastage, the Department did not impose penalty of ₹ 2.51 crore on six licensees.

(Paragraph 6.8)

In 15 excise offices, the Department did not levy Value Added Tax (VAT) on closing stock of country liquor with retailers as on 31 March 2013 sold on 1 April 2013 or thereafter, as per the provisions of VAT Act. As a result, VAT amounting to ₹ 2.26 crore on closing stock of ₹ 45.25 crore could not be recovered.

(Paragraph 6.9)

The offer of the highest bidder for ₹ 8,68,77,777 was not accepted as the cheque of earnest money submitted by him along with the financial bid was 75 paise less than the stipulated amount of ₹ 72,39,814.75. As a result, shops were awarded to second highest bidder whose offer was ₹ 67.65 lakh less than the offer of highest bidder.

(Paragraph 6.10)

VII Taxes on Vehicles

In 27 offices, vehicle tax in respect 4,031 vehicles plying as public service vehicle kept as reserve, goods vehicles, maxicabs, stage carriage vehicles, public service vehicles plying on All India Tourist Permit and earthmovers/harvesters, amounting to ₹ 13.09 crore and penalty of ₹ 9.14 crore thereon was neither paid by the vehicle owners nor any demand notice was found issued by the Taxation Authorities.

(Paragraph 7.4)

In 11 offices, vehicle tax in respect of 155 private service vehicles was incorrectly levied at the rate applicable to Educational Institution Buses. Failure to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.20 crore.

(Paragraph 7.5)

VIII Land Revenue

In 473 cases related to diversion of land situated in *gram panchayat* areas, nine Collector offices and 12 *Tahsil* offices did not levy and demand *panchayat upkar* on diversion premium and rent depriving the Government of revenue of ₹ 2.48 crore.

(Paragraph 8.4)

The Department did not recover process expenses amounting to ₹ 1.14 crore in four Collector offices and 17 *tahsil* offices on the amount of ₹ 40.22 crore recovered against Revenue Recovery Certificates during the period 2007-08 to 2015-16.

(Paragraph 8.5)

CHAPTER – I

GENERAL

Chapter-I General

1.1 Trend of revenue receipts

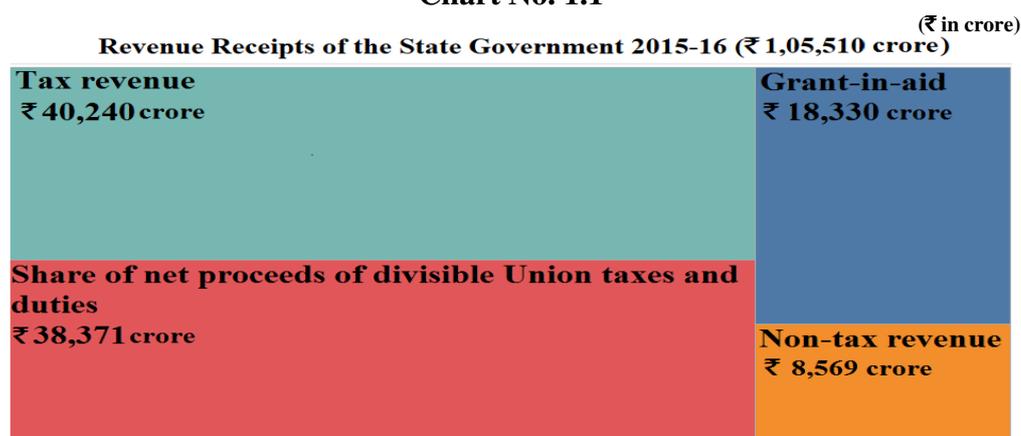
1.1.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh during the year 2015-16, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India during the year and the corresponding figures for the preceding four years are mentioned in **Table 1.1**.

Table 1.1
Trend of revenue receipts

(₹ in crore)						
Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Revenue raised by the State Government					
	• Tax revenue	26,973.44	30,581.70	33,552.16	36,567.31	40,240.43
	• Non-tax revenue	7,482.73	7,000.22	7,704.99	10,375.23	8,568.80
	Total	34,456.17	37,581.92	41,257.15	46,942.54	48,809.23
2.	Receipts from Government of India					
	• Share of net proceeds of divisible Union taxes and duties	18,219.14	20,805.16	22,715.27	24,106.80	38,371.06 ¹
	• Grants-in-aid	9,928.77	12,040.20	11,776.82	17,591.44	18,330.31
	Total	28,147.91	32,845.36	34,492.09	41,698.24	56,701.37
3.	Total revenue receipts of the State Government (1 and 2)	62,604.08	70,427.28	75,749.24	88,640.78	1,05,510.60
4.	Percentage of 1 to 3	55	53	54	53	46

(Source: Finance Accounts of Government of Madhya Pradesh)

Chart No. 1.1



The above table indicates that during the year 2015-16, the revenue raised by

¹ 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 2015-16. 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.

the State Government (₹ 48,809.23 crore) was 46 per cent of the total revenue receipts. The balance 54 per cent of the receipts during 2015-16 was from the Government of India.

1.1.2 The details of the tax revenue raised during the period 2011-12 to 2015-16 are given in Table 1.2.

Table 1.2
Details of Tax Revenue raised

(₹ in crore)

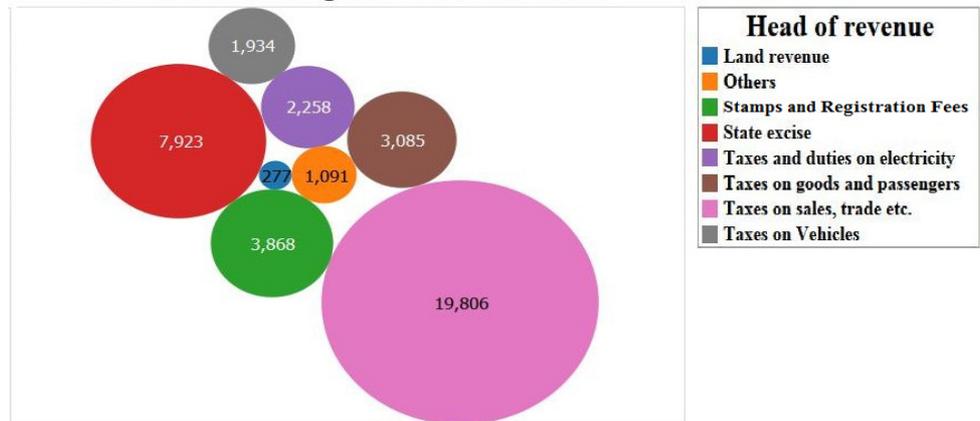
Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease (-) in actual of 2015-16 in comparison to	
		<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	<u>BE</u> Actual	BE of 2015-16	Actual of 2014-15
1.	Taxes on sales, trade etc.	<u>11830.00</u> 12516.73	<u>14000.00</u> 14856.30	<u>16500.00</u> 16649.85	<u>19500.00</u> 18135.96	<u>21300.00</u> 19806.15	(-) 7.01	(+) 9.21
2.	State excise	<u>4050.00</u> 4316.49	<u>4800.00</u> 5078.06	<u>5750.00</u> 5907.39	<u>6730.00</u> 6695.54	<u>7800.00</u> 7922.84	(+) 1.57	(+) 18.33
3.	Stamps and Registration fees	<u>2000.00</u> 3284.46	<u>3200.00</u> 3944.24	<u>4000.00</u> 3400.00	<u>4000.00</u> 3892.77	<u>4700.00</u> 3867.69	(-) 17.71	(-) 0.64
4.	Taxes on goods and passengers	<u>1815.00</u> 2047.46	<u>2150.00</u> 2395.03	<u>2640.00</u> 2578.74	<u>2900.00</u> 2686.39	<u>3200.00</u> 3084.76	(-) 3.60	(+) 14.83
5.	Taxes and duties on electricity	<u>1370.00</u> 1773.32	<u>1370.00</u> 1477.71	<u>1600.00</u> 1972.20	<u>2050.00</u> 2010.20	<u>2200.00</u> 2257.83	(+) 2.63	(+) 12.32
6.	Taxes on Vehicles	<u>1285.00</u> 1357.12	<u>1400.00</u> 1531.25	<u>1650.00</u> 1598.93	<u>2000.00</u> 1823.84	<u>2300.00</u> 1933.57	(-) 15.93	(+) 6.02
7.	Land revenue	<u>500.31</u> 279.06	<u>550.00</u> 443.59	<u>572.00</u> 366.23	<u>700.10</u> 243.10	<u>500.00</u> 276.86	(-) 44.63	(+) 13.89
8.	Others	<u>267.69</u> 1398.80	<u>842.00</u> 855.52	<u>670.00</u> 1078.82	<u>1109.50</u> 1079.51	<u>1447.68</u> 1090.73	(-) 24.66	(+) 1.04
Total		<u>23118.00</u> 26973.44	<u>28312.00</u> 30581.70	<u>33382.00</u> 33552.16	<u>38989.60</u> 36567.31	<u>43447.68</u> 40240.43		

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

Chart No. 1.2

(₹ in crore)

Tax Revenue during 2015-16 (₹ 40,240.43 crore)



It can be seen from the Table 1.2 that there was a variation of (+) 2.63 and (-) 44.63 *per cent* between the budget estimates and the actuals during 2015-16. Further, there was a variation of (-) 0.64 *per cent* to (+) 18.33 *per cent* between actuals of 2014-15 and 2015-16 under various heads of revenue.

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

State Excise: The increase (18.33 *per cent*) over actual of 2014-15 was mainly due to increase in the reserve price of tenders.

Stamps and Registration Fees: There was a decrease (17.71 *per cent*) over budget estimate of 2015-16 was mainly due to decrease in the number of registry of documents and economic recession.

Taxes on Vehicles: The increase (14.83 *per cent*) over actual of 2014-15 was mainly due to increase in 'Receipt under Motor Vehicle Taxation Act'.

Land Revenue: Revenue collected under this head was 13.89 *per cent* more than the revenue collected in 2014-15, but it was 44.63 *per cent* less than the budget estimates. The increase was attributed to increase in revenue recovery in 2015-16. However, no comments were offered by the Department for less revenue collection vis-à-vis budget estimates.

1.1.3 The details of the non-tax revenue raised during the period 2011-12 to 2015-16 are indicated in **Table 1.3**.

Table 1.3
Details of non-tax revenue raised

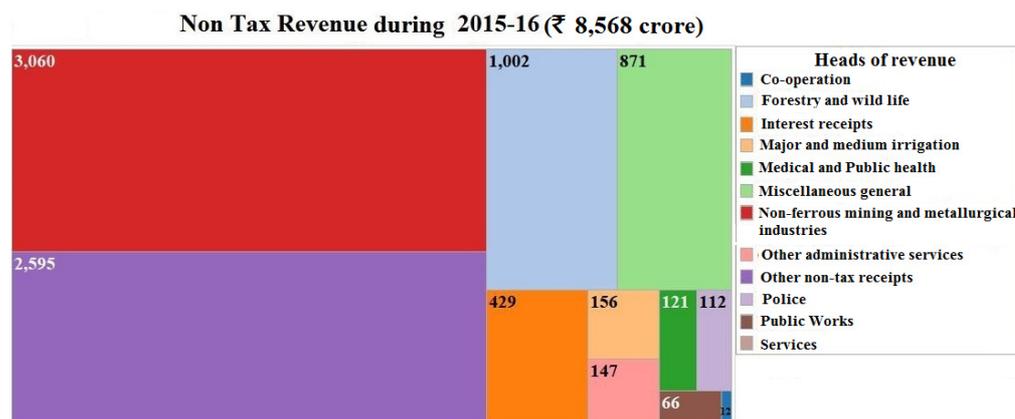
Sl. No.	Head of revenue	2011-12	2012-13	2013-14	2014-15	2015-16	Percentage of increase (+)/ decrease (-) in actual of 2015-16 in comparison to	
		BE Actual	BE Actual	BE Actual	BE Actual	BE Actual	BE of 2015-16	Actual of 2014-15
1.	Non-ferrous mining and metallurgical industries	<u>2540.00</u> 2038.31	<u>2300.00</u> 2443.39	<u>2220.00</u> 2306.17	<u>2500.00</u> 2813.66	<u>3200.00</u> 3059.64	(-) 4.39	(+) 8.74
2.	Interest receipts	<u>166.90</u> 1571.41	<u>202.00</u> 301.47	<u>204.15</u> 317.85	<u>1133.60</u> 1260.65	<u>383.37</u> 429.47	(+) 12.11	(-) 65.93
3.	Forestry and wild life	<u>1027.32</u> 878.81	<u>969.04</u> 910.38	<u>1100.00</u> 1036.80	<u>1250.23</u> 968.77	<u>1250.31</u> 1001.71	(-) 19.88	(+) 3.40
4.	Public works	<u>55.54</u> 47.92	<u>63.55</u> 33.22	<u>38.49</u> 46.92	<u>49.50</u> 50.82	<u>50.76</u> 65.71	(+) 29.45	(+) 29.30
5.	Miscellaneous general Services	<u>22.07</u> 145.44	<u>19.88</u> 30.40	<u>16.95</u> 33.69	<u>17.48</u> 222.37	<u>34.07</u> 871.22	(+) 2457.15	(+) 291.79
6.	Other administrative services	<u>117.50</u> 106.05	<u>93.49</u> 239.15	<u>184.40</u> 380.22	<u>165.50</u> 140.21	<u>182.14</u> 147.01	(-) 19.29	(+) 4.85
7.	Police	<u>85.00</u> 63.19	<u>100.00</u> 83.59	<u>107.04</u> 71.92	<u>100.00</u> 93.50	<u>160.00</u> 111.50	(-) 30.31	(+) 19.25
8.	Medical and Public Health	<u>40.11</u> 30.16	<u>21.00</u> 44.83	<u>46.65</u> 57.76	<u>56.25</u> 120.16	<u>101.56</u> 121.04	(+) 19.18	(+) 0.73
9.	Co-operation	<u>9.01</u> 11.65	<u>9.59</u> 13.02	<u>10.06</u> 12.24	<u>9.97</u> 16.58	<u>10.02</u> 10.75	(+) 7.29	(-) 35.16

10.	Major and medium irrigation	<u>90.44</u> 263.15	<u>96.18</u> 137.74	<u>116.86</u> 138.48	<u>120.09</u> 137.55	<u>186.08</u> 156.16	(-) 16.08	(+) 13.52
11.	Other Non-tax receipts	<u>1845.11</u> 2326.64	<u>3452.27</u> 2763.03	<u>3538.40</u> 3302.94	<u>1356.27</u> 4550.96	<u>4565.97</u> 2594.59	(-) 43.18	(-) 42.99
Total		<u>5999.00</u> 7482.73	<u>7327.00</u> 7000.22	<u>7583.00</u> 7704.99	<u>6758.89</u> 10375.23	<u>10123.98</u> 8568.80		

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

Chart No. 1.3

(₹ in crore)



It can be seen from the Table 1.3 that there was a variation of (-) 43.18 and (+) 2457.15 *per cent* between the budget estimates and the actuals during 2015-16. Further, there was a variation of (-) 65.93 *per cent* to (+) 291.79 *per cent* between actuals of 2014-15 and 2015-16 under various heads of revenue.

Interest Receipts: The decrease (65.93 *per cent*) over actuals of 2014-15 was mainly due to decrease in receipts under “Interest from Public Sector and other Undertakings”.

Miscellaneous general services: The increase (291.79 *per cent*) over actual of 2014-15 was mainly due to increase in receipts under “Unclaimed Deposits” and “Other Receipts”.

Police: There was an increase in revenue by 19.25 *per cent* over previous year while against budget estimates; receipts were short by 30.31 *per cent*. The increase was mainly due to increase in receipts from police supply to other Governments and other parties, fees, fines and forfeitures.

1.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 in respect of some principal heads of revenue amounted to ₹ 1,457.06 crore of which ₹ 566.64 crore was outstanding for more than five years as detailed in **Table 1.4**.

Table 1.4
Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2015	Total Amount outstanding as on 31 March 2016	Amount outstanding for more than five years as on 31 March 2016	Replies of Department
1.	Taxes on sales, trade etc.	603.91	936.91	382.99	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
2.	Excise	76.64	158.27	87.16	An amount of ₹ 13.16 crore was not recovered due to stay by the Hon'ble Court and ₹ 45.89 crore was not recoverable for which action has been initiated to write off the amount as irrecoverable. The department did not elaborate on the remaining arrears.
3.	Stamps and Registration fees	168.92	190.60	69.73	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
4.	Non-ferrous mining and metallurgical industries	10.32	13.33	Not furnished	Stages at which the arrears were pending for collection have not been intimated despite being requested (May and July 2016).
5.	Taxes and duties on Electricity	156.96	157.95	26.76	Amounts pending as recovery of dues through RRC amounting to ₹ 126.95 crore not made. Pending due to court cases ₹ 9.63 crore and pending with the departmental authorities ₹ 28 lakh. Pending from sick cloth mills ₹ 3.67 crore and other pending ₹ 17.41 crore.
Total		1,016.75	1,457.06	566.64	

It may be seen from the Table 1.4 that arrears pertaining to Taxes on sales, trade etc. increased by 55.14 *per cent* in the year 2015-16 in comparison to arrears at the end of the year 2014-15. Similarly, arrears of Excise Department increased by 106.51 *per cent* in the year 2015-16 in comparison to arrears at the end of the year 2014-15.

1.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off 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 are as given 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 off during the year	Balance cases 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.	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
	2015-16	1,69,124	3,74,074	5,43,198	3,55,804	1,87,391	65.50
Profession tax	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
	2015-16	40,626	1,25,589	1,66,215	1,18,675	47,540	71.40
Entry tax	2013-14	91,117	2,28,794	3,19,911	1,87,253	1,32,658	58.53
	2014-15	1,32,658	3,06,952	4,39,610	2,89,572	1,50,038	65.87
	2015-16	1,50,038	3,30,879	4,80,917	3,14,572	1,66,345	65.41
Luxury tax	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
	2015-16	941	1,991	2,932	2,022	910	68.96
Tax on works contracts	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
	2015-16	9,847	14,773	24,620	14,513	10,107	58.95

It may be seen from Table 1.5 that there has been an increase in disposal of assessment cases relating to Sales tax/VAT, Entry tax and Tax on works contracts during 2015-16 as compared to the previous years. However, large number of cases were still pending for disposal.

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 Commercial Tax Department, Department of Registration and Stamps and Mining Department are given in Table 1.6.

Table 1.6
Evasion of Tax

Sl. No.	Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	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 2016
					Number of cases	Amount of demand (₹ in crore)	
1.	Taxes on sales, trade etc. and Entry Tax	340	354	694	333	677.09	361
2.	Stamps and Registration fees	15,244	14,773	30,017	11,403	69.79	18,614
3.	Mining Receipts	722	13,314	14,036	12,191	4,853.86	1,845
	Total	16,306	28,441	44,747	23,927	5,600.74	20,820

It could be seen from the Table 1.6 that the number of cases pending is high at the end of the year in respect of Stamps and Registration fees.

1.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16 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.		Stamps and Registration Fees		State Excise		Taxes and duties on electricity	
		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	619	137.77	1,605	7.81	10	0.19	174	7.36
2.	Claims received during the year	7,635	1,879.07	3,180	19.79	9	0.26	26	1.89
3.	Refunds made during the year	7,189	1,871.80	3,444	10.35	14	0.39	23	1.74
4.	Balance outstanding at the end of year	1,065	145.04	1,341	17.25	5	0.06	175	7.40
5.	Percentage of refund (3 to 1+2)	87.10	92.81	71.97	37.50	73.68	86.67	11.5	18.81

It can be seen from the above table that the progress in issuance of refunds was slow in Energy 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 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 four weeks from the date of receipt of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of IRs issued up to December 2015 disclosed that 19,563 paragraphs involving ₹ 10,395.37 crore relating to 4,452 IRs remained outstanding at the end of June 2016 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 2014	June 2015	June 2016
Number of IRs pending for settlement	3,757	4,273	4,452
Number of outstanding audit observations	16,280	18,181	19,563
Amount of revenue involved (₹ in crore)	7,520.60	8,450.35	10,395.37

1.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in **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.	1,308	7,136	2,098.40
2.	Energy	Taxes and duties on electricity	73	251	682.45
3.	Excise	State Excise	323	1,282	1,218.92
4.	Revenue	Land R evenue	1,296	4,313	3,281.99
5.	Transport	Taxes on vehicles	498	2,961	432.56
6.	Registration and stamps	Stamp duty and Registration fees	647	2,153	697.55
7.	Mines and Geology	Non-ferrous mining and metallurgical industries	307	1,467	1,983.50
Total			4,452	19,563	10,395.37

Audit did not receive even the first replies from the heads of offices for 193 IRs issued during 2015-16. This large pendency of the IRs due to absence of the replies from the Department 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.

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 2015-16.

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 Records not produced 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 2015-16, 2,659 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 records not produced

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited
Land Revenue	2015-16	21
State Excise	2015-16	857
Commercial Tax	2015-16	1,780
Registration and Stamps	2015-16	1
Total		2,659

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 were forwarded by the AG to the Principal Secretaries / Secretaries of the Department concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. A meeting was also held with the heads of the respective Departments in which replies of all the Department were received, except from Commercial Tax Department who stated that detailed replies would be sent later as they have to reopen every case and a fresh assessment was done to investigate the case. Their replies have not yet been received (October 2016). Replies given by other Departments during the meeting have been duly incorporated.

Forty nine paragraphs, Information Technology (IT) Audit on “e-Registration (SAMPADA)” and two audits on “Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002” and “Levy and Collection of Electricity Duty, Fees and Cess” were sent to the Principal Secretaries/Secretaries of the respective Departments between April and July 2016. The Department of Energy had sent replies to the audit paras and the same have been suitably included in the Report. The Principal Secretaries/Secretaries of the Department of Commercial Tax and Registration and Stamp Duty did not provide replies to the IT report and the audit para despite issue of reminders and the same have been included in this Report without the response of the Department/Government. However, responses

received for IT Audit during exit conference held with the Government, have been appropriately included at relevant places in the Report.

1.6.5 Follow up on the Audit Reports

As per the recommendations made by the High Powered Committee², *suo moto* explanatory notes on corrective/remedial measures taken on all paragraphs included in Audit Reports are required to be submitted by the Departments, duly vetted by the Accountant General to the Public Accounts Committee (PAC) within three months³ from the date of placing of Audit Reports in the Legislature.

Explanatory Notes in respect of 57 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 (March 2016).

As per the instructions issued (November 1994) by the State Legislative Affairs Department, Action Taken Reports (ATR) on the recommendations of the PAC should be submitted within six months from the date of recommendations by the PAC. In spite of these provisions, the ATRs on audit paragraphs of the Reports were being delayed inordinately as discussed below.

Two hundred nineteen 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 2011, 2012, 2013, 2014 and 2015 were placed before the State Legislature between March 2011 and July 2015. Action Taken Notes in respect of 72 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 2016).

1.7 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 Paragraphs and PAs included in the Audit Reports of the last 10 years for **Transport Department** is evaluated and included in this Audit Report.

The succeeding paragraphs 1.7.1 to 1.7.3 discuss the performance of the **Transport Department** 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 2006-07 to 2015-16.

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 2016 are tabulated in **Table 1.11** below:

² High Powered Committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India (Shakdher Committee Report).

³ *Suo moto* replies to be furnished within three months; in case Audit paragraphs are not selected by the PAC/COPU during this period

Table 1.11
Position of Inspection Reports for Transport Department

(₹ in crore)

Year	Opening Balance			Addition during the year			Clearance during the year			Closing balance at the end of the year		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2006-07	267	1425	272.13	29	177	29.70	5	142	31.75	291	1460	270.08
2007-08	291	1460	270.08	22	148	24.13	7	67	15.56	306	1541	279.37
2008-09	306	1541	279.37	28	164	19.72	7	65	20.08	327	1640	279.01
2009-10	327	1640	279.01	29	179	38.52	0	40	0.97	356	1779	316.49
2010-11	356	1779	316.49	26	153	11.37	0	16	1.38	382	1916	326.55
2011-12	382	1916	326.55	13	85	7.94	0	11	2.00	395	1990	332.49
2012-13	395	1990	332.49	36	303	30.78	0	8	0.01	431	2285	363.26
2013-14	431	2285	363.26	21	209	19.94	1	15	0.38	451	2479	382.82
2014-15	451	2479	382.82	25	314	23.58	0	12	1.05	476	2781	405.35
2015-16	476	2781	405.35	25	237	37.03	0	9	0.02	501	3009	442.36

The Government arranges ad-hoc Committee meetings between the Department and AG office to settle the outstanding paragraphs. As would be evident from the above table, against 267 outstanding IRs with 1,425 paragraphs as on start of 2006-07, the number of outstanding IRs increased to 501 with 3,009 paragraphs at the end of 2015-16. The increase in the number of outstanding IRs and paragraphs is indicative of the fact that adequate steps were not taken by the Department to settle the number of outstanding IRs and paragraphs.

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	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2016
2005-06	1 Review	11.84	2	3.10	0.92	1.25
2006-07	3 + 1 Review	5.39	1	5.05	0	0.02
2007-08	11	21.18	6	19.86	0.36	2.89
2008-09	7	20.22	6	18.45	0.64	3.38
2009-10	8	11.49	5	5.36	0.94	5.36
2010-11	6 + 1 Review	10.49	4	9.52	0.79	2.39

(₹ in crore)						
Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs	Amount recovered during the year	Cumulative position of recovery of accepted cases as of 31.03.2016
2011-12	4	9.48	1	7.16	0.17	0.87
2012-13	7 + 1 Review	21.94	4	7.20	0.24	3.34
2013-14	4 + 1 Review	27.00	3	24.74	0.01	0.01
2014-15	3	9.48	0	0.00	0.00	0.00

It is evident from the above table that the progress of recovery pertaining to the period 2010-11 to 2012-13 was moderate. However, in other years, even in accepted cases, recovery was negligible/nil. 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.

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 Departments/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 PAs on the Transport Department featured during the last five years in the Audit Reports and their recommendations are given in **Table 1.13** below:

Table 1.13
Action taken on the recommendations

Year of Report	Name of the PA	No. of recommendations	Summary of recommendations
2010-11	Computerisation in the Motor Vehicles Department	3	<ol style="list-style-type: none"> 1. Modifying the software to fulfill the requirements of business rules like generation of demand notice, penalty for delayed payment of tax etc. for better enforcement of the Act and rules; 2. Introducing proper input and validation checks as well as ensuring adequate supervision over data entry to ensure data integrity; and 3. Training departmental officials in the system management and database operations.
2012-13	Working of National Permit System and Bilateral Agreements Regulating Interstate vehicular traffic including	1	Till such time the new software is put in operation, the Government may consider prescribing a mechanism for consolidating the centrally available data regarding plying of traffic under bilateral arrangements

	Information Technology aspect		
2013-14	Assessment and collection of tax on public service vehicles plying on regular stage/contract carriage permit	8	<ol style="list-style-type: none"> 1. The seating capacity of the old and new passenger vehicles should be revised as per rules. 2. The enforcement wing should be strengthened to detect the vehicles plying without payment of tax and penalty. 3. A system should be evolved to co-ordinate amongst all the unit offices and also with TC Office so that leakages of the revenue may be plugged. 4. The Department should take immediate steps to verify the fitness for all the vehicles which are due, to avoid loss of revenue and in the interest of public safety. 5. The Government may consider prescribing a mechanism to detect the vehicles plying without payment of tax and without renewal of fitness. 6. An effective mechanism for regular monitoring and follow up of recovery action in each pending case should be evolved by the Department. 7. The Department should devise a mechanism for consolidating the centrally available data specifically for the vehicles plying on stage/contract carriage to avoid leakage of tax revenue. 8. The Government may consider prescribing a manual and proper mechanism to exercise the check over leakage of revenue receipt amongst the various functionaries of the Department.

All the above recommendations of the PAs were accepted by the Department during the exit conference. However, no information on its implementation has been received so far (October 2016).

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 2015-16, there were 1,020 units, of which 398 units were planned and 396 units had been audited, which is 99.50 *per cent* of the

planned units. Details are shown in **Table 1.14** below:

Table 1.14

Name of department	Total no. of units	No. of units planned	No. of units audited
Commercial Tax	132	115	114
State Excise	61	44	43
Transport	52	28	28
Land Revenue	384	79	79
Registration and Stamps	273	76	76
Mining	71	32	32
Energy	47	24	24
Total	1020	398	396

1.9 Results of Audit

Position of local audit conducted during the year

We test-checked records of 396 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamps and Registration Fees, Mining Receipts and Electricity Duty during the year 2015-16 and observed underassessment/short levy/loss of revenue amounting to ₹ 2,229.45 crore in 6,45,050 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 868.37 crore involved in 64,031 cases which were pointed out in audit during 2015-16. Of this, ₹ 6.55 crore in 7,403 cases was collected.

1.10 Coverage of this Report

This Report contains 49 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), IT audit on “**e-Registration (SAMPADA)**” and two Audits on “**Disposal of Appeal and Remand cases under Section 46 of MPVAT Act 2002**” and “**Levy and Collection of Electricity Duty, Fees and Cess**”, involving financial effect of ₹ 970.62 crore.

The Departments/Government have accepted audit observations involving ₹ 183.88 crore out of which ₹ 2.50 crore was recovered. The replies in the remaining cases have not been received. These are discussed in succeeding Chapters II to VIII.

CHAPTER – II
STAMPS AND
REGISTRATION FEES

Chapter-II

Stamps and Registration Fees



2.1 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 are 15 SDRs in 15 Registration districts, 36 DRs in the remaining districts and 233 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.

2.2 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.

The sanctioned strength of the Internal Audit Wing of the Department is one Joint Director (Finance) and 10 Assistant Internal Audit Officer but during the year 2015-16, only one Joint Director (Finance) and one Assistant Internal Audit Officer were posted in the Wing. During the year 2015-16, the Internal Audit Wing of the Department did not plan any Internal Audit.

2.3 Results of Audit

We test checked records of 76¹ units out of 233 units of the Department during 2015-16. A total of 18,60,599 deeds were registered in these units out of

¹ One office of Inspector General, Registration, One District Registrar's offices and 74 Sub registrar offices.

which 1,89,060 deeds were audited, in which, observations on revenue not realised due to inordinate delay in finalisation of cases, short realisation of Stamp duty and Registration fees, incorrect exemption and other observations involving ₹ 126.79 crore in 2,978 cases were made which fall under the following categories as mentioned in the **Table-2.1**.

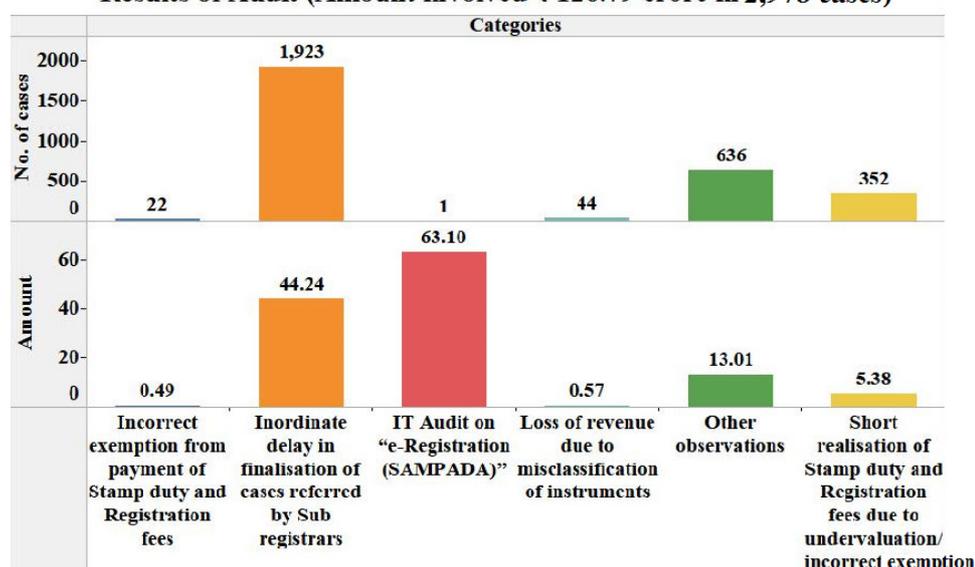
Table 2.1

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1.	Information Technology Audit on “e-Registration (SAMPADA)”	1	63.10
2.	Inordinate delay in finalisation of cases referred by Sub registrars	1,923	44.24
3.	Short realisation of Stamp duty and Registration fees due to undervaluation of properties/incorrect exemption	352	5.38
4.	Incorrect exemption from payment of Stamp duty and Registration fees	22	0.49
5.	Loss of revenue due to misclassification of instruments	44	0.57
6.	Other observations	636	13.01
Total		2,978	126.79

Chart No. 2.1

Results of Audit (Amount involved ₹ 126.79 crore in 2,978 cases)



The audit observations were forwarded to the Government and the Department. The Department accepted underassessment and other deficiencies of ₹ 101.03 crore in 1,348 cases, which were pointed out in audit during the year 2015-16 and recovered an amount of ₹ 38 lakh in 35 cases.

Audit findings of the Information Technology (IT) Audit on "e-Registration (SAMPADA)" having money value of ₹ 63.10 crore and a few illustrative cases involving ₹ 22.01 crore are discussed in the following paragraphs:

2.4 Information Technology Audit on "e-Registration (SAMPADA)"

Highlights

Planning and Implementation of the System

The Department could not develop its own IT support team, although computerisation of the Department was envisaged as early as year 2000.

(Paragraph 2.4.11.3)

Despite abnormal delay in development of software, Department did not impose penalty on the software vendor amounting to ₹ 82.01 lakh.

(Paragraph 2.4.12.1)

The Department had paid ₹ 1.53 crore to the software vendor for changes made in the software by the vendor though they were in the scope of work.

(Paragraph 2.4.12.3)

The legacy data was not digitised as envisaged in the absence of which the possibility of multiple sale of same property could not be ruled out.

(Paragraph 2.4.12.4)

Payment of ₹ 3.73 crore was released to the hardware vendor without obtaining integration and testing report.

(Paragraph 2.4.13.1)

Deficiencies in System Design

Despite negative account balances of ₹ 4.08 crore in 403 cases, e-Stamps were generated and commissions were also paid to service providers.

(Paragraph 2.4.16.7)

Absence of supervisory control in SAMPADA system resulted in short levy of Stamp duty and registration fees of ₹ 1.90 crore.

(Paragraph 2.4.16.8)

Deficiencies in Service Delivery

There was delayed response to the feedbacks and complaints of the users. Out of 3,360 complaints received in SAMPADA, 2,534 remained unresolved. During beneficiary survey of services provided under SAMPADA, conducted among 240 end users and service providers, 73 out of 142 respondents expressed dissatisfaction.

(Paragraph 2.4.32)

Lacunae in Internal Control Mechanism

There was no mechanism in e-Registration system under which reconciliation of all the receipts in cyber treasury either through treasury or through e-payment by Service Providers could be done.

(Paragraph 2.4.36)

2.4.1 Introduction

Stamp Duty other than duties or fees collected by means of non-judicial Stamps is a subject included in the Concurrent List of the Seventh Schedule of the Constitution of India. The receipts from Stamp duty and Registration fee in Madhya Pradesh are regulated under Indian Stamp (IS) Act, 1899, Registration Act, 1908, MP Prevention of under valuation of Instrument Rules, 1975, MP Stamp Rules, 1942, MP Preparation and Revision of Market Value Guidelines Rules, 2000 and notifications/orders issued by the State Government.

The Department of Registration and Stamps had initiated comprehensive computerisation project for registration of documents through e-Registration (SAMPADA)² software in five³ pilot Districts from 15 December 2014 and for the remaining 46 Districts of Madhya Pradesh from 1 August 2015. Till 31 March 2016, total number of 4,22,387 documents had been registered through SAMPADA application.

In this system, Stamp duty shall be collected through “e-Stamps”. The licensed Service Providers (SPs), who were authorised to issue Stamps, were to provide the facilitation of search and downloading of digitally signed copies of registered documents. Any registered user could initiate online presentation of documents for registration. Computerisation was intended to provide robust, efficient and user friendly system for citizen service, promote tighter monitoring of the revenue realisation system for District Registrars (DRs), administer a system of record keeping which was secure, easily retrievable and tamper proof thereby achieving public confidence and helped in implementing an efficient system of property valuation.

In the electronic registration system “SAMPADA”, facilities such as valuation of property situated anywhere in the State, calculation of Stamp duty and Registration fees chargeable on different types of documents and slot booking in the office of SRs were available.

The SAMPADA software was expected to improve effectiveness and efficiency of IGRS staff, to provide improved and cost-effective services to clients and help improve access to information, transparency, revenue collection and Registration of documents and issuance of “e-Stamps”.

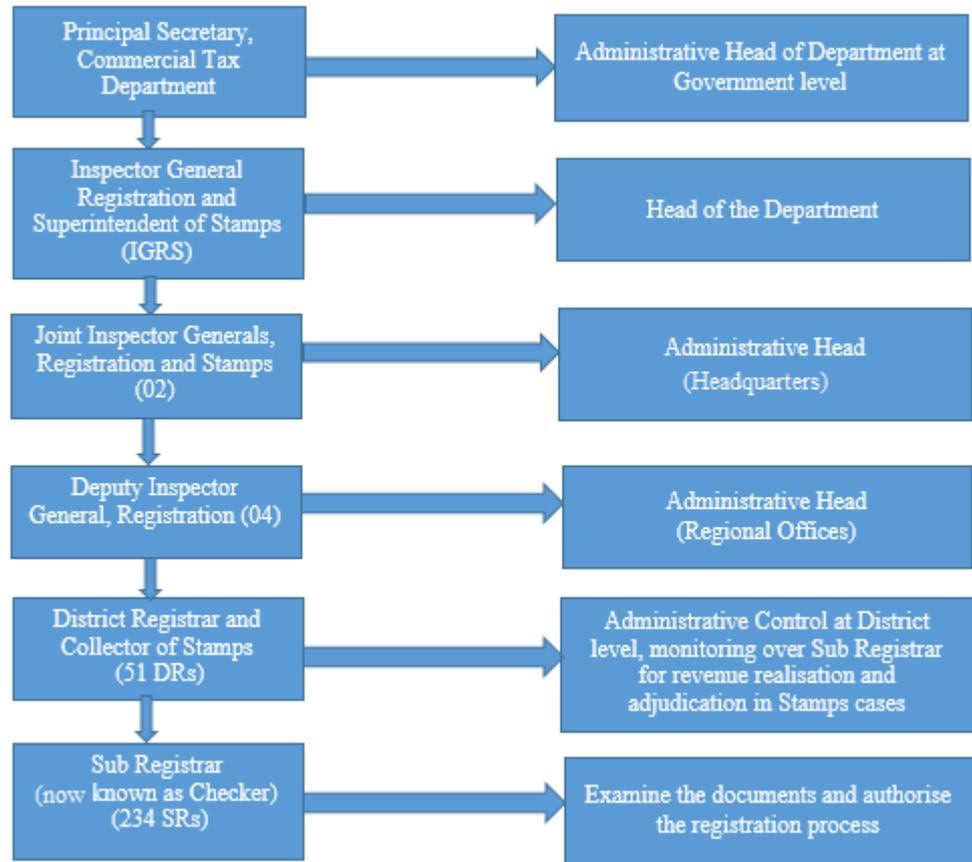
² Stamp And Management of Property And Documents Application

³ Anuppur, Balaghat, Sehore, Tikamgarh and Ujjain

2.4.2 Organisational setup

The organogram of the Department is shown in the chart below:

Chart No. 2.2



2.4.3 Funding and award of work

The Department accorded Administrative Approval (AA) and Technical Sanction (TS) for Computerisation and supply of hardware amounting to ₹ 20.25 crore (January 2005). AA/TS were revised thrice to ₹ 34.98 crore (July 2008), ₹ 58.88 crore (December 2012) and finally to ₹ 65.94 crore (April 2013).

The Department had appointed M/s 3i Infotech Ltd (November 2005) as the Project Management Consultant (PMC) to assist in evaluation of technology, vendors and equipment for an amount of ₹ 39.74 lakh.

The work of “system study, analysis and design, development, implementation & deployment of web based application software and training in the Registration and Stamps Department” was awarded to M/s Wipro Ltd. (November 2006) for ₹ 4.10 crore.

One more agreement for providing hardware and services required for execution of work was drawn by the Department with M/s NIIT Technologies Ltd. (January 2013) for ₹ 58.88 crore.

An expenditure of ₹ 53.66 crore was incurred on the project upto 2015-16 (May 2016).

2.4.4 e-Registration (SAMPADA) application

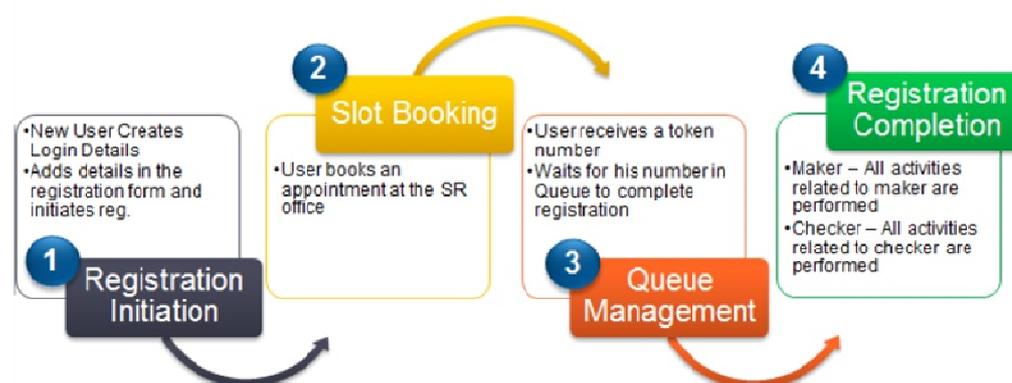
The “e-Registration (SAMPADA)” application, a web based application, was developed on Java J2EE as front end and Oracle 11g as Relational Database Management System (back end). This application was deployed on Linux Operating System and had a centralised database server located at Data Center (DC) of Government of Madhya Pradesh at Bhopal.

SAMPADA had 27 Modules and various sub modules for registered users to perform and manage transactions. Departmental officials such as DRs and SRs could connect to “e-Registration (SAMPADA)” through intranet (SWAN)⁴ and Service Providers (SPs) / Citizens through internet.

2.4.5 The Process

The work-flow and process flow of the SAMPADA were as follows:

Chart No. 2.3



2.4.6 Objectives of SAMPADA

The project has been designed with the following objectives;

- Centralised data collection for better analysis and other administrative offices’ decision making
- Completing the registration process in 15 minutes
- Centralised e-Storage of data
- Online payment of the Stamp duty through e-Stamps
- Registered user can initiate online presentation of documents for registration
- Online valuation of the property
- Providing transactional history of the property at the click of a button to prevent frauds
- Increased transparency
- Empowering citizens by providing data entry into Government records through web portal

⁴ State Wide Area Network

2.4.7 Audit objectives

The audit objectives are to evaluate whether:

- The planning and implementation of the system were appropriate to meet the objectives of the computerisation of the Department;
- Application controls were adequate to ensure integrity of the system and that it complied with rules and regulations;
- Reliable controls were in place to ensure data security and necessary audit trails have been incorporated in the system; and
- Whether operational efficiency including services delivered to public/citizen/stakeholders improved after implementation of e-Registration (SAMPADA).

2.4.8 Scope of Audit and Methodology

Audit analysed the back end data of SAMPADA software pertaining to the period December 2014 to March 2016 using Structured Query Language (SQL) and Computer Assisted Audit Techniques (CAATs) along with front end reports⁵ available in SAMPADA. The Performance Audit was carried out between February and June 2016. Out of 51 districts, five districts were selected mandatorily as these districts were pilot districts for e-Registration and 12 districts⁶ out of remaining 46 districts were selected on the basis of simple random sampling method. These 17 units had a total revenue collection of ₹ 2,214.55 crore for the year 2015-16. Audit had also conducted a beneficiary survey to assess the impact of e-Registration in eleven districts⁷ out of 17 selected districts. For obtaining the views and opinion on the working of e-Registration from end users and service providers, they were requested to fill a questionnaire form. The responses received from eleven districts covered, have been suitably incorporated.

The Audit objective, criteria and methodology were discussed with the Principal Secretary, Commercial Tax Department in the Entry Conference held in April 2016. The draft Performance Audit Report was forwarded to the Government and Department in July 2016 and discussed with the Principal Secretary, Commercial Tax Department in the Exit Conference held in September 2016. Views of the Government have been incorporated in the paragraphs.

2.4.9 Audit criteria

The planning and implementation of SAMPADA, data management and monitoring were examined with reference to:

- Indian Stamp Act, 1899, Registration Act, 1908 and Rules, Notifications, Circulars and Orders issued from time to time by the

⁵ The Department has provided two user ids in the office of the IGR for viewing of registration documents and audit queries.

⁶ Betul, Bhopal, Burhanpur, Chhindwara, Dhar, Gwalior, Hoshangabad, Indore, Jabalpur, Satna, Shajapur and Vidisha.

⁷ Burhanpur, Bhopal, Dewas, Dhar, Gwalior, Indore, Jabalpur, Sehore, Shajapur, Tikamgarh and Ujjain

Government and IGRS Department regarding implementation of IT infrastructure and “e-Registration (SAMPADA)”,

- User Requirement Specification, System requirement specifications and System Design Document of SAMPADA application,
- Service level agreement made with agencies,
- IT Policy of Govt. of Madhya Pradesh and Madhya Pradesh IT Rules, 2011, and
- Generally accepted best IT practices.

2.4.10 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Department in providing necessary information, user identifications (ids) and data for audit.

Audit findings

Planning and Implementation of the System

Observations related to planning and implementation of the system to meet the objectives of the computerisation of the Department are discussed below:

2.4.11 Issues related to engagement of Project Management Consultant

The Department had appointed M/s 3i Infotech Ltd. as the Project Management Consultant (PMC) in November 2005 to assist in evaluation of technology, vendors, equipment and preparation of bid-documents. The work order was issued for an amount of ₹ 39.74 lakh. The work was to be completed within a stipulated time of 65 weeks after issue of the work order i.e. by 26 February 2007.

M/s 3i Infotech could not complete the work in due period. However, the work was neither terminated nor any penal action was taken by the Department for six years. Instead a supplementary contract agreement was drawn (January 2013) for completion of the remaining work by 30 June 2013.

2.4.11.1 Irregular payment of compensation to the PMC

We noticed during scrutiny of correspondence files that the PMC claimed a compensation of ₹ 17.66 lakh over and above the amount specified in the contract against the efforts made for preparation of bid-documents and its evaluation. Although there was no clause for payment of such compensation in the agreement, the IGR recommended payment of ₹ 16.45 lakh and subsequently, payments were made to the PMC by the approval of the Government as compensation in two installments of ₹ 7.00 lakh (January, 2011) and ₹ 9.45 lakh (January, 2014). We further noticed that although PMC had accepted responsibility for delay of 363 days (February 2006 to June 2006 and March 2007 to December 2007) in the work, these irregular payments were made to PMC by the Department.

2.4.11.2 Own data base administrator not employed by the Department

As per the scope of work, the work of database administrator (DBA) cum system manager was to be handed over to the PMC at a prescribed rate of ₹ 16.98 lakh per year for a period of three years extendable up to five years in the interest of work after the system was declared Go-live⁸.

The system was declared 'Go-live' in August 2015 and work order was issued (September 2015) to the same PMC for ₹ 33.18 lakh per year. The Department had incurred an extra cost of ₹16.20 lakh per year (₹ 33.18 lakh - ₹ 16.98 lakh). It also appeared from the monthly performance report of the PMC that the personnel appointed by the PMC as DBA were actually working as consultant, and not performing the role of DBA. The role of DBA was performed by M/s NIIT Technologies Limited.

2.4.11.3 Lack of Departmental IT support team

The project was under consideration from the year 2000-01. Even after a lapse of almost 16 years, the Department could not develop its own IT support team to handle this system having huge revenue generating implications. Apart from above, the Department is also dependent upon the service of outsourced persons, known as 'Maker'⁹. Due to not deploying of its own DBA/System Administrator and IT support team, the database of SAMPADA, which was sensitive in nature, was in the hands of a third party. Moreover, the Department also did not take up any initiative to impart training to its officials, so that dependency on the personnel of software vendor could be reduced.

During the Exit Conference, the Department stated (September 2016) that appropriate action would be taken.

We recommend that the Department may utilise the services of State based research institutes like MANIT Bhopal, IIT Indore, etc. to impart training to its officials and form a dedicated IT support team of its own. Department may consider doing away with the services of outsourced persons in the work related to e-Registration on the SAMPADA platform considering the sensitive nature of data related to registration of documents.

2.4.12 Issues related to execution of work of software development

A committee namely Unified Computerisation Project Implementation and Supervision Committee with 12 members, including five technical members, was constituted (March 2005) for computerisation of the Department.

Commercial bids were opened on 3 August 2006 in the presence of the Chairman of the aforesaid committee and three members comprising only one technical member.

The work of "system study, analysis and design, development, implementation and deployment of web based application software and training in the

⁸ Go-live means implementation of web based e-Registration system throughout the State

⁹ The Maker would fill and check all details during registration initiation. He would ensure capturing of photographs and verification of documents of all transacting parties and details of the witnesses.

Department” was awarded to the L-1 vendor M/s Wipro Ltd. (4 November 2006). Agreement was executed (December 2006) for a bid amount of ₹ 4.10 crore with a stipulated time of completion of 32 weeks from date of issue of work order i.e. the work was to be completed by 8 August 2007.

Clause 7.32 of the agreement stipulated that before ‘Go Live’, if any of the stages was not completed satisfactorily as per the approved time schedule, penalty at the rate of two *per cent* of the bid value per week, subject to maximum 20 *per cent*, of the cost of the work remaining incomplete might be imposed by the competent authority. Further, the agreement provided that, if delay was beyond 10 weeks, the competent authority may rescind a part of the contract and shall be free to get it done from any other agency at the risk and cost of the vendor.

2.4.12.1 Penalty not imposed for work not executed

The vendor could not complete the work within the stipulated time period for completion. Such abnormal delay attracted action under clause 7.32 of the agreement and a penalty amounting to ₹ 82.01 lakh (against the bid value of 20 *per cent* of ₹ 4.10 crore) should have been imposed on the software vendor. However, the IGR did not initiate action to impose penalty on the vendor. The Department should have adopted a transparent mechanism of re-tendering the entire work at the risk and cost of the defaulting vendor. The contract was neither rescinded nor was any penal action initiated by the Department. Instead, a supplementary contract agreement was drawn on 3 January 2013 for completion of the remaining work by 30 June 2013.

During the Exit Conference, the Department stated (September 2016) that there were some practical difficulties in implementation of the SAMPADA software and the imposition for penalty for delay would have led to even further delay in implementation of the software and that a detailed reply would be given.

2.4.12.2 System Design Document (SDD) not approved by the Department

The System Design Document (SDD) describes the system requirements, operating environment, system and sub-system architecture, files and database design, input formats, output layouts, human-machine interfaces, detailed design, processing logic, and external interfaces.

As per Clause 10 of the Agreement, System Design was to be completed by the software vendor by February 2007 but the work was completed in October 2008 and the SDD was handed over to the Department. We further noticed that both name and structure of tables in the software were different from the structure designed as per the SDD. On being pointed out, the SDD was updated in line with the design of the software being used. An updated SDD was submitted by the vendor in May 2016 for which the approval of the Department is pending (June 2016) and changes made in the application were also not found documented.

After we pointed this out (June 2016), the Department replied (July 2016) that the approval of the updated SDD was in progress.

2.4.12.3 Improper payment on change request

As per Clause 8 of the Agreement read with Section IV (x) of the bid document, any facility which was considered important and essential for computerised operations of the offices under IGRS, and not already included in the list of activities, would be deemed to be included, and the Software vendor was bound to include it in the scope of work. Further, the Department in its letter dated 25 April 2008, had clearly stated that all the change requests suggested by the software vendor were already there in the scope of work defined in the agreement.

The information collected from IGR revealed that (November 2015) the Department had made change requests to software vendor for the SAMPADA software at least 14 times before implementation of the software.

We observed that changes made in the software by the software vendor were part of scope of work. However, the IGR had recommended a payment of ₹ 2.67 crore for making changes in the application and forwarded it for approval of the Government. With the approval of the Government, a payment of ₹ 1.53 crore was released to the software vendor upto April 2016.

The payments made for the changes in the software were irregular and resulted in undue financial aid to the software vendor against the terms of agreement. This also indicated inadequate planning and assessment of requirement for development of a software application by the Department.

After we pointed this out, the Department stated (January 2016) that certain modules like Spot Inspection, Queue Management, Service Provider Module were not included in the SRS, therefore these works were treated under 'change request' and payment was made accordingly.

The reply is not acceptable as creation of the Spot Inspection and Service Provider Modules was a part of SRS. Further Queue management was a part of objective of SAMPADA therefore separate payment made for these works could not be treated under 'change request'. Moreover, treating the execution of these works as an additional work under 'change request' was against the provisions of the agreement and letter of IGR dated 25 April 2008.

2.4.12.4 Legacy data not migrated into e-Registration system and undue aid to contractor

The work of digitisation of old documents was an important aspect to embed control over duplicate registry and it was essential component for search module of PAS being developed by the Department for successful implementation of SAMPADA. As per Section III, Clause 3.2.1.1 of the agreement¹⁰, there was provision in the application for searching records and titles of property documents registered in past.

For digitisation of approximate one crore documents of past 13 years in four zones, the Department appointed four agencies (May 2014) to complete the work at the rate of ₹ 9.05 per document. The digitisation work was to be completed within 390 days i.e. upto 2 June 2014. Provisions of the agreement for digitisation of old registered documents provided that in case of delay of

¹⁰ Agreement -1/2006 of M/s Wipro Pvt. Ltd.

more than four months in completion, the contract was to be terminated by forfeiting the performance security.

The Department should have pre-planned and executed in advance the digitisation of legacy data simultaneously with the implementation of the SAMPADA software, so that at the time of implementation of SAMPADA, legacy data could also be integrated with the SAMPADA software.

The works of digitisation of legacy data remained incomplete even after a lapse of 26 months (June 2016). Due to abnormal delay in digitisation work, the contracts of all the agencies were terminated and performance security of two of the contractors, amounting to ₹ 21.40 lakh and ₹ 15.98 lakh respectively, was forfeited (February and April 2015). However, the performance security of ₹ 31.12 lakh was refunded to the contractor of Indore and Ujjain divisions (October 2015) despite the fact that only 5.96 *per cent* work was completed under this contract, resulting in undue financial aid to this contractor. The case of the fourth contractor was under court of law.

The work of digitisation of old documents was lying incomplete and no further efforts were made by the Department to get the work complete (May 2016). Although, the facility for searching old documents by citizen/ stakeholders was available in SAMPADA, due to absence of legacy data, this facility was lying unused.

After we pointed this out (November 2015), the Department stated (November 2015) that no payment was made to the four agencies for the work of digitisation of old documents. It was further stated that the work was incomplete as physical verification of the said work was to be done by the Departmental officers and hence holding the service providers responsible for this would not be appropriate.

The reply is not acceptable because due to abnormal delay, bank guarantees of two of the agencies were forfeited. The bank guarantee of the contractor of Indore and Ujjain divisions should have also been forfeited on the same ground that work was not completed within stipulated time.

During Exit Conference, the Principal Secretary, Commercial Tax Department while accepting the fact relating to not migrating the legacy data, stated (September 2016) that they were deploying additional resources to digitise the legacy data in second phase of SAMPADA.

2.4.13 Issues related to procurement of hardware

Agreement for providing hardware and services required for execution of work was drawn by the Department with M/s NIIT Technologies Ltd. (January 2013) for ₹ 58.88 crore to complete the work within 10 months. As per clause 28.1 of the Request for Proposal (RFP) the contractor had furnished a performance security of ₹ 11.78 crore (20 *per cent* of bid value).

2.4.13.1 Improper payment for supply of hardware

As per chapter 2 of the RFP, 60 *per cent* of the payment was to be made on delivery of all required equipment after obtaining third party verification report from Madhya Pradesh State Electronics Development Corporation Ltd. (MPSEDC). Twenty *per cent* of the payment was to be made on successful

completion of installation, system integration and testing of Property Administration System (PAS) application software by MPSEDC after obtaining verification report while remaining 20 per cent amount would be held back for warranty support period.

We noticed that after making 60 per cent of payment as per payment schedule, payment amounting to ₹ 3.73 crore was released by the IGR (January 2016) to the contractor as second installment, without obtaining integration and testing report from the MPSEDC. Thus, the payment of ₹ 3.73 crore was irregular and against the provisions of the contract.

After we pointed this out (May 2016), the Department stated (May 2016) that after implementation of e-registration, 4.18 lakh documents were registered successfully which proved that the hardware was successfully integrated with the application.

The reply is not acceptable as payment released to the contractor was not only against the provision of RFP but authorization for integration and testing of the system from a technical body of the state had also not been obtained by the Department.

2.4.13.2 Penalty not imposed for delay

Clause 27 of RFP provided that the bidder would be liable for the penalty for not complying with the phase wise time schedule. Penalty of ₹ 60 lakh would be recoverable for the delay up to four months and for delay beyond four months, competent authority may terminate the contract and forfeit the amount of performance security.

We noticed that the project which was scheduled to be completed by November 2013 was actually completed in July 2015. Although there was delay of 19 months in the completion of project neither penalty was imposed nor its performance security of ₹ 11.77 crore was forfeited. Moreover, the contractor submitted a claim amounting to ₹ 20.18 crore as compensation for cost incurred due to huge delay in the project which was accepted by the Department and forwarded to Government for taking proper decision (May 2016). It was highly irregular, as instead of forfeiting the performance security of the hardware vendor, the Department accepted his claim of compensation for delay and forwarded it to the Government for sanction.

After we pointed this out (May 2016), the Department stated (May 2016) that due to repeated cancellation of tenders of hardware supply, and changes made in the software, supply of hardware was delayed for which hardware vendor was not responsible.

The reply is not acceptable as matter of cancellation of earlier tenders and changes in software had no link with the supply of hardware.

During the Exit Conference, the Principal Secretary, Commercial Tax Department stated (September 2016) that appropriate action would be taken.

2.4.14 Absence of Business Continuity Plan (BCP)

Business Continuity Plan is best described as the processes and procedures that are carried out by an organisation to ensure that essential business functions continue to operate during and after a disaster.

We observed that no transaction data was found in the database for a total of 30 days during December, 2014 to March, 2016 including 10 days (16.01.2015 to 25.01.2015) and for 11 days (5.04.2015 to 15.04.2015). Other than these dates registration process was discontinued for another nine days (ranging between two days to three days) on four different occasions.

The Department stated (April 2016) that the 10 day time period was used for server maintenance and 11 days for entry of guideline of pilot districts.

Reply showed that the Department failed to keep the business running during down time which lead to interruption in the registration process during the downtime.

However, during the Exit Conference, the Principal Secretary, Commercial Tax Department stated (September 2016) that appropriate action would be taken.

We recommend that appropriate action for delay in implementation of project as well as supply of hardware may be taken against vendors as envisaged in the Contract Agreements. For lapses on Department's part, appropriate action may also be taken against those responsible. Legacy data may be digitised and migrated in the system on priority to safeguard citizens from the threat of multiple registry of a property and to facilitate online search of properties registered in the past. Department may formulate and implement a plan for business continuity to ensure uninterrupted systems operation.

Deficiencies in System Design

During scrutiny of SAMPADA system, we analysed its database and the front end reports. Besides instances of system design deficiencies and lack of validation checks, audit observed some instances of incomplete, inaccurate and invalid data which proved that the Department failed to apply application controls in the system as discussed in the subsequent paragraphs:

2.4.15 Not mapping/ delay in mapping of business rules

2.4.15.1 Agreements relating to development of land

(i) In Agreements relating to the development of land and / or construction of a building thereon by a person other than owner or lessee of such land having the stipulation that after development, such developed property or part thereof shall be held/sold by the developer, either severally or jointly with the owner, the duty shall be levied as per the provisions of Article 6 (d) of Schedule 1-A of the IS Act 1899. Besides, as per Article-1 of Registration Fees Table, registration fees shall be calculated at the rate of 0.8 *per cent* amount on which the Stamp Duty is chargeable.

We observed in 15 SR offices that the 32 instruments of developer agreements registered between August 2015 and March 2016 were executed between land owner and developer for development¹¹ of land in which developers share was 50 *per cent* or less. Fifty *per cent* of the stamp duty as conveyance was correctly calculated by the system. However, the registration fees which

¹¹ Badwani, Bhopal, Dewas, Dhar, Harda, Indore, Jabalpur, Khargone, Maheshwar, Narsinghpur, Obedullaganj, Sagar, Sehore, Sironj (Vidisha) and Vidisha

should have been levied on market value of entire land irrespective of the share of developer was calculated at fifty *per cent* by the system. This indicated incorrect mapping of business rules and absence of second level verification of system output. This resulted in short levy of Registration fees of ₹ 33.33 lakh.

(ii) Article 6 (d) (i) provided two options for duty calculation viz. the duty was leviable either on developer's share of land (at the rate of 5 *per cent*) or entire land to be developed (at the rate of 2.5 *per cent*), whichever was higher. The system provided facility for valuation of entire land but facility of valuation of developer's share of land was absent.

As the facility of market valuation of developers share was not incorporated in the system, the valuation could be made only on market value of entire land. We noticed in 12 instruments of five SR offices¹² that this system design deficiency resulted in undervaluation of market value of land of developers share and led to short levy of Stamp duty of ₹ 11.84 lakh and Registration fee of ₹ 1.89 lakh.

(iii) We observed in four SR offices of Chattarpur, Gwalior, Indore and Jabalpur that in five agreements relating to development of land/construction on land, registered between September 2015 and March 2016, Stamp duty at the rate of 0.25 *per cent* of the market value was charged wrongly under article 6 (d) (ii). The recitals of the agreement revealed that developer and land owner jointly sold the developed/ constructed property.

Developers share was not mentioned in three out of five documents. In such cases, as per Explanation (ii) under article 6(d) (ii), if the share of the developer was not expressly mentioned in the document, the developer share shall be deemed to be 100 *per cent*.

In remaining two documents of Chattarpur and Jabalpur, developer share was mentioned as 35 and 60 *per cent* respectively. Therefore, the documents were to be valued under article 6 (d) (i).

Thus, incorrect application of rate of duty resulted in short realisation of Stamp duty of ₹ 1.38 crore and registration fee of ₹ 2.95 lakh.

After we pointed this out, the District Registrar, Jabalpur stated (May 2016) that the documents had been registered assuming the fact that the SAMPADA software had calculated the duties correctly. DR, Gwalior and Indore stated (between May and June 2016) that cases were registered and action of recovery would be taken.

During Exit Conference, Department accepted the cases and assured that appropriate action would be taken.

2.4.15.2 Short realisation of revenue due to not considering the higher rates of guidelines

Para 11 of provision for agriculture land in the Guidelines for determination of market value of properties for the year 2015-16 stipulated that if more than one rate of a property for calculation of duty was available in the guidelines then the higher available rate would be applicable.

¹²

Bhopal, Indore, Jabalpur, Satna and Vidisha

We noticed during scrutiny of guidelines of Gwalior that the market value of village “*Siro*l” and “*Suro*” and for Ujjain District the market value of village “*Shankarpur*” were mentioned at two places viz. *Patwari Halka*¹³ and Ward. The rates of property at both the places were different and as per provision, higher of the rates was to be taken by the system for calculation of duties.

During test check of the registered instruments we noticed that in all the eight cases related to village *Siro*l, *Suro* and *Shankarpur* registered between December 2015 and March 2016, market value of the property was not taken by the system at higher rates which resulted in short realisation of Stamp duty and registration fee amounting to ₹ 96.62 lakh.

During the Exit Conference (September 2016), the Department accepted the cases and assured that appropriate action would be taken.

2.4.15.3 Delay in mapping of amendment in the application

An amendment vide *Gazette* notification dated 14 January 2016 was issued by the Department by which Article 38 (b) was inserted in IS Act, 1899. The amendment stipulated that Stamp duty was leviable at the rate of 0.75 per cent for the whole amount payable on instruments of mining lease.

The amendment was enforced from 14 January 2016 and the system was to be updated accordingly by mapping the amended provisions in the system at the earliest. But it was seen that the updation in respect of above notification in the application was belatedly done on 15 January 2016 by System Administrator. On these dates, nine mining leases were executed, out of which in seven cases, stamp duty should have been levied on amended rates. However, amended rate was not applied to these deeds, resulting in short realisation of Stamp duty and registration fees amounting to ₹ 93.82 lakh. The Department should recover this amount immediately.

After we pointed this out (May 2016), the SRs of Shivpuri, Rewa, Panna and Sehore stated (June 2016) that cases had been registered against the lease holders for recovery while DR, Hoshangabad had issued order for recovery of ₹ 65.15 lakh.

We recommend that Rules may be mapped in the SAMPADA software, as and when the Government notifies changes in the Act/Rules.

2.4.15.4 Incorrect initiation of registration process

Under Section 3 of IS Act, 1899, Stamp duty was leviable on instruments as per their recital at rates specified in Schedule 1A or prescribed by the Government through notifications. Further, the Department instructed the officials (May 2015), to ensure that the property details mentioned by executants in application/valuation initiation process and the recitals of the registered deed, were mutually appropriate for correct levy of Stamp duty. In case of any discrepancy between application of the executants and recital of the document, stamp duty had to be levied as per the recital of the document.

¹³ *Patwari* is Government official who keeps records regarding the ownership of land and *halka* is a group of villages under his circle.

We observed during test check in Gwalior and Ujjain (between April and June 2016) that in nine instruments¹⁴ registered between January 2015 and March 2016, there was discrepancy between the details of property shown in the recitals of registered documents and the information submitted by the executants in application during registration process. There was no mechanism in the system to use the details of property mentioned in the recital of the document at the time of creation of deeds. Although, the stamp duty should have been levied as per recital of the instruments, apart from the lapses in the system, there were lapses on the part of Sub-registrars also, who had not gone through the recital of the instrument. As a result, the stamp duty was being charged as per information provided in the application by executants, and resulted in evasion of duty amounting to ₹ 47.86 lakh. This indicated absence of second level authorisation mechanism in SAMPADA.

After we pointed this out, DR Gwalior stated (June 2016) that all the three cases had been registered and action would be taken. SR, Ujjain stated (June 2016) that one case was referred to Collector of Stamps for recovery while in three cases the valuation was correct as the land was not situated on main road/by-pass. In another case SR stated that agriculture rate was correctly applied for agricultural land.

The reply of SR, Ujjain is not acceptable because as per recitals of instruments the plots were situated on main/by-pass road in three cases and in one case rate of exact location of land was not applied.

2.4.16 Validation controls

2.4.16.1 Irregularities related to service providers

SPs had to provide any one of the identity proofs¹⁵ for issuance of license, which included PAN¹⁶ card. Licenses were to be granted to the SPs on payment of the prescribed license fee of ₹ 1000 per license. Further, licenses of SPs were valid for two years only.

We examined the database of 4,170 SPs and observed that 3,595 applicants had opted for PAN as a proof of identity for issuance of license of which 57 PAN numbers were invalid. Licenses were issued to seven SPs without receiving the prescribed license fees. Even after the expiry of their licenses, 33 SPs processed 2,618 documents for facilitating registration of instruments. Similarly, 31 service providers had generated 2,672 e-Stamps amounting to ₹ 11.26 crore after expiry of their licenses.

During Exit Conference, the Department stated (September 2016) that action would be taken after analysis of the cases and missing validation checks would be incorporated in the system.

¹⁴ Three cases of Gwalior and Six cases of Ujjain

¹⁵ Election card, Kisan card, Passport, PAN card, Driving license, Bank pass book and Aadhar card

¹⁶ PAN – Permanent Account Number

2.4.16.2 Inaccuracies in date and time captured

While adding or modifying data in the database, the tables in the database stored the User Id of the user making such changes. The tables also recorded the date and time of creation/updation of record.

Scrutiny of the table pertaining to Registration Payment details revealed that the date of creation of payment was greater than date of updation of payment in 148 cases. Further, scrutiny of table of checker time which captured data of time taken by the checker for completion of registration process revealed that in the case of 107 records, the start time of registration process was greater than end time of registration process.

The date and time was auto generated by the system and, therefore, the discrepancy in the data indicated that either there was a flaw in the application or the records were modified from backend.

During Exit Conference the Department accepted (September 2016) the audit observation.

2.4.16.3 e-Stamps issued without mentioning purpose and name of the District

According to Rule 38 of Madhya Pradesh Stamp Rules 1942 (amended on 1 November 2014), entries regarding the purpose of purchase of e-stamps, etc. shall be kept by the Stamp Vendor in the e-Stamp database.

Scrutiny of e-stamp details in SAMPADA system revealed that 13.83 lakh e-Stamps were generated and issued by the various Stamp vendors up to 31 March 2016, out of which 739 e-Stamps having a value of ₹ 4.32 crore were issued without mentioning the purpose of purchase of e-Stamps. Similarly, in 498 transactions amounting to ₹ 1.38 crore, the name of Districts of issuance of e-Stamps was not available in the database.

It indicated that input controls were not in place in the system to make details required under the Rules mandatory.

During the Exit Conference, the Department stated (September 2016) that, appropriate action would be taken.

2.4.16.4 Short levy of Stamp duty and Registration fees due to misclassification

Under Section 3 of IS Act, Stamp duty was leviable on instruments as per their recital at the rates specified in Schedule 1A or prescribed by the Government through notifications. Further, the Department instructed the officials (May 2015) to ensure that the property details mentioned by executants in valuation of initiation process and the recitals of the deeds were appropriate and properly classified. Facility to check the document by the SRs before registration is available in SAMPADA followed by a procedure of inspection by the DRs after registration of the deed.

During scrutiny of registered instruments, we test checked 6,062 instruments out of total 24,248 instruments in five SR Offices¹⁷, and found that there was misclassification of documents in nine cases as mentioned in table below:

Table No. 2.2**Short levy of Stamp duty and Registration fees due to misclassification of documents**

(₹ in lakh)						
Sl. No.	Name Of SR Office	No of cases	Registered during	Nature of irregularity	Stamp duty and Registration fees <u>leviable</u> levied	Stamp duty and Registration fees short levied
1.	Bhopal-II	1	October 2015	Consent with consideration treated as consent without consideration in conveyance deed	<u>45.35</u> 26.20	19.15
2.	Anuppur	1	February 2016	Lease deed treated as agreement to sale without possession.	<u>1.93</u> 0.02	1.91
3.	Satna and Vidisha	2	October 2015 and March 2016	Developer agreement treated as agreement to sale without possession.	<u>2.11</u> 0.26	1.85
4.	Bhopal-I	1	March 2016	Material alteration treated as simple amendment	<u>1.08</u> 0.02	1.06
5.	Anuppur	1	February 2016	Agreement to sale without mention about status of possession treated as agreement to sale without possession.	<u>0.26</u> 0.04	0.22
6.	Anuppur	3	March 2016	Lease deed with Premium and Rent treated as lease deed with premium only.	<u>27.40</u> 25.49	1.91
Total		9			<u>78.13</u> 52.03	26.10

It was seen that the initial entries were made by the SPs in the system and SRs were expected to authorise the data before finalisation of e-registration process. Similarly, DRs were expected to inspect registered deeds regularly and in case of evasion of duty, take action for recovery after registering the case against the executants. We noticed that in case of above nine deeds, second and third level authorisation was not done by SRs and DRs resulting in short levy of Stamp duty and Registration fees of ₹ 26.10 lakh.

During the Exit Conference (September 2016), the Department accepted the cases and assured that appropriate action would be taken.

2.4.16.5 Absence of vital information in database

As per Section 27 of IS Act, 1899 documents/deeds shall contain detailed information/ description about the property and party/parties.

Scrutiny of Registration initiation process form revealed that some fields were made mandatory during the Registration initiation process at the form level but no values were available in these fields in the database in many cases as

¹⁷

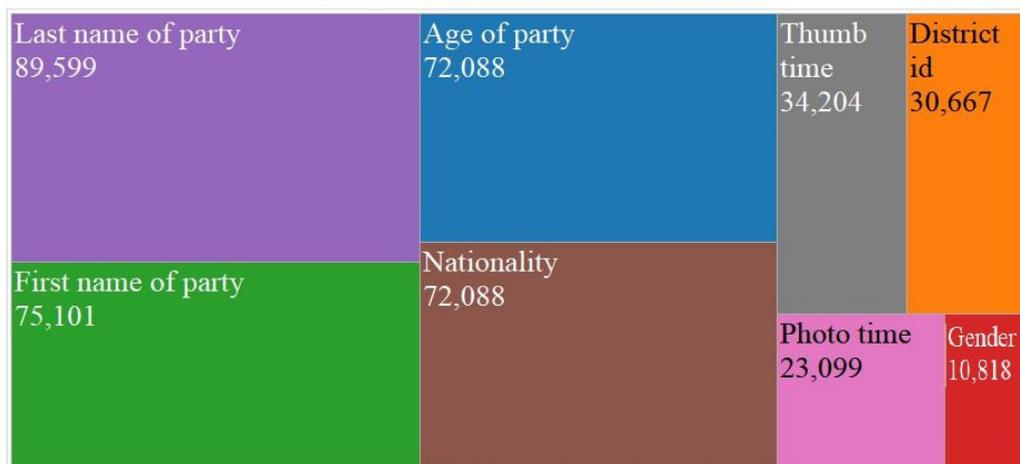
Anuppur, Bhopal –I, Bhopal –II, Satna and Vidisha

shown in chart placed below. Further, analysis of documents where registration process was completed, revealed that the system did not capture date of presentation, time at which the thumb print of the parties were taken and time at which photo of the parties were taken which were missing in some records.

Further, important information was not available in many records as shown in the chart below:

Chart No. 2.4

Absence of vital information in database



2.4.16.6 Requirement of Income Tax Act not fulfilled

As per Section 285 BA of Income Tax Act, 1961, a statement of properties registered above ₹ thirty lakh during the financial year was to be submitted to Income Tax Department by SR/Registering authority. As per Rule 114B of Income Tax Act, 1961 (Mandatory quoting of PAN) sale/purchase of immovable property above ₹ 5 lakh required quoting of PAN while registering the property.

Scrutiny of the database of SAMPADA application revealed that out of 1,49,750 instruments of immovable properties registered above ₹ 5 lakh, the PAN card details were not available in 34,038 instruments with a money value of ₹ 6,055.57 crore.

Thus not capturing the PAN card information in the database in respect of properties registered above ₹ 5 lakh reflected inadequate validation controls in the system. Further, there was no report available in the application to generate the statement of properties registered above ₹ 30 lakh which meant that these cases were not being reported to Income Tax Department.

During Exit Conference, the Department accepted the fact and stated (September 2016) that the Department would improve the authentication control.

2.4.16.7 Minus balance in accounts of Service Providers

For replenishment of credit limit in their accounts by SPs, two types of payment methods were available. In one system, SPs generated *challans* through SAMPADA which contained electronic payment reference number (ePRN) assigned by the application. Thereafter, SPs remitted money along

with copy of *challans* generated through SAMPADA in bank/treasury. From the treasury concerned, this amount was transferred online into cyber treasury and SPs got the credit limit against the amount replenished. Another option was e-payment through a link provided in SAMPADA, where in the SPs can make payments online. The amount so deposited went to the Cyber Treasury¹⁸ directly. After realisation of payments in its system under either of the two methods, the cyber treasury transferred the data of the amounts received to the SAMPADA system at the end of the day. Accordingly, the system increased credit limit of SPs, which was used by the SPs for generation of e-Stamps.

We observed during the test check of e-Stamp credit balances that there were negative account balances in the account of SPs. In the account of 403 SPs out of 4,171 SPs, there was a total minus balance of ₹ 4.08 crore up to 31 March 2016. Even with negative account balances, e-Stamps were being generated by the service providers and commissions being paid to them. These minus balances have not been reconciled till date (October 2016).

The system did not restrict the transactions of SPs when there was no balance in their accounts. The negative account balance could have been on account of excessive credit limit exhausted by the service providers or due to flaw in the system in updating the account balances.

During Exit Conference, the Department stated that (September 2016) it was due to a system bug and no such cases were reported after January 2016, however issue would be investigated again.

2.4.16.8 Absence of supervisory control

According to Article 38 (b) of schedule 1-A of Indian Stamp Act, 1899 (Amended vide Gazette notification dated 14.01.2016), for mining lease of any term including and under lease or sub lease, Stamp duty at the rate of 0.75 *per cent* for the whole amount payable or deliverable under such lease is leviable. Besides as per Indian Registration Act, 1908, Registration fees shall be levied at the rate of 75 *per cent* of Stamp duty.

During scrutiny of lease deed documents from Reports module in nine SR offices¹⁹, we noticed that 21 lease deeds of mines registered between January and March 2016 were treated as other than mining leases. The lessees had paid Stamp duty and Registration fees amounting to ₹ 11.68 lakh as against the leviable amount of ₹ 69.81 lakh. Selection of wrong category of lease resulted in short levy of Stamp duty and registration fees amounting to ₹ 58.13 lakh.

During scrutiny of lease deed documents in five Sub Registrar Offices²⁰ we noticed that 10 documents of lease of mines allotted for 5 to 10 years were registered between February and March 2016.

For these 10 documents the amount of Stamp duty was calculated on the basis of royalty payable to Mining Department for one year (₹ 11.64 crore per annum) instead of calculating the amount for 5 to 10 years of lease period, amounting to ₹ 113.90 crore.

¹⁸ Cyber treasury provides facility to make online payment through internet to the State
¹⁹ Agar malwa, Anuppur, Badwani, Datia, Dhar, Katni, Sohagpur (Shahdol), Sidhi and Singroli

²⁰ Agar malwa, Dabra (Gwalior), Jabalpur, Katni, and Sohagpur (Shahdol)

Selection of wrong period of lease by the Department resulted in short realisation of Stamp duty and Registration fees of ₹ 1.32 crore²¹.

Absence of second level authorisation mechanism for supervisory control, led to wrong categorisation of leases.

During the Exit Conference (September 2016), the Department accepted the cases and assured that appropriate action would be taken.

We recommend that the Government may ensure completeness, correctness and authorisation of data. Reasons for minus balances may be investigated and recovery from the service provider may be ensured in a timely manner. Related fields may also be suitably amended so that application does not allow transactions of SPs having zero/minus balances.

Information Systems Security

We observed that no IT security policy has been prepared by the Department for e-Registration SAMPADA. The deficiencies are brought out in the following paragraphs:

2.4.17 Duplicate user IDs in Master table

Scrutiny of the Users Master table of SAMPADA system revealed there were 19 duplicate User IDs in the User Master table. The login IDs through which users had access to the database for viewing and manipulating data was mapped to this table. In the absence of integrity constraints to control duplicate IDs, the system was prone to manipulation.

After we pointed this out, the Department stated (May 2016) that uniqueness of USER ID was catered through front end. However, the application team has now applied the required constraint in production also.

The reply of the Department regarding control applied at the front end for the uniqueness of user id was not acceptable because if there was such a control in the front end, duplicate user ids should not have existed in the database.

2.4.18 Password policy not framed

We noticed that no password policy regarding password length, periodicity of change of password, composition of password etc was adopted by the department. Although users could access the system only after entering password but due to lack of policy, weak passwords were also being accepted. After we pointed this out, the Department stated that the IT Department was in the process of formation of a security/password policy.

21

Annual payable amount/ Total amount	Leviable SD/ RF	Levied SD/RF	Short levied SD/RF
₹ 116385840/ ₹ 1139029200	₹ 8542719/ ₹ 6407039	₹ 1022083/ ₹ 769564	₹ 7520636/ ₹ 5637475

2.4.19 Accounts of retired officials not deactivated

Scrutiny of master table of users revealed that the login access of 16 retired employees (internal users) of the Department was active even after their retirement dates. Not deactivating the logical access of the employees after their retirement had a risk of misuse of information assets by them.

After we pointed this out, the Department replied (June 2016) that double verification procedure was there in the application; one from front end and another from backend. From front end, all the Ids of retired officers were deactivated.

The reply is not acceptable as on the date of retirement of an officer, his id should have been deactivated in the database and his access to the data blocked from back end as well.

2.4.20 Registration Process beyond business hours

Scrutiny of registration transaction table revealed that 6,324 registrations were completed by various departmental users between 08.00 PM and 09.00 AM (excluding the dates 31 March of 2015 and 2016). This showed there was no control on login access time. No specific orders for functioning of offices in midnight hours were found on record.

After we pointed this out, the Department stated (June 2016) that slot could be booked between 10.30 AM and 5.30 PM and local connectivity issues could have preponed and postponed the working hours of internal users for printing of documents etc.

Reply is not acceptable as the Department is silent about its policy and controls on the access time of its users. However, during the Exit Conference, the Department stated (September 2016) that appropriate action would be taken.

2.4.21 Implementation of project without obtaining SSL

Secure Sockets Layer enables encrypted and secure communication between a web browser and a web server.

In a security audit of SAMPADA conducted by an empanelled company of Government of India, deployment of SSL on production server for enhancement of security (July 2015) was suggested.

The Department has not obtained SSL certification for e-Registration software 'SAMPADA' which made the system insecure for online payments and transfer of sensitive information.

After we pointed this out (May 2016) the department replied (May 2016) that the SSL implementation was in process.

Not integrating the SAMPADA with other Departments/Application

2.4.22 Absence of provision in the system for referred cases

Under Section 47-A of the Indian Stamp (IS) Act, 1899, if the Registering Officer, while registering any instrument, finds that the market value of any property which is the subject matter of such instrument set forth was less than the market value shown in the market value guidelines, he should, before

registering such instruments, refer the same to the Collector of Stamps for determination of the correct value of such property and duty leviable thereon. Further, according to the departmental instructions of July 2004, a maximum period of three months had been prescribed for disposal of such cases.

We observed in 22 Sub Registrar offices from the register of cases referred by SRs that total 1,358 cases were referred to the Collector of Stamps upto March 2016 for determination of the market value of the properties. Out of these, 775 cases had not been finalised, though a period up to 75 months had already elapsed beyond the expiry of the prescribed period. In these cases, the short levy of Stamp duty and Registration fees of ₹ 34.87 crore was recoverable on the basis of market value worked out by the Sub-registrar. After finalisation by the Collector of Stamps, registration of these documents had to be done manually as there was no provision of e-Registration of these cases in the SAMPADA application.

After we pointed this out (May 2016), the Department stated (May 2016) that pending cases may be updated in case monitoring module.

Reply is not acceptable as the case monitoring module was not put to use as evident from the fact that no data was found in the module.

However, during the Exit Conference (September 2016), the Department stated that appropriate action would be taken.

2.4.23 Absence of provisions for online verification

According to Section 47-A 1 (1-A) of IS Act, when the market value set forth in the instrument was not less than the minimum value determined in accordance with any rules under this Act, and the Registering Officer had reason to believe that the market value had not been truly set forth in the instrument, he shall register such instrument and thereafter refer the same to the Collector of Stamps (DR) for determination of market value of such property and proper duty payable thereon.

There was no facility made available in SAMPADA wherein the documents could be sent to Collector of Stamps (DR) online for verification. Hence, the manual system of referring the document to Collector of Stamps (DR) continued to be in place even after introduction of SAMPADA.

After we pointed this out, (April 2016) the Department stated (April 2016) that the SR may refer the original document to Collector of Stamps after completion of registration.

(ii) According to Section 64 of Registration Act, 1908, every Sub Registrar on registering a non-testamentary document relating to immovable property not wholly situated in his own sub district shall make a memorandum thereof and of the endorsement and certificate (if any) thereon, and send the same to every other Sub Registrar sub-ordinate to the same Registrar as himself in whose sub district any part of such property is situated, and Sub Registrar shall file the memorandum in his Book No.1.

We noticed that in SR offices, no such module was available to facilitate the SRs to file the memorandum.

2.4.24 Integration with data of land records

The National Land Record Modernisation Programme (NLRMP)²² provided for integration of data of Registration with the land records data. Accordingly, the SRs were required to forward online details to the concerned Revenue Officer automatically on registration of any property. These details would include property details, registration number, date of registration and names of the parties which would be used by the revenue officer for mutation of the property.

We observed that provision was not made in the existing application to link it with the data of land records. In the absence of this, possibility of dual registry could not be ruled out. .

After we pointed this out (April 2016) the Department stated (April 2016) that the work of integration of *Khasra* and Maps being provided by the Madhya Pradesh Land Record Department was to be done. Satellite Map had been integrated in five districts which were being used by the service providers.

During the Exit Conference (September 2016), the Department stated that appropriate action would be taken.

2.4.25 Negative list of property not generated

In order to prevent the registration of the Public Utility lands and Government lands without Government permission and transactions of properties prohibited by Income Tax Department, Enforcement Department and Courts, these Departments issued notices to the Registration Department to act as per the request made in the notices.

We observed that files to record details of such properties were being maintained manually.

A provision to automatically restrict registration of such properties should be created in the system.

During the Exit Conference (September 2016), the Department stated that appropriate action would be taken.

2.4.26 Absence of database and data analysis of higher considerations of property against guidelines value

According to Rule 4(2) of MP Preparation and Revision of Market value Guideline Rules, 2000, the District Valuation Committee would perform the functions to collect information on property values and property trends which would be compiled in the form of primary data along with the existing data and would analyse the proposed values in the formats received through SAMPADA along with other information received from the Sub District.

However, we observed from the SAMPADA system that no module had been developed in the software for transmitting the required data to the District Valuation Committee in respect of transactions where the consideration was higher than the market value/Guideline as per Annual Statement of Rates

²²

The Department of Land Resources in the Government of India is implementing the National Land Records Modernisation programme (NLRMP) involving survey/resurvey of land using modern technology, computerisation of land records, digitisation of maps, computerisation of registration and mutation system and integration of all these into a seamless system

(ASR). Further, the registering authorities had to rely on manual calculation of approved market value instead of system generated valuation.

After we pointed this out (May 2016), the Department stated (May 2016) that the audit observation had been noted as a suggestion for next version.

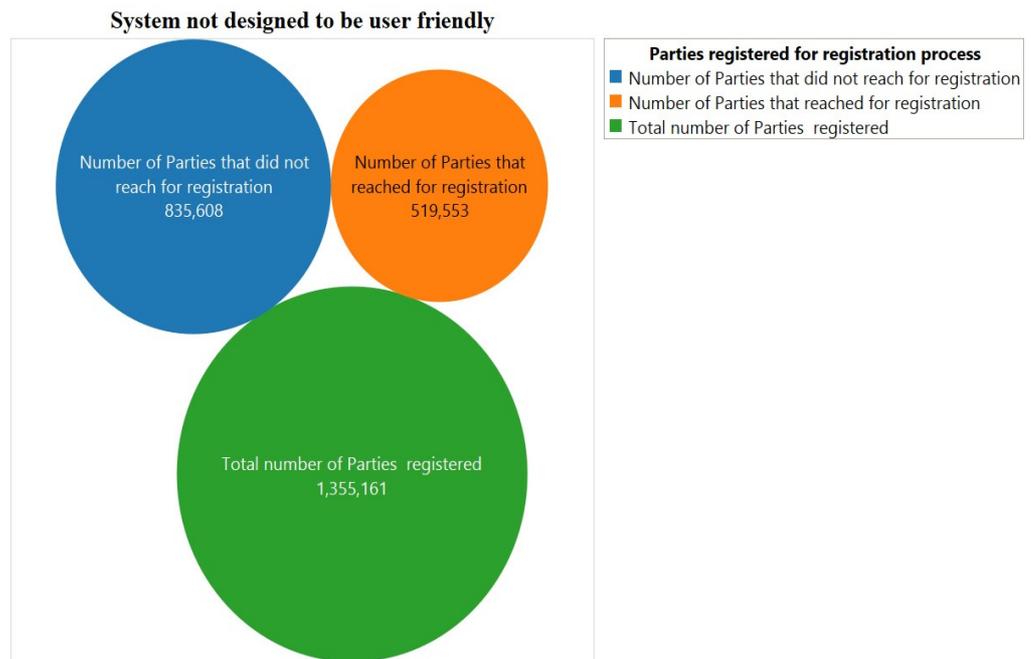
Deficiencies in service delivery

Instances of lack of operational efficiency in services delivery to citizens after implementation of e-Registration (SAMPADA) were noticed by audit which are discussed below:

2.4.27 System not designed to be user friendly

For valuation of property and duty calculation, a person had to create login id and register by providing his details which included at least 20 mandatory fields. During scrutiny of SAMPADA database, we observed that out of 13,55,161 users (parties) registered, only 5,19,553 parties finally reached the SR (Checker) for registration of documents. This showed that 62 per cent (8,35,608) parties who had registered did not reach for processing of e-Registration of documents after initiation at service provider level as shown in chart below :-

Chart No. 2.5



A property valuation and duty calculator could be made available for all citizens in the website. Creation of login ids should be made mandatory only for citizens who wanted documents to be registered. When we pointed this out, the Department replied that Registration process was designed in such a way that user can save partial details pertaining to registration.

2.4.28 Delay in delivery of registered documents

According to IGR and Superintendent of Stamps order (June 2015), print of documents shall immediately be taken after the completion of e-Registration and be given to the party on time.

In manual process, one to two days were required to complete the registration process and SAMPADA was implemented with the aim to reduce the registration time up to 15 minutes.

Scrutiny of data pertaining to Registration Transaction Details table of SAMPADA database revealed that in 1,22,164 (29 *per cent*) registration-completed cases out of 4,22,387, the time taken for delivery of registered documents were delivered with a delay ranging from one day to 460 days. Further, in 541 cases, the time taken could not be measured, as 'completion date of registration' or 'printing time' information in the database was not available. In 10 cases, the time taken was found to be in minus values as the printing time was less than the registration completion date/time.

After we pointed this out, the Department, while accepting the discrepancy in the system, stated (June 2016) that due to not printing of some of the fields in the document and partial printing of some of the documents, delivery of documents was delayed.

During Exit Conference, the Department stated that there are many external constraints like SWAN connectivity and other related issues.

2.4.29 Queue management facility of SAMPADA not implemented

The objective of the SAMPADA was to make the process of registration speedy, simple, transparent, and accountable. A system of queue management to reduce unnecessary crowd gathering and waiting for long hours in SR offices was developed in the application.

However, we found that facility for queue management could not be implemented by the Department depriving the citizens from getting benefit of quick and easy e-Registration.

After we pointed this out the Department stated that the queue management system has been developed in the system but some updation was being carried out.

2.4.30 On-line refund and printing of e-stamps by user not covered in the application

According to Section 54 of IS Act 1899, when any person was in possession of Stamps which had not been spoiled or rendered unfit or useless for the purpose intended, the Collector shall repay to such person the value of such stamps deducting ten *per cent* for value of stamps.

We noticed that no facility to make such refunds online was included in the SAMPADA application, and refunds are being done manually.

After we pointed this out (April 2016) the Department replied (April 2016) that cases can separately be registered for refund under case monitoring module.

The reply is not acceptable as the case monitoring module was not in function. Further, e-Stamp wise refund report was not available in the system to crosscheck actual deactivation of e-Stamp code to rule out misuse of the deactivated e-Stamps for which refunds have already been made.

However, during the Exit Conference (September 2016), the Department stated that appropriate action would be taken.

2.4.31 Low response to registration and online Payment of registration fees

According to objective of SAMPADA, an external user could register his property without obtaining services of Service Providers. It was seen that out of 4.22 lakh cases (between December 2014 and March 2016) of e-Registrations of documents only 8,620 external users had registered their documents through SAMPADA. Use of this facility by such a few external users showed that sufficient publicity to create awareness among the citizens was not done by the department. Thus, one of the core purposes of e-registration by individuals without any mediator was not achieved. Further, in case of documents for which registration was optional, external user was still dependent on SPs for purchase of e-Stamps.

The Department introduced the system of online payment of e-Stamping and Registration fees from August 2015 through e-Registration (SAMPADA) onwards to avoid the handling of cash transactions in registration offices. While the system of collection of Stamp duty was made fully cash less, the registration fee could be paid either by cash or online.

Even after implementation of online system of e-Registration, instances of huge cash transactions were observed by audit. We observed that in 17 districts sampled for the period from August 2015 to March 2016, an amount of ₹ 0.27 lakh was collected through online payment and the remaining amount of ₹ 1,776.32 lakh was collected through cash towards registration fees.

However, during the Exit Conference (September 2016), the Department agreed and assured that system would be cashless soon.

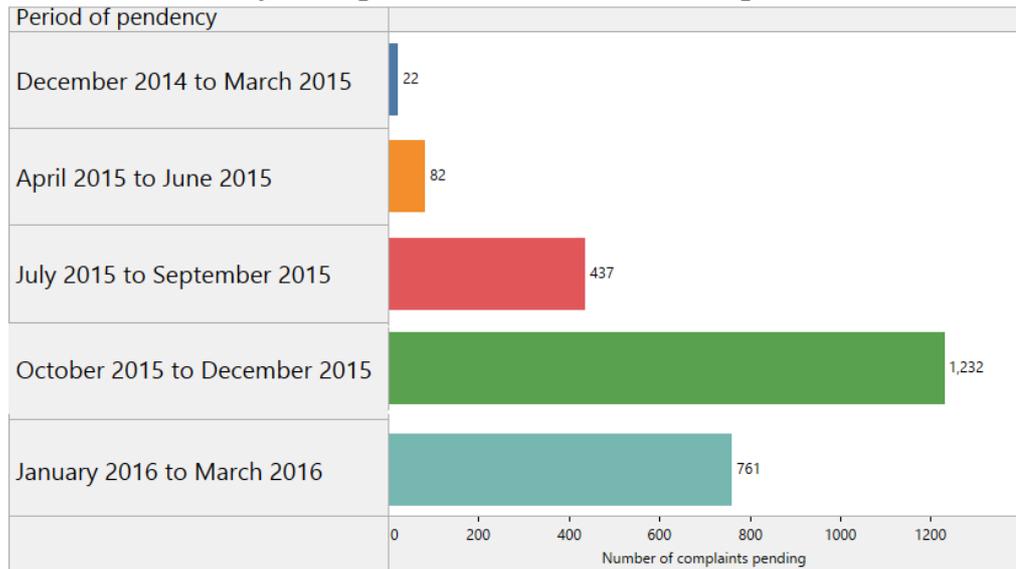
2.4.32 Delayed response to feedback and complaints

As per Para 3.2 of SRS addendum of IGRS, the system shall provide feedback/ complaints facility to citizens. Such complaints were to be addressed by the DR by sending his remarks through email to the end users.

Scrutiny (April 2016) of the database of feedback and complaints revealed that 2,534 complaints out of 3,360 complaints received in SAMPADA application remained pending. The major nature of the complaints were printing related issues (232), credit limit not increased (227 cases), issues related to SPs (81cases), slot related (43 cases), failed transaction (25 cases) and other miscellaneous complaints (1,926). Pendency of complaints are shown in chart below:

Chart No. 2.6

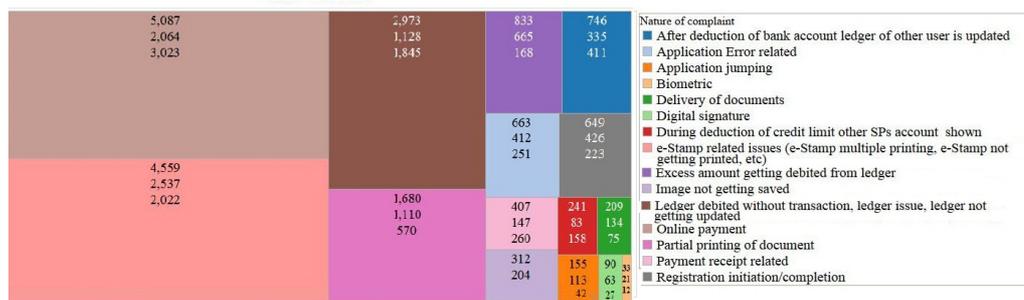
Delayed response to feedback and complaints



The Department used 'BMC ticketing tools' software as a complaint redressal mechanism for its internal users and service providers. It was seen that incomplete data was provided to Audit (June 2016) as 3,192 out of 24,306 records were missing and as a result, Audit could not analyse the complete data of BMC ticketing tool. Scrutiny of available data revealed that the date and time of resolution of complaints was not mentioned against any records. Thus, time taken for resolution of complaints could not be ascertained by Audit. Out of 18,637 major nature of complaints received, resolution of complaints was not done in 9,195 cases (49 per cent) details of which are shown in chart below:-

Chart No. 2.7

Total number of Complaints, Complaints responded and Resolution not shown in BMC database



Thus, as may be seen from the issues highlighted in the previous paragraphs, the overall operational efficacy could not be improved upto the envisaged level due to reasons like delay in delivery of registered documents, delayed responses to feedback/complaints etc. This was further corroborated in a beneficiary survey conducted by us.

We distributed around 240 questionnaire Forms (**Appendix I**) for beneficiary survey to end users and service providers. We received responses of 142 end users and service providers. Out of this, 73 (almost 50 per cent) of the end users and service providers had expressed dissatisfaction on the services provided under SAMPADA (**Appendix II**).

During the Exit Conference (September 2016), the Department stated that this would be resolved soon.

We recommend that calculator for property valuation and duty calculation may be provided in the website for the convenience of the citizens. Complaint redressal mechanism may be made robust to ensure transparency.

Lacunae in internal control mechanism

2.4.33 Audit and Inspection module not used

Audit and Inspection module under SAMPADA was designed with the aim to create an internal control mechanism for inspection of each document by the DR to ensure proper classification and valuation.

Further, the Department issued instructions (May 2015) to DRs to verify the classification and valuation of the documents.

We observed during scrutiny of Audit and Inspection modules that the modules were not functioning. No report was found in the modules related to internal inspection and internal audit.

During Exit Conference (September 2016), the Principal Secretary, Commercial Tax Department stated that they were strengthening the internal control mechanism by establishment of data analysis wing.

2.4.34 Ineffective spot verification policy

Upto December 2012, there was hundred *per cent* spot verification policy in urban areas. The random spot verification policy was implemented in January 2013. In e-Registration system, IGR issued new Random spot verification policy (May 2015), making it compatible with computerised environment. Spot inspection module under the SAMPADA enabled DRs to randomly select the registered properties and assign its inspection to SRs. SRs could see these properties by clicking on this module.

We observed that this module was not being used by DRs to assign and monitor inspection of properties by SRs.

During the Exit Conference (September 2016), the Department stated that appropriate action would be taken.

2.4.35 Inaction in examination of impounded instruments

According to Section 33 of the Indian Stamps Act 1899, every person having by law or consent of parties, authority to receive evidence, and every person in charge of a public office, before whom 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.

Under the case monitoring module of the e-SAMPADA, SRs could refer unduly stamped cases to DRs online and DRs could send notices to executants for disposal of these cases. DRs acting as public officer could inspect other offices to check cases where proper stamp duty was not paid and file such cases in this module.

We noticed from the database that there were 30 impounded cases pertaining to the period from August 2015 to March 2016 lying undisposed having a money value of ₹ 3.32 crore and that no action had been taken by any of DRs to dispose of the cases.

During the Exit Conference (September 2016), the Department stated that DR was responsible for disposal of these cases; however, the Department would monitor these cases routinely.

2.4.36 Absence of reconciliation of Stamp duty and registration fees

According to Rule 30 of MP Financial code, the Department was required to reconcile every receipt remitted into the Government account through treasury. It was seen in audit that in e-Registration system, there was no mechanism under which reconciliation of all the receipts in cyber treasury either through treasury or through e-payment by SPs was being done. Although e-Stamps amounting to ₹ 2478.39 crore were generated through the system upto June 2016, no module existed in the system from December 2014 to May 2016 for reconciliation, nor any system was developed for this purpose. There was no system in place to verify the accuracy of the receipt transactions from cyber treasury. Proper pairing of ePRNs subsequent to transaction of money were not being done and in its absence, there was likelihood that accuracy of transactions may not be verified. The risk involved was further strengthened from the fact that in 403 cases of SPs, we noticed minus balances of ₹ 4.08 crore.

2.4.37 Delay in remittances in Government account

According to Rule seven of MP Treasury Code, all cash collected /received by Government servants are purported to be deposited into treasury or Bank without delay. Besides, as per Para 120 of executive directions of Department, cash received during a day by Government servant is to be deposited into bank on the following day.

For this purpose an integrated system with treasury, Bank and SAMPADA application was developed to facilitate auto generation of reconciliation report through revenue management module of the SAMPADA.

Scrutiny of Reconciliation Report revealed that in 11 districts, the Registration fees of ₹ 38.71 lakh received in cash, was deposited into treasury with delay ranging between four to 83 days (August and September 2015).

The monitoring mechanism provided in the software was not used by the Department.

During the Exit Conference (September 2016), the Department accepted and assured that reconciliation process and its report generation would be started soon.

2.4.38 Conclusion

The e-Registration system implemented in Madhya Pradesh from August 2015 is a good step in the direction of transparency, timely delivery of services and user friendliness. However, during the Performance Audit, we have also noticed certain shortcomings in contract management, application and general controls and operational performance as summarised below:

- The Department is still dependent upon the services of the software and hardware vendors as its own staff is not trained for working in a computerised environment.
- Planning and implementation of the system were inadequate to meet the objectives of the computerisation of the Department; consequently the project was delayed abnormally.
- The Department had failed to map the amendment in Acts and Rules, as and when changes were notified in it.
- The business rules were not mapped fully in the software and manual intervention was required at different levels. Inadequate second level authorisation resulted in misclassification of sale deeds, undervaluation of instruments and incorrect application of rates.
- There were inordinate delays in delivery of registered documents to the executants. Citizens' complaints were not found resolved quickly, as a large number of complaints were pending.

2.4.39 Recommendations

- The Department may utilise the services of State based research institutes like MANIT Bhopal, IIT Indore, etc. to impart training to its officials and form a dedicated IT support team of its own. Department may consider doing away with the services of outsourced persons in the work related to e-Registration on the SAMPADA platform considering the sensitive nature of data related to registration of documents.
- Action for delay in implementation of project as well as supply of hardware may be taken against those responsible. Legacy data may be digitised and migrated in the system on priority to safeguard citizens from threat of multiple registry of a property.
- Rules may be mapped in the SAMPADA software, as and when the Government notifies changes in the Act/Rules.
- The provisions of the Act may be suitably mapped in the application to prevent revenue leakages. Second level authorisation of data and documents may be implemented on priority to ensure proper recovery of revenue.
- The registered documents should be delivered to parties within the time defined in the objectives of SAMPADA. Complaint redressal mechanism may be made robust so that the core objectives of SAMPADA for ensuring transparency and empowering the users can be achieved. The Government may fully operationalise all the modules of the SAMPADA in order to eliminate manual intervention.

2.5 Delay in disposal of cases referred by Sub Registrars

Cases referred by Sub Registrars to the Collector of Stamps (District Registrars) 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.

Under Section 47-A of Indian Stamp Act, 1899, if the registering officer, while registering any instrument finds that the market value of any property set forth was less than the market value shown in the market value guidelines, he should, before registering such instrument, refer the same to the Collector of Stamps for determination of the correct market value of such property and duty leviable thereon. As per departmental instructions of July 2004, a maximum period of three months has been prescribed for disposal of cases referred to the Collector of Stamps by the Sub Registrar offices for determination of correct market value of properties and duty leviable thereon.

We test checked (between April 2015 and June 2016), 1,484 cases, referred by 39 Sub Registrar offices²³ (between May 2010 and December 2015) and observed that in 844 cases, market value of properties was not determined, by the Collector of Stamps, even though the period of more than three months had been elapsed. The delay in finalisation of referred cases ranged from 40 days to 3 years 9 months beyond the stipulated period. Thus, cases referred by Sub registrars involving levy of stamp duty and registration fees of ₹ 13.67 crore were not finalised.

The Department replied in a meeting (September 2016) that the order related to disposal of referred cases within three months was a Departmental order and that cases might have remained pending at District Registrars end due to constraint of time. However, the Principal Secretary stated that issue would be re-looked in the light of the notification.

We do not agree with the reply of the Department as the said order was still in force and should have been adhered to. Moreover, the delay ranged from 40 days to 3 years 9 months, from the stipulated period of three months. This clearly indicates that finalisation of cases referred by Sub registrars were unduly delayed.

2.6 Incorrect determination of market value

In 297 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 ₹ 3.89 crore.

²³ Amarpatan (Satna), Bareli (Raisen), Gadarwara, Itarsi (Hoshangabad), Tarana (Ujjain), Ambah (Morena), Badwaha (Khargone), Mhow (Indore), Khandwa, Neemuch, Sagar, Sheopur, Sounsor (Chhindwara), Badnagar (Ujjain), Badwani, Jaora (Ratlam), Kalapiple (Shajapur), Katni, Karera (Shivpuri), Maihar (Satna), Mandsour, Piparia, Raisen, Ratlam, Seoni, Alirajpur, Harda, Khargone, Pohri (Shivpuri), Rampur Baghelan (Satna), Sanavav (Khargone), Seoni, Singrouli, Susner (Agar), Chhatarpur, Dabra (Gwalior), Datia, Rewa and Shivpuri

Under Section 47-A of Indian Stamp Act, 1899, if the registering officer, while registering any instrument finds that the market value of any property set forth was less than the market value shown in the market value guidelines, he should, before registering such instruments refer the same to the Collector for determination of the correct market value of such property and duty leviable thereon.

We test checked (between May 2015 and March 2016) 49,642 instruments registered between April 2008 and March 2015 in 42 Sub Registrar offices²⁴ and observed that in 297 instruments, the market value as per guidelines was ₹ 159.51 crore against registered value of ₹ 109.50 crore. The Sub Registrars did not consider the factors affecting valuation of the property such as, commercial property treated as residential property, higher guideline value of roadside property, developed and diverted plots valued as underdeveloped plots and agricultural land etc. The Sub Registrars did not refer these instruments to the Collector of Stamps for determination of correct value of properties and duty leviable thereon. This resulted in short levy of stamp duty and registration fees of ₹ 3.89 crore.

We reported the matter to Government and the Department (between March 2016 and August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.7 Mortgage deeds not registered

Mortgage deed of plots pledged in lieu of security for development work to be carried out by the coloniser, were not registered. The estimated development expenditure on these plots was ₹ 54.24 crore. As a result, Stamp duty and Registration fees amounting to ₹ 97.41 lakh on the cost of estimated development expenditure was not levied.

Article 38(b) of schedule 1-A to the Indian Stamp Act, 1899 read with Government Notification dated 24.09.2007 and Section 75 of the Madhya Pradesh *Panchayat Raj Adhiniyam*, 1993 provide for levy of duty on mortgage deed without possession at the rate of one *per cent* of the amount secured by such deed. Further, a coloniser has to develop the land in accordance with the norms of local authorities and has to mortgage 25 *per cent* of the land/ plot in favor of local authorities as a security against the expenditure on development of the land. Thus, in such cases, estimated development expenditure will be the secured amount. As per Section 17 of the Registration Act, 1908, the instruments of mortgage deeds are to be compulsorily registered. Section 33 of the Indian Stamps Act provides that it would be obligatory on every public officer to impound cases which are unduly stamped and initiate action under Section 38 of the Act. District Registrars should also carry out inspections of

²⁴

Badwaha (Khargone), Chhatarpur, Damoh, Dhar, Gohad (Bhind), Indore IV, Mahu (Indore), Neemuch, Shahdol, Sounsar (Chhindwara), Alirajpur, Betul, Harda, Indore-I, Jawahar Chowk (Bhopal II), Panna, Pari Bazar (Bhopal-I), Pandurna (Chhindwara), Vidisha, Badnagar(Ujjain), Barwani, Ishagarh (AshokNagar), Jawra (Ratlam), Katni, Mandsaur, Nalkhera (Agar), Raisen, Sanawad (Khargone), Sendhwa (Barwani), Sheopur, Singrauli, Susner (Agar), Dabra, Gwalior-I, Gwalior-II, Hata (Damoh), Jabalpur-II, Nalkheda (Indore-II), Rewa, Shajapur, Sukhalia (Indore-III) and Thandla (Jhabua)

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 (between April 2015 and February 2016), 993 lease deeds executed between April 2010 to March 2015 in five Sub Registrar offices²⁵ and observed that in 17 lease deeds, no Stamp duty or Registration fees was paid by the executants on these mortgage deeds of 25 *per cent* plots in lieu of security for development work and the same were also not registered. This issue came to the notice of audit, when records of respective municipalities were cross verified.

The municipal authorities, being public officers should have impounded these cases as per provisions of Section 33 of the Indian Stamps Act and should have referred these cases to District Registrars for valuation of Stamp duty and registration fees. Moreover, District Registrars should have to carry out inspection of respective municipal offices to ensure that proper stamp duty was paid on these instruments.

The estimated development expenditure of the land was ₹ 54.24 crore based on rates provided by Madhya Pradesh Housing Board. The mortgage deeds of such plots were not registered under the required provisions, as a result of which, Stamp duty of ₹ 54.24 lakh and Registration fees of ₹ 43.17 lakh was not levied.

We reported the matter to the Government and the Department (between May 2015 and March 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.8 Short levy of Stamp duty and Registration fees on lease deed

The registration authorities levied only ₹ 29.03 lakh as stamp duty and ₹ 21.78 lakh as registration fees against leviable stamp duty of ₹ 86.64 lakh and registration fees of ₹ 60.48 lakh respectively on 16 lease deeds. This resulted in short realisation of stamp duty and registration fees of ₹ 96.31 lakh.

Article 38 (amended on 16.09.2014) of Schedule 1-A of the Indian Stamp Act, 1899, provides for levy of stamp duty on lease deeds at the rates prescribed therein. Further, according to Article II of the Registration table under the Registration Act, 1908, registration fee at three fourth of the stamp duty is chargeable on such instruments.

We test checked records of 13 Sub Registrar offices²⁶ (between June 2015 and March 2016) and observed that in 16 lease deeds registered, the registration authorities either did not consider the period of lease for the purpose of calculation of stamp duty or levied stamp duty at incorrect rates. Stamp duty and Registration fees of ₹ 147.12 lakh was leviable but the registering authorities levied stamp duty and registration fees of ₹ 50.81 lakh only. This

²⁵ Agar, Hata (Damoh), Sendhwa (Badwani), Sounsar (Chhindwada) and Susner (Agar).

²⁶ Chhatarpur, Chhindwada, Dabra (Gwalior), Khandwa, Jabalpur-II, Khargone, Navlakha (Indore-II), Pari Bazar (Bhopal-I), Shahdol, Shajapur, Singrouli, Sounsar (Chhindwada), and Sukhalia (Indore-III)

resulted in short realisation of Stamp duty and Registration fees of ₹ 96.31 lakh.

We reported the matter to the Government and the Department (between July 2015 and April 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.9 Short levy of Stamp duty and Registration fee on instruments of Power of Attorney

In 14 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 instruments did not explicitly mention that the power is given for a period not exceeding one year. This resulted in short levy of stamp duty and registration fees of ₹ 71.90 lakh.

Article 45(d) (Article 50 (d) amended dated 07.01.2015) of Schedule 1-A to the Indian Stamp Act, 1899 provides that when power of attorney (POA) is given without consideration authorising the agent to sell, gift, exchange or permanently alienate any immovable property situated in Madhya Pradesh for a period not exceeding one year, duty of ₹ 100/1000 (up to 31-3-11 ₹ 100/- and ₹ 1000/- thereafter) is chargeable on such instruments. Further, when such rights are given 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. According to Section 19-A (i) where any instrument has become chargeable in any part of India other than Madhya Pradesh with duty under this Act or under any other enactment for the time being in force in any part of India and thereafter becomes chargeable with a higher rate of duty in Madhya Pradesh under clause (bb) of the first proviso to Section 3 that the amount of the duty chargeable on such instrument shall, notwithstanding anything contained in the first proviso to Section 3, be the amount chargeable on it under Schedule I-A, less the amount of duty, if any, already paid on it in India.

We test checked (between April 2015 to March 2016), 6,491 cases of POA registered (between April 2013 and March 2015) in 10 Sub Registrar offices²⁷ and observed that in 14 instruments, the power to sell, gift, exchange or permanent alienation of immovable property was given, but there was no mention in the documents to show whether the POA was without consideration for a period not exceeding one year. In these cases, stamp duty and registration fee of ₹ 71.90 lakh was leviable in accordance with the above provision. However, it was noticed that in all these cases, the instruments were treated as POA to sell without consideration for a period not exceeding one year and duty was levied at the rate of ₹ 100/1000 in each case. This resulted in short levy of stamp duty and registration fee of ₹ 71.90 lakh.

We reported the matter to the Government and the Department (between August 2015 and April 2016). The Department stated in a meeting (September

²⁷ Gohad (Bhind), Jaora (Ratlam), Mahu (Indore), Neemuch, Pichore (Shivpuri), Singrouli, Betul, Indore-I, Jabalpur-II and Navlakha (Indore-II)

2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.10 Short levy of Stamp duty and Registration fees on development/builder agreement

Seven cases of Residential-Cum-Commercial development agreement executed between parties were treated as sale agreement without possession. This misclassification resulted in short levy of Stamp duty and Registration fees amounting to ₹ 42.24 lakh.

Article 5(d) of Schedule 1-A under the Indian Stamp Act, 1899 (IS Act) provides that Stamp duty at the rate of two *per cent* of market value of land was leviable up to 31 March 2011 on the instruments of agreements related to the development of land for construction of building on a land by a person other than the owner or lessee of such land. Article 5(d) was amended with effect from 1 April 2011, according to which the Stamp duty at the rate of three *per cent* on the market value equal to the estimated cost of the proposed construction or development as mentioned in the agreement, was leviable. Further, the State Government reduced the rate of Stamp duty to one *per cent* with effect from 1 April 2012 on instruments of agreement related to development of land for the purpose of development of residential colony.

Further, provisions related to developer agreement, brought under Article 6 of Schedule 1-A from 16 September 2014, provides that agreement or Memorandum of an agreement having stipulation that after development, such developed property or part thereof shall be held/sold by the developer, by whatever name called, either severally or jointly with the owner/lessee, the duty shall be levied treating this transaction as conveyance at the rates given therein.

We test checked 7,126 agreements executed between parties registered between April 2014 and March 2015 in three Sub Registrar offices²⁸ (December 2015 and January 2016) and found that seven agreements were treated as sale agreement without possession instead of Residential-cum-Commercial development agreement. The estimated cost of proposed development was 16.26 crore on which stamp duty and registration fees of ₹ 79.09 lakh was leviable. However, the Department levied stamp duty and registration fees of ₹ 36.85 lakh. Thus, this misclassification resulted in short levy of Stamp duty and Registration fees of ₹ 42.24 lakh.

After we pointed out the cases (December 2015 and January 2016), Sub registrars stated that the action would be taken after verification and that the matter would be referred to Collector of Stamps for necessary action.

We reported the matter to the Government and the Department (between August 2015 and April 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

²⁸

Govindpura (Bhopal III), Jawahar Chowk (Bhopal II) and Pari Bazar (Bhopal I)

2.11 Lease deed of mobile tower not registered resulting in short levy of Stamp duty and Registration fees

In 203 cases of lease of land for installation of mobile phone towers, lease deeds were required to be compulsorily registered under Section 17 of the Registration Act, 1908. However, these lease deeds were not registered and were got executed on stamp paper of only ₹ 100 resulting in short levy of stamp duty and registration fees of ₹ 35.91 lakh.

Article 33 of Schedule 1-A of the Indian Stamp Act, 1899, provides for levy of Stamp duty on lease deeds at the rates prescribed thereon. Section 17 of the Registration Act, 1908, provides that registration of lease deed for any term exceeding one year is compulsory. Section 33 of the Indian Stamps Act provides that it would be obligatory on every public officer to impound cases which are unduly stamped and initiate action under Section 38 of the Act. As per Para 469 of Karyapalik Anudesh (executive instructions) of Registration Department, the DR is required to inspect the records of public offices to see whether Stamp duty was being paid correctly and the documents which require registration are submitted in SR offices.

The information collected from 10 Municipal Corporations/ Municipalities²⁹ (between April 2015 and March 2016) revealed that in 203 cases, no objection certificate was issued by Nagar Nigam/ Nagar Palika for installation of mobile phone towers. In these cases, the land for installation of mobile tower was taken by the mobile phone companies on lease from the land owners for the lease period ranging between one to 30 years. These lease deeds were required to be compulsorily registered under Section 17 of the Registration Act, 1908. However, we found that these lease deeds were not registered and got executed on stamp paper of only ₹ 100 each. This resulted in short levy of stamp duty and registration fees of ₹ 35.91 lakh.

We reported the matter to the Government and the Department (between May 2015 and April 2016). In a meeting (September 2016), the Department accepted the audit observation and stated that the system would be improved by incorporating the periodic inspection of all such offices where such types of agreements/deeds executed to enhance the revenue of the Department.

2.12 Short levy of Stamp duty and Registration fees due to misclassification

Eight documents of Gift Deed, Conveyance Deed and Instruments of sale were misclassified and less Stamp Duty and Registration Fees was levied, resulting in short levy of Stamp duty and Registration fees of ₹ 30.14 lakh.

Under the Indian Stamp Act, 1899, Stamp Duty is leviable on instruments according to their recital at the rates specified in Scheduled 1A or as prescribed by the Governments through Notifications. Further, Section 2 (15)(iii) of the Act provides that Instrument of Partition means any instrument whereby co-owners of any property divide or agree to divide such property severally. It also includes any instrument signed by the co-owners and

²⁹ Damoh, Hata (Damoh), Hoshangabad, Indore-I, Indore-IV, Itarsi (Hoshangabad), Petlavad (Jhabua), Rajnagar (Chhatarpur), Sagar, and Vidisha.

recording, whether by way of declaration of such partition or otherwise, the terms of such partition amongst the co-owners.

We test checked the records of seven Sub Registrar (SR) offices³⁰ between June 2015 and March 2016 and observed that in eight cases, documents related to gift deed, conveyance deed and instruments of sale were misclassified as partition of property between members of Hindu undivided family, declaration of transfer of property and transfer of rights. The Sub registrars accepted for registration, these unduly stamped instruments. This resulted in short levy of Stamp duty and Registration fees of ₹ 30.14 lakh details of which are given in **Appendix III**.

After we pointed out the cases, the Sub Registrar Jabalpur-I (June 2015) did not agree with the audit objection and stated that the property was divided within a Hindu family and was bought by the owner himself and he had rights to divide his property within the family, therefore the deed is treated as Partition Deed, while the remaining SRs stated (between June 2015 and March 2016), that the matter would be referred to Collector of Stamps for necessary action.

We do not agree with the reply of Sub Registrar Jabalpur-I because the property was bought by the owner himself. It was neither a heritage property nor the divisor were co-owners of the property and also it was nowhere mentioned in the documents of the property that it was purchased in the capacity of Hindu undivided family, therefore the deed comes under gift deed.

We reported the matter to the Government and the Department (August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.13 Exempted Stamp Duty and Registration Fees not reimbursed

2.13.1 Stamp Duty and Registration Fees not reimbursed by Narmada Valley Development Authority (NVDA)

Stamp Duty and Registration Fees was reimbursable to the Government by the NVD Authority on account of five documents executed in favour of the persons displaced due to NVD Project, but was not reimbursed and as a result, ₹ 5.68 lakh towards Stamp duty and Registration fees was short realised/ not realised.

According to the Madhya Pradesh Government's notification dated 12 July 2002, stamp duty and registration fee leviable on lease/sale deeds, executed to acquire land in favour of the members of family displaced on account of Narmada Valley Development Project (NVDP) is to be reimbursed by the Narmada Valley Development Authority (NVDA) to the government on the basis of the demand raised by the respective Sub Registrar.

We test checked (December 2015) the records of Sub Registrar, Harda and observed that five documents were executed (between May 2014 and March 2015) in favour of the persons displaced due to NVD Project. We further observed that on account of execution of above documents, stamp duty and

³⁰

Badwani, Gwalior-I, Indore-IV, Jabalpur-I, Jabalpur-II, Shahdol and Shajapur

registration fees of ₹ 5.68 lakh was reimbursable to the Government by the NVDA, but was not reimbursed as respective sub registrar did not raise demand for stamp duty and registration fees with NVD Authority. As a result, revenue of ₹ 5.68 lakh was not realised.

After the cases were pointed out, Sub Registrar, Harda stated that demand letters are being issued. The matter was reported to the Inspector General Registration and the Government (August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.13.2 Stamp duty and Registration fees was not reimbursed by the Commerce, Industry and Employment Department.

Stamp Duty and Registration Fees was reimbursable to the Government by the Commerce, Industry and Employment Department on account of 15 documents executed in favour of the persons displaced due to Auto Testing Track Project, Pithampur (District Dhar), but was not reimbursed; as a result ₹ 17.78 lakh was short/not realised.

According to the Madhya Pradesh Government's notification dated 20 November 2007 (as amended) provides exemption from Stamp duty and Registration fee chargeable on sale deeds executed in favour of persons displaced on account of Auto Testing Track Project, Pithampur (District Dhar). The notification further stipulates that the amount of stamp duty and registration fee so chargeable shall be reimbursed by the Commerce, Industry and Employment Department within one month of registration of such instrument.

We test checked the records of Sub Registrar Offices Dhar and Indore-I and observed that 15 documents were executed/ registered between April 2014 and March 2015 in favour of the persons displaced due to Auto Testing Track Project Pithampur, Dhar. We further observed that Stamp Duty and Registration Fees of ₹ 17.78 lakh involved in the above documents was reimbursable to the Government, but was not reimbursed. As a result, revenue of ₹ 17.78 lakh was not realised.

After we pointed out these cases, Sub Registrar, Dhar stated that demand letters have been issued in eight cases and in remaining five cases, demand letter would be issued later while Sub Registrar Indore stated that action would be taken after scrutiny.

We reported the matter to the Government and the Department (August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.14 Stamp duty on agreement/memorandum related to deposit of title deed was short levied

In five SR offices, five cases relating to deposit of title deed of ₹ 7.88 lakh only was levied by applying incorrect rates against leviable amount of ₹ 29.61 lakh, resulting in short of Stamp Duty and registration fees of ₹ 21.73 lakh.

Stamp duty on an agreement relating to deposit of title deed is levied at the rate prescribed from time to time under Article 6(a) of Scheduled I-A of the Indian Stamps Act 1899, and according to explanation below Article 6(a), any letter note, memorandum or writing relating to deposit of title deed, whether it is in respect of first or any additional loan, is deemed to be an instrument evidencing an agreement relating to the deposit of title deed. Also Stamp duty is chargeable on additional amount only if the duty was paid on the previous loan. Further, according to Article 75 of The Madhya Pradesh Panchayat Raj Adhiniyam, 1993, the Stamp duty imposed under the Indian stamp Act 1899, on instruments relating to sale, gift or mortgage of property within the block be increased by one *per cent* on the value of such property, or in the case of mortgage on the amount secured by the instrument provided that such extra stamp duty levied in respect of mortgage shall not exceed the amount of stamp duty thereon.

We test checked (between June 2015 and March 2016) the records of five Sub Registrar (SR) offices³¹ and observed that in five cases, memorandum or writing related to deposit of title deed securing an amount of ₹ 254.50 crore were registered between April 2014 to August 2014 on which stamp duty of ₹ 29.61 lakh was leviable. However, stamp duty of ₹ 7.88 lakh only was levied by applying incorrect rates. Thus, the Government was deprived of revenue of ₹ 21.73 lakh due to short levy of stamp duty.

After we pointed out these cases; Sub-registrars stated that the cases would be referred to the Collector of Stamp.

We reported the matter to the Government and the Department (August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.15 Short realisation of Stamp Duty and Registration fee due to less valuation from market value for renewal of mining lease

Lease of National Mineral Development Corporation (NMDC) was renewed for 20 years based on which Stamp Duty and Registration fee was levied on the value of the allotted land at less than the market rate of the lease amounting to short realisation of ₹ 15.22 lakh.

According to Para 3 of Guideline for the year 2014-15, valuation of the land earmarked for extraction of major minerals (except minor minerals) will be valued 50 *per cent* in excess of the value of the irrigated land. Further, market value of land for different locations is given in the guidelines, on the basis of which, Stamp duty and Registration fees should be determined.

We test checked (January 2016) the records of Sub Registrar, Panna and observed that a lease of 280.08 acre of NMDC was renewed on 31 January 2015 and lease was sanctioned for 20 years for the period from 15 July 2005 to 14 July 2025. While renewal of this lease, instead of calculating average annual royalty, valuation was done at market rate amounting to ₹ 7.65 crore, whereas the valuation of the lease as per the Collector's Guideline arrived at ₹ 9.82 crore. This resulted in short realisation of Stamp Duty and Registration

³¹ Dabra, Gwalior II, Panna, Sukhaliya (Indore III), Vidisha

fee of ₹ 15.22 lakh (Stamp Duty of ₹ 8.70 lakh and Registration fee of ₹ 6.52 lakh) as given in **Appendix IV**.

After we pointed out, Sub Registrar Panna stated that action would be taken after verification of the document.

We reported the matter to the Government and the Department (August 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

2.16 Short levy of Stamp duty and Registration fees due to facts affecting duty in instruments being not mentioned

In five instruments, some vital facts affecting the valuation of property and Stamp duty/Registration fees payable thereon were not mentioned. This resulted in short levy of stamp duty and registration fees amounting to ₹ 10.51 lakh.

Under Section 47-A of Indian Stamp Act, 1899, if the registering officer, while registering any instrument finds that the market value of any property set forth was less than the market value shown in the market value guidelines, he should, before registering such instruments, refer the same to the Collector for determination of the correct market value of such property and duty leviable thereon. Further, Section 27 of the IS Act, 1899 provides that the market value of the property and all other facts and circumstances affecting the chargeability of any instrument with duty or the amount of the duty with which it is chargeable, shall be fully and truly set forth therein.

We test checked records (between September 2015 and March 2016) of three Sub Registrar offices; Navlakha (Indore-II), Mhow (Indore) and Vidisha and observed that in five instruments registered between June 2014 and March 2015 some important facts were not disclosed by the executants. In Indore-II, under Sub-registrar (Navlakha), the executants shown, constructed shops as only plinth, while in Mhow (Indore), it was not mentioned whether land was commercial or residential. In two cases of Vidisha, it was not mentioned in the recital of the instrument whether land was situated on National or State highways. In absence of these information, higher rates given in guidelines should have been applied. As a result, stamp duty and registration fee of ₹ 10.51 lakh was short levied.

After we pointed out these cases, the SRs stated (between September 2015 and march 2016) that the cases would be referred to the Collector of Stamp.

We reported the matter to the Government and the Department (between October 2015 and April 2016). The Department stated in a meeting (September 2016) that detailed reply would be submitted later. However, no reply has been received from the Department (October 2016).

CHAPTER – III

COMMERCIAL TAX

Chapter III Commercial Tax



3.1 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.

Commercial Tax Department intimated (August 2016) that internal audit wing did not exist in the Department. This issue was also highlighted in earlier Audit Reports, however, the system of Internal Audit has still not been established in the Department.

3.2 Results of Audit

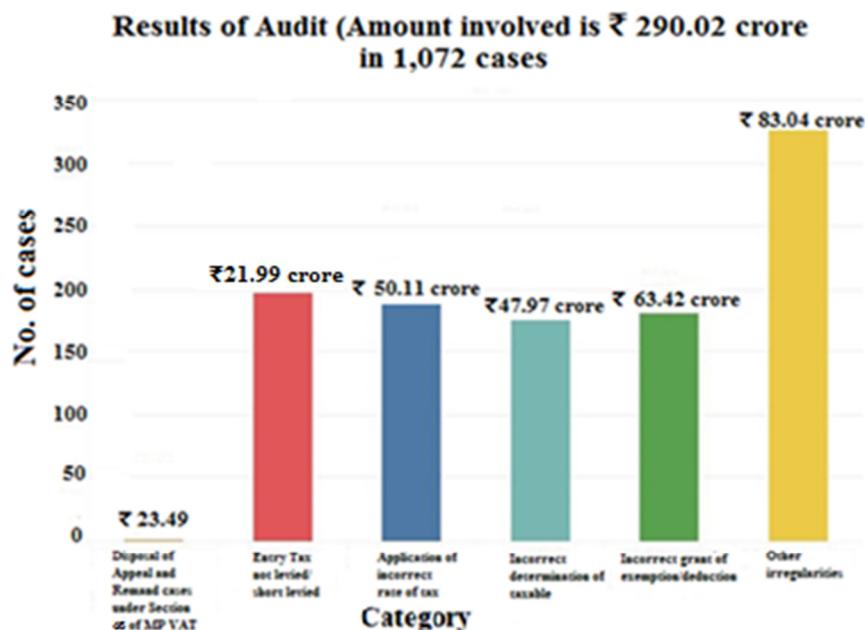
We test checked records of all 114 units¹ of Commercial Tax Department involving total revenue of ₹ 19,883.30 crore units during the year 2015-16 and found underassessment of tax and other irregularities involving ₹ 290.02 crore in 1,072 cases, which fall under the following categories as mentioned in the **Table 3.1**.

Table 3.1
Results of Audit

Sl. No.	Categories	No. of cases	(₹ in crore)
			Amount
1.	Disposal of Appeal and Remand cases under Section 46 of MPVAT Act, 2002	1	23.49
2.	Entry Tax not levied/short levied	197	21.99
3.	Application of incorrect rate of tax	191	50.11
4.	Incorrect determination of taxable turnover	176	47.97
5.	Incorrect grant of exemption/deduction	181	63.42
6.	Other irregularities	326	83.04
Total		1,072	290.02

¹ 32 Divisional Offices, 18 Regional Offices and 64 Circle Offices

Chart 3.1



All the above audit observations were communicated to the Department and the Government between May 2015 and July 2016. The Department accepted underassessment of tax and other irregularities of ₹ 145.42 crore in 236 cases, which were pointed out in audit during the year 2015-16 and reported realisation of ₹ 30.46 lakh in 45 cases.

Audit findings of the Audit on "**Disposal of Appeal and Remand cases under Section 46 of MP VAT Act 2002**" having money value of ₹ 23.49 crore and a few other illustrative cases involving ₹ 84.06 crore are discussed in the following paragraphs:

3.3 Disposal of Appeal and Remand cases under Section 46 of MPVAT Act, 2002

3.3.1 Introduction

Levy and collection of Value Added Tax, Entry Tax, Central Sales Tax and *Vilasita, Manoranjan, Amod Evam Vigyapan Kar* are based on self-assessment system. The overall objective of the tax assessment system is to maximise the collection of revenue by maximising the level of voluntary compliance and by deterring evasion. The dealer calculates his own liability and makes payment of tax due while the Commercial Tax Department reviews the self-assessment subsequently by means of assessments to ensure that tax legally due is declared and paid by the tax payers.

As per Section 46 of Madhya Pradesh Value Added Tax (MPVAT) Act, any dealer or person aggrieved by an order passed under this Act, by any officer specified in clause (c) to (f) of sub-section (1) of section 3 or sub-section (14) of Section 57 as Assessment Authority (AA) may, in the prescribed manner, appeal against such order to the Appellate Authority (First appeal). Further, if he is aggrieved by an order passed in first appeal, he may, in the prescribed manner, appeal against such order to the Appellate Board (Second appeal).

Every appeal shall be filed within prescribed time of communication of the order against which the appeal is to be filed.

In the case of assessment order passed by the Deputy Commissioner, the first appeal is to be filed before the Additional Commissioner of the respective Zone designated as Appellate Authority. In other cases (assessment orders passed by authorities up to the rank of Assistant Commissioner), first appeal is to be filed before the respective Appellate Deputy Commissioner. In the case of revision order passed under Section 47(1) (revised assessment) by a Deputy Commissioner, first appeal can be filed under Section 46(1) to the Additional Commissioner.

As per Section 13 of "*Madhya Pradesh Sthaniya Kshetra Me Maal ke Pravesh par Kar Adhiniyam, 1976*" commonly known as Entry Tax (ET) Act, 1976, the provision of the MPVAT Act and the rules/orders/notifications issued thereunder regarding assessment, appeal, interest, penalty etc. shall apply *mutatis mutandis* to a dealer in respect of ET Act. Further as per Section 9(2) of the Central Sales Tax (CST) Act, 1956 and as per Section 8 of *Vilasita, Manoranjan, Amod Evam Vigyapan Kar Adhiniyam, 2011*, the provisions of the MPVAT Act regarding assessment, appeal, interest, penalty etc. shall also apply *mutatis mutandis* to a dealer registered under CST Act and *Vilasita, Manoranjan, Amod Evam Vigyapan Kar Adhiniyam*.

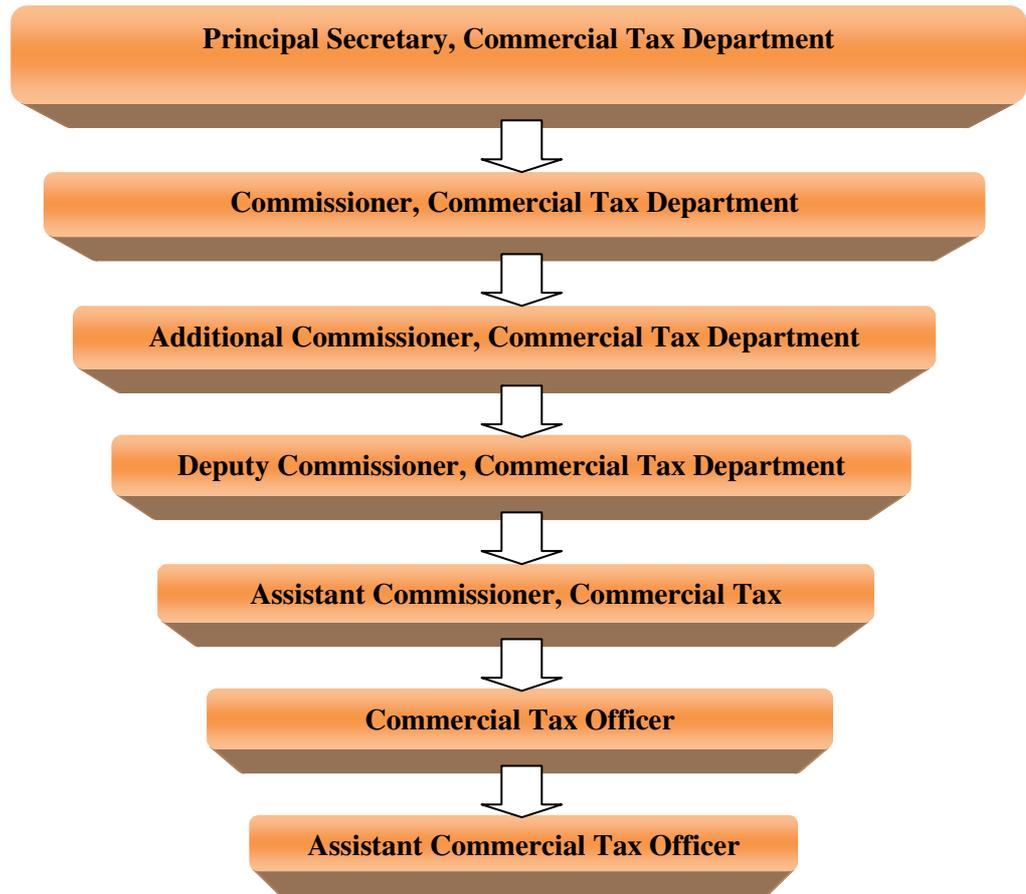
3.3.2 Organisation setup

Taxation Authorities and other Officers

The Principal Secretary, Commercial Tax Department is the Administrative head of the Department at the apex level. The Commissioner of Commercial Tax is the Head of the Department. The Commercial Tax Department functions under the overall control of Commissioner of Commercial Tax assisted by Additional Commissioners, Deputy Commissioners, Assistant Commissioners, Commercial Tax Officers, Assistant Commercial Tax Officers and Inspectors of Commercial Tax in discharge of such functions as may be assigned to him under the Act.

The organisational chart of the Department is as under:

Chart 3.2: Organisational Setup



Appellate Authority

As per Section 3-A of MPVAT Act, the State Government may, by order, appoint any officer not below the rank of Deputy Commissioner of Commercial Tax as the first Appellate Authority. The State Government has appointed seventeen² officers as first the Appellate Authority.

Appellate Board

As per Section 4 of MPVAT Act, the State Government shall constitute Appellate Board to exercise the powers and perform the functions conferred on the Appellate Board by or under this Act as the second appeal authority. The Appellate Board shall consist of a Chairman and such number of Judicial and Accountant Members as the State Government may decide. The Appellate Board shall be deemed to be a judicial body within the Indian Penal Code, 1860 and a Civil Court for the purpose of the Code of Criminal Procedure, 1973.

² **Additional Commissioner** Bhopal, Gwalior, Indore Zone-I , Indore Zone-II and Jabalpur;
Deputy Commissioner Bhopal, Chhindwara, Gwalior, Indore-I, Indore-II, Indore-III, Jabalpur, Khandwa, Ratlam, Sagar, Satna and Ujjain

3.3.3 Audit Objectives

The Audit was conducted to see:

- whether the provisions/procedures of filing and acceptance of appeal were scrupulously followed,
- disposal of the appeal cases were as per the provisions of Acts, Rules, Notifications, Circulars and the Court's decisions and
- provisions of Acts and Rules were adequate to safeguard the interest of revenue in appeal cases.

3.3.4 Audit Criteria

The audit findings are based on the following criteria;

- Section 46 of MPVAT Act
- Provisions of MPVAT Act, 2002, ET Act, 1976, CST Act, 1956 and LEAT Act, 2011.
- Rules and instructions, Circulars/exemption notifications issued by the State Government and decision of the Courts and Appellate Authority.

3.3.5 Scope of audit and methodology

The audit was carried out between January 2016 and June 2016 to examine orders of Appeal passed by the first Appellate Authority (Deputy Commissioner, Appeal/Additional Commissioner, Appeal) between 1 April 2011 and 31 March 2016 in nine³ out of total 17 appeal offices selected on the basis of Simple Random Sampling Method. Audit also examined records of Appellate Board to assess whether the provisions/procedures in filing, acceptance and disposal of appeal were scrupulously followed.

A total of 19,821 cases of appeal were disposed off by first appellate authorities between 2011-12 and 2015-16 in the test checked units. Out of this, we audited 10,108 cases (50 *per cent* approx.) and audit observations were made in 6,237 cases involving an amount of ₹ 434.51 crore.

• Acknowledgement

Indian Audit and Accounts Department acknowledges the cooperation of the Commercial Tax 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 7 April 2016. Audit findings were forwarded to the State Government and Department in June 2016 and were discussed with the Principal Secretary of the Department in the Exit Conference held on 3 September 2016. The views of the Government/Department have been suitably incorporated in respective paragraphs. All the recommendations of audit have been accepted by the Government/Department.

The compliance audit paragraphs included in this chapter were also discussed

³ Additional Commissioner Zone -II Indore and Jabalpur, Deputy Commissioner Appeal, Bhopal, Gwalior, Indore II, Indore III, Jabalpur, Satna and Sagar.

in this meeting. The Department stated that detailed replies on these paragraphs would be sent to audit in due course. However, replies of the Department have not been received (October 2016).

Audit Observations

3.3.6 Delay in disposal of appeal cases

3.3.6.1 First appellate authorities

Position of disposal of appeal cases during the period 2011-12 to 2015-16 by the first appellate authorities is given in **Table 3.2**

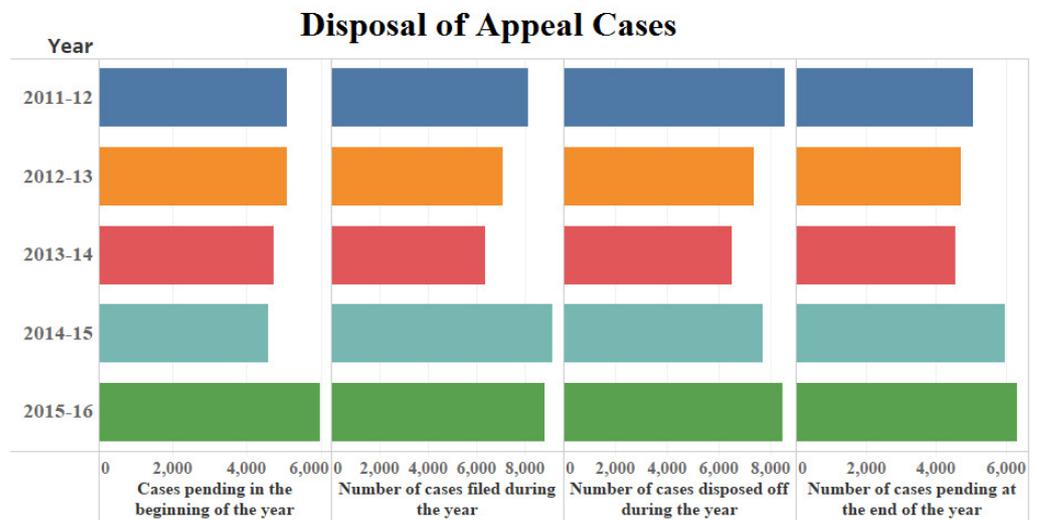
Table 3.2

Disposal of appeal cases by First Appellate Authority

Year	Cases pending in the beginning of the year	Number of cases filed during the year	Total	Number of cases disposed off during the year	Number of cases pending at the end of the year
2011-12	5494	8131	13625	8548	5077
2012-13	5077	7031	12108	7377	4731
2013-14	4731	6341	11072	6497	4575
2014-15	4575	9119	13694	7716	5978
2015-16	5978	8809	14787	8460	6327
Total				38598	

(Source: Information furnished by Commercial Tax Department)

Chart 3.3



From the above table, it can be seen that number of pending cases are increasing in last three years. The Department needs to put more efforts in order to reduce pendency.

3.3.6.2 Appellate Board (Second Appellate Authority)

During the year 2011-12 to 2013-14, 3,291 appeal cases were filed while, 1,956 cases were already pending at the beginning of 2011-12. Only 2,106 appeal cases were disposed off during 2011-12 to 2015-16. Thus 3,141 cases remained pending for disposal at various stages.

As per Section 46(8) of MPVAT Act, the Appellate Board shall dispose off every appeal within two calendar years from the date of filing of appeal.

Information regarding amount involved and age-wise breakup of pending cases were not maintained by the Appellate Board as well as by the Department. Position of disposal of appeal cases during the period 2011-12 to 2015-16 by the second appellate authority is given in **Table 3.3**.

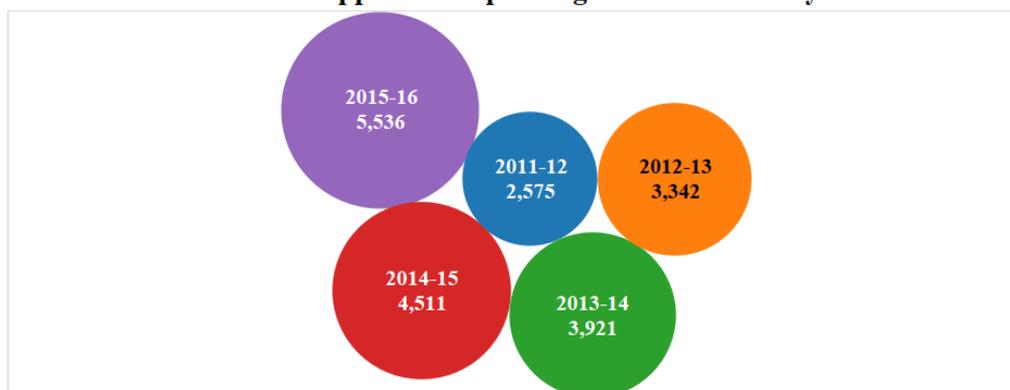
Table 3.3
Disposal of appeal cases by Second Appellate Authority

Year	Pending appeal cases in the beginning of the year	Number of appeal cases filed during the year	Total	Number of cases disposed off during the year	Number of appeal cases pending at the end of year
2011-12	1956	1108	3064	489	2575
2012-13	2575	1156	3731	389	3342
2013-14	3342	1027	4369	448	3921
2014-15	3921	1076	4997	486	4511
2015-16	4511	1319	5830	294	5536
Total				2106	

(Source: Information furnished by the Appellate Board)

Chart 3.4

Number of Appeal cases pending at the end of the year



It can be seen from the above Table that the number of pending appeal cases at second appeal level increased from 1956 cases at the beginning of the year 2011-12 to 5,536 appeal cases at the end of the year 2015-16. Thus, pending appeal cases doubled in this five year span. Reasons for not disposing the pending cases in time were not provided by the Appellate Board.

It was also noticed that 1,956 appeal cases were pending at the beginning of the year 2011-12 and 3,291 appeal cases were filed during 2011-12 to 2013-14. Hence, as per the prescribed time limit of two year for disposal, total 5,247 appeal cases should have been disposed off up to 2015-16. However, only 2,106 appeal cases were disposed off during five years. At this pace of disposal, it will take eight years for disposal of remaining 3,141 cases. This could result in adverse bearing on the tax revenue as well as on dealers who have grievances against assessment orders.

The Appellate Board replied (June 2016) that the proposal for amendment in Section 46(8) (b) and (8B) of the MPVAT Act regarding increase of time limit for disposal of appeal cases is under consideration at the Government level.

During exit conference the Government stated that matter would be taken up with the Appellate Board.

We recommend that timeline for disposal of appeal cases at various stages as stipulated in the Act may be scrupulously followed so that while revenue interest of the Department is safeguarded, the grievances of the aggrieved dealer may also be addressed in time.

3.3.7 Disposal of appeals

3.3.7.1 Appeal orders passed to reduce tax without obtaining Assessing Authority's views

A total of 6,229 cases involving tax of ₹ 434.17 crore were passed in favour of appellants without obtaining the views of the Assessing Authorities concerned.

As per provision of Section 46(8) of the MPVAT Act, the Appellate Authority may, if the order appealed against is not an *ex parte* order, confirm, reduce, enhance or annul the assessment or reassessment of tax or interest or imposition of penalty or both or pass such order as it may deem fit. The Appellate Authority may, before disposing of any appeal, make such further enquiry from the Assessing Authority concerned as it thinks fit. Further, as per instruction of the Commissioner of Commercial Tax Department vide circular No. 60 dated 20.01.2014, the Appellate Authority should obtain written note of the Assessing Authority in respect of each point raised by the appellant.

We observed in nine Appeal Offices⁴ between January 2016 and June 2016, that in 6,229 cases involving tax of ₹ 434.17 crore, disposed off between April 2011 and March 2016, the appeal orders were passed in favour of appellants without obtaining the views of the Assessing Authorities concerned. Even after the Commissioner's instruction dated 20.01.2014 to obtain written views of the AAs, the Appellate Authorities did not obtain views of AAs in 1829 cases while granting tax relief of ₹138.57 crore. Two illustrative cases are discussed in **Table 3.4**.

⁴Additional commissioner Zone -II Indore and Jabalpur, Deputy Commissioner Appeal Bhopal, Gwalior, Indore II, Indore III, Jabalpur, Sagar and Satna

Table 3.4
Illustrative cases where views of Assessing Authorities were not obtained
(₹ in lakh)

Sl. No.	Name of unit/ No. of cases	Amount of tax relief	Audit observation	Reply and our comments
1	DC Appeal, Satna /01	9.38	<p>The Check Post Officer levied tax and imposed penalty on transporter because during checking of vehicle it was found that the transporter carried plant and machinery without Form-49.</p> <p>The appellant argued in appeal that there was no intention of tax evasion because he transported plant and machinery from UP to MP to complete civil contract works, and after completion of works he took back above Plant and Machinery. Hence, Form 49 was not required.</p> <p>The Appellate Authority accepted appeal and granted relief without any detailed explanation in order passed and also without obtaining the views of AA. The check post officer correctly imposed penalty on transporter for not producing the Form 49 as Form 49 was mandatory for transportation of notified goods for all purposes. Moreover, the dealer for whom goods was being transported was defaulter as his registration was cancelled from 31.05.2014. Thus, penalty order of AA was correct as per Section 57(8) of MPVAT Act.</p>	<p>Appellate Authority replied (May 2016) that the dealer imported machinery for use in contract works only and that there was no intention of tax evasion as per "Explanation-clause" under Section 57(8) of MP VAT Act.</p> <p>We do not agree with the reply because machinery is notified goods and Form 49 is mandatory for all notified goods transported for any purpose. In the absence of Form 49, there is a possibility that the imported goods may not be included in the purchases account as these purchases were not in prior knowledge of the Department. Thus dealer's intention of tax evasion may not be ruled out.</p>
2	DC Appeal, Indore III / 01	7.02	<p>The AA determined turnover and levied VAT and interest on the basis of books of accounts and VAT Returns filed by the dealer.</p> <p>The appellate authority granted relief treating the transaction as branch transfer. The appeal order was passed without taking views of AA and was not as per provision because dealer collected tax on this branch transfer sale and sale was certified as per audited account.</p>	<p>The Appellate Authority replied (May 2016) that after verification of facts, action would be taken</p>

The mechanism of appeal is biased in favour of the appellants as original assessing authorities were not given any opportunity of being heard. Further, the Department did not prefer second appeal in any of the cases where decision was passed in favour of appellant as pointed out in subsequent paragraphs.

Passing the appeal orders without considering the views of assessing authorities may have resulted in insufficient analysis of all the facts of the cases and may have deprived the Department of the revenue in the shape of tax, penalty and interest.

During exit conference, the Government accepted audit observation and stated that the old circular issued in this regard would be reviewed, and if required, new circular would be issued directing the Appellate Authority to invariably

obtain the views of assessing authority. Subsequently, the Department issued (October 2016) instruction to the appellate authorities to follow Circular No. 60 dated 20.01.2014 and obtain written views of the AAs before passing the appeal orders.

We recommend that amendment may be carried out in the codal provisions to unequivocally incorporate the provisions by which assessing authority should be given an opportunity of being heard in order to incorporate their views for fair proceedings in appeal cases.

3.3.7.2 Mechanical acceptance of declaration forms by Appellate Authority

In 256 cases, the Appellate Authorities accepted declarations or certificates and allowed relief of tax amounting to ₹ 19.92 crore in favour of appellants, although requests for extension of time for submission of such declarations/certificates were not found in assessment and appeal files.

As per provisions of Rule 12 (7) of the Central Sales Tax (Registration and Turnover), 1957, the declaration in Form C or Form F or the certificate in Form E-I or Form E-II shall be furnished to the prescribed authority within three months after the end of the period to which the declaration or the certificate relates. It further provides that if prescribed authority is satisfied that the persons concerned was prevented by sufficient cause from furnishing such declaration or certificate within the aforesaid time, that authority may allow such declaration or certificate to be furnished within such further time as that authority may permit. As per Circular dated 20.09.2011 of the Commissioner of Commercial Tax, Madhya Pradesh, the appellate authority should not accept the declaration or certificate mechanically. They should examine and satisfy before passing an appeal order, that the person concerned was prevented by sufficient cause from furnishing such declaration or certificate within the aforesaid time.

The delayed submission of declaration forms is fraught with the risk of evasion and escapement of taxable turnover. Besides, the flaws/irregularities/incomplete forms/ fake forms cannot be detected timely.

We observed between January 2016 and June 2016 in nine Appeal Offices⁵, that in 256 cases out of 1,053 cases, disposed off between April 2011 and March 2016, the Appellate Authorities accepted declarations or certificates and allowed relief of tax amounting to ₹ 19.92 crore in favour of appellant. Request for extension of time regarding delayed submission of such declaration or certificate at the time of final assessment was not found in assessment order and appeal file. This indicated that in these cases, without ascertaining the facts that the person concerned was prevented from furnishing such declaration or certificate within the prescribed time impugned order was passed. Two illustrative cases are discussed in **Table 3.5**

⁵ Additional commissioner Zone -II Indore and Jabalpur, Deputy Commissioner Appeal Bhopal, Gwalior, Indore II, Indore III, Jabalpur, Sagar and Satna.

Table 3.5
Appellate Authorities allowed relief of tax without request for extension of time
(₹ in crore)

Sl. No.	Detail of unit/ No of cases	Tax relief allowed	Reply of Appellate Authority	Audit Comments
1	Additional Commissioner Zone Jabalpur/22	7.66	The Appellate Authority replied (April 2016) that the declaration form had been accepted after verification which is as per rule and valid.	Reply is not acceptable because the Appellate Authority has not verified whether the appellant had applied for time extension to produce declaration form in due course.
2	DC CT Appeal Indore III/60	4.35	The Appellate Authority replied (May 2016) that the selling dealer received all the central Forms C, F, and H from the purchaser dealer which was not in their control. Hence reason for delay is justified. It is procedural issue and there is no impact on revenue.	Reply is not acceptable because no request for time extension regarding delayed submission of such declaration or certificate at the time of final assessment was found in assessment order and appeal file.

During exit conference, the Government accepted the audit observations and stated that appropriate action would be taken on the issue. Subsequently, the Department instructed (October 2016) the appellate authorities to mandatorily obtain reasons for delay in submission of forms in writing from the appellants and to record the basis of acceptance of the reasons of delay in the appeal orders.

3.3.7.3 Incorrect waiver of penalty under Section 57 of MP VAT Act

The Appellate Authority incorrectly waived off penalty amounting to ₹ 1.08 crore in 30 cases of 12 dealers.

As per Section 57(2) of MP VAT Act, 2002, the driver or the person in-charge of a vehicle or carrier of goods in movement shall- (a) carry with him an invoice, bill, or challan or other document and prescribed declaration form issued by the consignor or consignee of the goods in movement and (b) stop the vehicle or carrier at every check post while entering and leaving limits of the State and if the transporter transporting goods carries with him an electronically issued declaration form specified in clause (a), particulars of which including date and approximate time of entering or leaving, as the case may be, in the State of Madhya Pradesh, have been uploaded on the official web portal of the Department, along with the documents, he shall be deemed to have complied with the requirement made under clause (b), where a transporter fails to furnish before the check post officer, all the documents including prescribed declaration forms, he shall be liable for penalty imposed upon him in accordance with provisions under Section 57(8) and Section 57(10) of the MP VAT Act. Further, it is provided under Section 57(8) where the explanation submitted lead to the conclusion that there is no possibility of sale of goods within the State of MP or there was no attempt to evade tax in respect of the goods, it shall be deemed that no violation of the provisions of sub-section (2).

The State Government has notified⁶ certain goods as 'sensitive' which should be transported with prescribed statutory declarations (Form 49) and documents. The Form 49 is a controlling document which provides information relating to a consignment of goods including details of the consigner, consignee and place where goods are loaded and destined to.

We observed between January 2016 and June 2016 in five Appeal Offices⁷ that in 30 cases of 12 dealers, disposed off between November 2011 and October 2015, the Appellate Authorities waived off penalty amounting to ₹ 1.08 crore on the basis of electronically issued declaration forms on considering that there was no intention of tax evasion by the dealer. However, in case files, it was found that AAs imposed penalty as per provisions of MPVAT Act as in these cases either Form 49 were not available with transporters or they produced such Form 49 which were already used, produced incomplete downloaded declarations or assessing authority found details of purchaser/seller/other details in bills as doubtful. Therefore, in these cases the Appellate Authority should have taken the views of the AAs as to why he felt that these were cases of evasion of tax and imposed penalty. Details of these cases along with replies of Appellate Authorities and our comments thereon have been mentioned in the **Appendix V**. Two illustrative cases are given in **Table 3.6**:

Table 3.6
Incorrect waiver of penalty

(₹ in lakh)

Sl. No.	Detail of unit/No of cases	Amount of penalty waived	Audit observations	Reply and our comments
1	DC Appeal, Indore-III/04 (given at serial No. 5 Appendix-V)	24.61	The appellant had explained in appeal that there was no intention of tax evasion and AA charged fine on the basis of technical /clerical mistake. The appellant also explained that Consignor and Consignee is same and firm transferred unblended tea from Guwahati. After blending, the tea was packed for sale in MP and out of State. The appellate authority accepted appeal in favour of the appellant considering Form 49 produced by appellant as new one and not reused on the basis that entries are not same in re-used Form 49 and it is only clerical mistake. Though the check post officer correctly imposed penalty on the transporter on the basis of bogus Form 49 (used, incomplete, downloaded and manipulated forms) available with the four numbers of vehicles which had entered in Madhya Pradesh transporting unblended tea and after 12 days they produced relevant Form 49 which were downloaded after seizure of vehicles. Thus transporter's intention of evasion of tax could not be ruled out.	The Appellate Authority replied (May 2016) that after verification of facts action would be intimated.
2	DC Appeal, Indore-III/01 (given at	27.81	The appellant had explained in appeal that there was no intention of tax evasion because he was importing Capital Goods	The Appellate Authority replied (May 2016) that there was no intention of

⁶ Notification No. A-3-195-2005-1-V-(25) dated 31-03-2006

⁷ Deputy Commissioner Appeal Gwalior, Indore III, Jabalpur, Sagar and Satna.

	serial No. 7 of Appendix-V)		for installation and not for sale. He also produced Form 49 after seizure of vehicle. The appellate authority accepted the appeal and granted relief of penalty, though the check post officer correctly imposed penalty on the transporter on the basis of failure to produce compulsory Form 49. Transporter's intention of evasion of tax could not be ruled out as the transporter downloaded Form 49 after seizure of the vehicle.	tax evasion as per "Explanation-clause" under section 57(2) because goods were not for sale in M.P., hence, penalty was not levied. We do not agree with the reply as the dealer knew all provisions very well and he also had facility to download Form 49 but did not download it. In the absence of Form 49, there is a possibility of the imported goods remaining unaccounted for and also the purchase not coming to notice of the Department in absence of Form 49 for the purpose of taxation. Hence dealer has intention of tax evasion.
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However, during exit conference, the Government replied that facts of these cases would be scrutinised and action would be taken accordingly.

3.3.7.4 Input tax rebate not reversed/short reversed in the cases of goods stock transferred out of State

In nine cases of seven dealers, the Appellate Authority granted relief without reversing the input tax rebate amounting to ₹ 87.15 lakh.

As per Section 14(5)(a)(i) of the MP VAT Act 2002, where a registered dealer has claimed and adjusted input tax rebate towards the tax payable by him according to his return, such dealer shall in the event of disposal of, such goods or goods, specified in scheduled II, manufactured or processed or mined out of such 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, be liable to pay the amount of input tax or the amount at the rate of four *per cent* of the purchase price, net of input tax, of such goods, whichever is lower, towards the input tax rebate in respect of the aforesaid goods adjusted by him.

We test checked appeal cases between January 2016 and June 2016 in four Appeal Offices⁸ and found in nine cases of seven dealers disposed off between September 2011 and August 2014, the Appellate Authority granted relief without reversing ITR amounting to ₹ 87.15 lakh as mentioned in **Appendix VI** along with reply of the Appellate Authorities and our comments thereon. A few instances are given in **Table 3.7**.

⁸ Additional Commissioner Appeal Jabalpur, Deputy Commissioner Appeal Bhopal, Gwalior and Jabalpur

Table 3.7
Illustrative cases showing Input tax rebate not reversed/short reversed

(₹in lakh)

Sl. No.	Detail of unit	Name of Appellant, TIN, Period Appeal Case no. and date of appeal order	Amount of ITR short/not reversed	Audit observations	Reply and our comments
1	Additio nal Commis sioner Jabalpur	M/s Sharda Maa Enterprises Pvt. Ltd. Katni, 2371620418 0, 2010- 1180/2013- 14 VAT & 25/2013-14 CST 21-04-14	39.92	The AA rejected Stock transfer of ₹ 20,58,18,458 as Form F not submitted hence levied central tax on such amount treating as interstate sale and allowed full claimed ITR without reversal. During appeal, the Appellate authority allowed stock transfer value of ₹ 20,58,18,458 after submission of Forms F and granted relief of CST without reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	No reply was given.
2	Additio nal Commis sioner Jabalpur	M/s Birla Corporation Ltd Satna, 2375700014 0, 2008- 09133/12 21-01-13	16.59	The AA reversed ITR on purchases of plant and machinery in respect of stock transfer of manufactured goods in proportion of stock transfer. During appeal, the Appellate authority granted relief of such ITR reversal by elaborating that there should be no proportionate reversal of ITR pertaining to plant and machinery even if there is stock transfer of manufactured goods. Moreover the reversal done by AA was as per section 14(5)(a)(i) of the MP VAT Act 2002.	No reply was given.
3	DC CT Appeal Bhopal	M/s Sanfield India Bhopal, 2389360263 8, 2010- 11404/13 26-03-14	5.48	The AA rejected Stock transfer of ₹ 8,73,77,566/- as Form F not submitted, hence levied central tax on such amount treating as interstate sale and allowed full claimed ITR without reversal. During appeal, the Appellate authority allowed stock transfer value of ₹ 8,73,77,566/- after submission of Form F and granted relief of CST without reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	The Appellate authority stated that reply would be submitted after verification.

During Exit Conference, the Government replied that facts of the cases would be scrutinised and action would be taken accordingly.

3.3.7.5 Application of incorrect rate of tax by the Appellate Authority

In 11 cases of 11 dealers, Appellate Authority granted incorrect relief of tax of ₹ 86.98 lakh in favour of appellant by applying lower rates of tax.

The MPVAT Act, read with the Central Sales Tax (CST) Act, and notifications issued thereunder specify the rates of VAT leviable on different commodities. Under the MPVAT Act, a dealer is liable to pay penalty under Section 21(2) of the Act *ibid* at minimum three times but not exceeding 3.5 times of assessed tax where omission leading to assessment is attributable to dealer.

We test checked appeal cases between January 2016 and June 2016 in six Appeal Offices⁹, and found that in 11 cases of 11 dealers disposed off between June 2011 and October 2014, the AAs levied tax on sale of motor parts, wiring harness and old /second hand motor car, home UPS, machinery and Cement as per schedule rate while the Appellate Authority granted incorrect relief of tax in favour of appellant by applying lower rates of tax. This resulted in short levy of tax amounting to ₹ 86.98 lakh, as mentioned in **Appendix VII** along with replies of the Appellate Authorities and our comments thereon. A few illustrative cases are discussed in **Table 3.8**:

Table 3.8
Application of incorrect rate of tax by the Appellate Authority

(₹ in lakh)

Sl. No	Detail of Unit /No of cases	Commodity	Rate of tax applicable/applied	Amount of relief	Audit observation	Reply and our comments
1	DCCT Appeal Jabalpur/04 (given at serial No. 3,4,5 and 6 of APPENDIX - VII)	Old Motor Vehicles	12.5/1.5	7.29	On the sale of Old Car/Vehicle appellate authority allowed tax rebate to dealer. However, in the year 2006-07, old car/Vehicle was taxable @12.5 per cent.	Appellate authority Jabalpur and Sagar replied that as per second amendment of Act (w.e.f 1.4.06) those motor vehicles which were registered under MP Transport Department are taxable @ 1.5 per cent as per II/III/9. Reply is not acceptable because as per entry of schedule, rate of tax is 1.5 per cent on "old and second hand motor vehicles" where principal business is of buying and selling of motor cars. However in the instant cases, the principal business of the dealers was other than buying and selling of motor cars hence not covered under the said notification. In the case of DCCT III Indore, Appellate Authority accepted the audit observation.
	DCCT Appeal Sagar/01 (given at serial No. 11 of APPENDIX - VII)			0.15		
	DCCT Appeal Indore III/01 (given at serial No. 9 of APPENDIX - VII)			0.66		
2	DC CT Appeal Satna (given	Old Motor Vehicle	12.5/4	1.756	The Appellate Authority	The Appellate Authority replied that the records of original assessment had

⁹ Additional commissioner Jabalpur, Deputy Commissioner Appeal Indore II, Indore III, Jabalpur, Sagar and Satna

	at serial No. 7 of APPENDIX - VII)				short levied VAT due to wrong calculation of taxable value of higher rate sale.	been returned to the AO after disposal of appeal; hence no action is required at appeal level. Reply was not acceptable as VAT was short levied at the instance of orders of appellate authority.
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During exit conference, the Government replied that facts of the cases would be scrutinised and action would be taken accordingly. Further reply has not been received (October 2016).

3.3.7.6 Entry Tax not levied / short levied

In 12 cases of 12 dealers, the Appellate Authority allowed incorrect relief of entry tax amounting to ₹ 74.47 lakh.

As per the Entry Tax Act, 1976 and Rules and notifications issued thereunder, Entry Tax (ET) is leviable at the specified rates on the goods entering into local area for consumption, use or sale therein under the *Adhiniyam* and the MPVAT Act, 2002.

We test checked case files related to cases of entry tax and found that AAs levied entry tax after determination of taxable turnover on the basis of audited account/purchase list/bill invoices etc., and tax was levied as per entry tax schedule. However, in appeal orders passed between January 2016 and June 2016 in seven Appeal Offices¹⁰, we found that in 12 cases of 12 dealers disposed off between November 2011 and October 2015, the Appellate Authority allowed incorrect relief of entry tax amounting to ₹ 74.47 lakh as mentioned in the **Appendix VIII** along with reply of the Appellate Authorities and our comments thereon. A few instances are given in **Table 3.9**:

Table 3.9
Cases showing Appellate Authority allowed incorrect relief of entry tax

Sl. No.	Detail of unit	Name of Appellant, TIN, Period Appeal Case no. and date of appeal order	Name of commodity / amount of Entry Tax	Audit observation	Reply and our comments
1	Additional Commissioner Jabalpur	M/s Sharda Maa Enterprises Pvt. Ltd. Katni, 23716204180 / 2010-11 118/13-14 21-04-14	Coal / 29.42	The appellant claimed entry tax exemption on the basis of declaration certificate provided by dealer M/s Prism Cement TIN 2331700844, however, as per sale bills, the aforesaid sale certified to another dealer M/s Prism cement having TIN 23127002475.	No reply was given by appellate authority.
2	Additional Commissioner Zone II, Indore	Ms Prakash Solvex Indore, 23361400981 /2008-09 08/11 21-03-12	RBD Palm Oil / 7.65	The Appellate Authority granted relief to the appellant on the basis of material of closing stock (2008-09), which had been stock-transferred in the year 2009-	Appellate authority replied that the objection is raised on assumption basis only. Reply was not

¹⁰ Additional Commissioner Appeal-II Indore and Jabalpur, Deputy Commissioner Appeal Gwalior, Indore III, Jabalpur, Sagar and Satna.

				10. The Appellate Authority did not verify fact that the dealer also claimed deduction of purchase value of those stock transferred goods for computation of ET in the year 2009-10. However the AA also allowed deduction of ET on the basis of stock- transfer in the year 2009-10.	acceptable because it is certified from next year (2009-10) assessment order of ET itself, that the dealer claimed deduction of entire stock on purchase value of transferred goods for computation of ET and the AA allowed the same.
3	DC CT Appeal Indore-III	M/s Associated Alcohol & Breweries Limited, Indore, 23581200555/2004-05 173/10 14-11-11	Decayed Cereals/ 16.61	The AA levied ET @ one <i>per cent</i> on purchases of imported <i>decayed cereals</i> as per entry tax schedule-II, entry no.-57 "all kinds of cereals and pulses". The appellate Authority granted relief of ET to appellant by treating that <i>decayed cereals</i> are not covered in cereal because it is useless to human as well as animal. However, there was no specific entry of <i>decayed cereals</i> and dealer used <i>decayed cereals</i> as raw material in manufacture of liquor, hence <i>decayed cereals</i> are taxable as per entry tax schedule-III entry no 1- "all goods other than those specified under schedule-I and II are taxable at the rate of one <i>per cent</i> ".	The Appellate Authority replied that after verification of the facts action would be intimated.

During Exit Conference, the Government replied that facts of the cases would be scrutinised and action would be taken accordingly.

3.3.8 Second appeal not preferred in permissible cases.

As per Act, even though Commissioner has the power to prefer second appeal, in 476 cases, the Appellate Authority allowed relief of tax amounting to ₹ 291.86 crore in favour of appellant but the Department did not prefer second appeal in any of the cases. Moreover, the Act does not contain any enabling provision for filing of a second appeal by authorities other than Commissioner.

As per provisions of Section 46 (3) of the Act, where the Commissioner considers any order passed by any appellate authority other than Deputy Commissioner erroneous, he may file an appeal against such order before the Appellate Board within two calendar years from the date of such order.

During audit we test checked appeal orders between March 2016 and April 2016 in two Appeal Offices – Additional Commissioner Zone II Indore and Zone Jabalpur and found in 1216 cases, disposed off between April 2011 to March 2015 that the Appellate Authority allowed relief of tax amounting to ₹ 291.86 crore in favour of appellant in 476 cases, as detailed given in **Table 3.10**.

Table 3.10
Cases where the Department did not prefer second appeal

(₹ in crore)

Sl. No.	Name of Office of the Appellate Authority	Number of cases in which appeal order passed in favour of appellant	Amount of appeal order
1	Additional Commissioner, Appeal Zone- Jabalpur	209	43.10
2	Additional Commissioner, Appeal Zone- II Indore	267	248.76
Total		476	291.86

As per Act, even though Commissioner has the power to prefer second appeal, in cases that were decided in favour of appellant in first appeal, the Department did not prefer second appeal against the order passed by the appellate authority in any of the cases. There was nothing on record to suggest that Commissioner scrutinised these cases to justify that second appeal was not required in cases where appellate authority gave decision in favour of appellant.

Further, the Act does not have provisions by which second appeal could be filed by the Commissioner in cases where he considers any order passed by the Deputy Commissioner (Appeal) erroneous. Further the Act does not contain any enabling provision for filing of a second appeal by an authority other than Commissioner.

During Exit Conference, the Department accepted the fact and said that Act will be amended so that in future all such cases where the Appellate Authority decided the cases in favour of assessee, appeal order will be reviewed by the competent authority and action of second appeal will be followed accordingly.

We recommend that adequate provisions may be made in the Act to empower the assessing authorities to appeal against the orders of the appellate authorities, in cases where AA is of the view that certain provisions of the Act were ignored or overlooked while passing the order in favour of appellant dealer.

3.3.9 Conclusion

- The first Appellate Authorities accepted the cases of appeal filed by the dealers who did not deposit the requisite amount for filing of appeal.
- The first Appellate Authorities accepted cases of appeal filed by the dealers which were delayed beyond stipulated period. Appeal cases were not disposed off in a timely manner in second appeal.
- In respect of cases decided in first appeal in favour of appellant, the Department did not prefer second appeal against the order passed by the appellate authority. There was nothing on record that the Commissioner scrutinised these cases to ascertain that second appeal was not required in cases where appellate authority gave decisions in favour of appellant.

3.3.10 Recommendations

- The Appellate Authority may admit only those appeal cases where requisite amount is deposited with the memorandum of appeal, in consonance with the Section 46 (5) of the MP VAT Act.

- Amendment may be carried out in the codal provision to incorporate a provision by which the Assessing Authority should be given an opportunity of being heard in order to incorporate their views for a fair trial in appeal cases.
- Adequate provisions may be made in the Act to empower the assessing authorities to appeal against the orders of the Appellate Authorities, where Assessing Authorities are of the view that while considering the appeal of the dealer, certain provisions of the Act were ignored or overlooked while passing the order in favour of appellant dealer.

All recommendations were accepted by the Department (September 2016).

Other audit observations

3.4 Irregular grant of deduction

While determining the turnover, the Assessing Authorities allowed deduction of tax from the aggregate of sale price, though tax was not included in the sale price. This irregular grant of deduction resulted in short levy of tax of ₹ 8.76 crore and penalty of ₹ 22.60 crore.

Section 2 (x) (iii) of the MP VAT Act, 2002 provides a formula to arrive at the amount of taxable turnover. It also provides that no deduction on the basis of formula shall be made if the amount by way of tax collected by registered dealer had been otherwise deducted from the aggregate of sale prices or not included in the sale prices.

We test checked 18,850 assessment cases in four Divisional offices¹¹, two Regional offices¹², and five circle offices¹³, between July 2015 and April 2016 and found that in 12 cases of 11 dealers, assessed between June 2013 and February 2015 for the period between 2010-11 and 2012-13, the AAs, while determining the turnover, allowed deduction of tax from the aggregate of sale price. Since the tax was not included in the sale price, no deduction should have been allowed. This irregular grant of deduction resulted in short levy of tax of ₹ 31.37 crore including penalty of ₹ 22.60 crore, as shown in **Appendix IX**.

We reported the matter to the Government and Department between April 2016 and July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.5 Application of incorrect rate of tax

The Assessing Authorities applied incorrect rates of tax on turnover of ₹ 75.29 crore which resulted in short levy of tax amounting to ₹ 11.23 crore including penalty of ₹ 5.70 crore.

As per Section 9 (1) of Madhya Pradesh VAT act 2002, tax shall be levied on goods specified in schedule-II, at the rate mentioned in the corresponding entry in column (3) thereof and such tax shall be levied on the taxable turnover

¹¹ DCCT Bhopal I, Gwalior-I, Indore – II and Ujjain

¹² ACCT Indore I and Indore II

¹³ CTO Bhind, Bhopal I, Narsinghpur, Indore XIV, and Shivpuri

of dealer liable to pay tax under this Act. Photocopy machine/parts/accessories, Battery, Inverter, Knives, Gas lighter, Tractor accessories are commodities taxable at the rate of 13 per cent under entry No.1 of Part-IV of Schedule-II of VAT Schedules.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 26,076 assessment cases in two Divisional offices¹⁴, four Regional offices¹⁵ and 14 Circle offices¹⁶ between April 2015 and April 2016 and found that in 27 cases of 24 dealers assessed between April 2013 to September 2015 for the period between April 2010 and March 2013, the AAs applied lower rate of tax on turnover of ₹ 75.29 crore due to incorrect classification of goods. This resulted in short levy of VAT of ₹ 5.53 crore and penalty of ₹ 5.70 crore thereon as shown in **Appendix X**. Replies of the AAs and our comments thereon are given in the Appendix.

We reported the matter to the Government and the Department between November 2015 and August 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.6 Input Tax Rebate

3.6.1 Allowance of inadmissible input tax rebate

The Assessing Authorities allowed input tax rebate of ₹ 6.76 crore which was not in accordance with relevant provisions and rules. This resulted in short realisation of ₹ 10.32 crore including penalty of ₹ 3.56 crore.

As per Section 14 of MPVAT Act, where a registered dealer purchases any goods specified in Scheduled II of the Act, other than those specified in part III of the said Schedule within the state of the Madhya Pradesh, from another registered dealer after payment of input tax, he shall be allowed input tax rebate (ITR) of the amount of such input tax for the same year. Under Rule 9 of the MPVAT Rules 2006, no input tax rebate shall be claimed or be allowed if the bill, invoice or cash memorandum does not indicate separately the amount of tax collected by the selling registered dealer.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 35,209 cases in three Divisional Offices¹⁷, four Regional Offices¹⁸ and 20 Circle Offices¹⁹ (between March 2015 and March 2016) and found that in 51 cases of 47 dealers, assessed between July 2013 and March 2015 for the period between 2010-11 and 2013-14, the assessing authorities allowed inadmissible ITR on evaporation of petrol and diesel, ITR granted on purchases in excess of that shown in audited accounts and allowed ITR on notified goods. This resulted in grant of inadmissible ITR of ₹ 6.76

¹⁴ DCCT Bhopal II and Khandwa
¹⁵ ACCT Chhindwara, Indore II, Indore IX and Neemuch
¹⁶ CTO Annuppur, Betul, Bhind, Gwalior IV, Indore II, Indore VII, Indore IX, Indore XII, Indore XIV, Indore XV, Jabalpur I, Khandwa, Shivpuri, and Waidan
¹⁷ DCCT Bhopal II, Gwalior I and Jabalpur II
¹⁸ ACCT Gwalior I, Indore II, Ratlam and Sagar
¹⁹ CTO Anuppur, Balaghat, Betul, Chhindwara I, Damoh, Gwalior II, Gwalior III, Gwalior IV, Indore II, Indore IX, Indore XIV, Jabalpur I, Guna, Itarsi, Katni II, Khandwa, Narsinghpur, Rewa, Sagar and Shivpuri

crore. Penalty of ₹ 3.56 crore was also leviable against this inadmissible ITR. This resulted in short realisation of revenue amounting to ₹ 10.32 crore as shown in **Appendix XI**. Replies of the AAs and our comments thereon are given in the Appendix.

We reported the matter to the Government and the Department between November 2015 and July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.6.2 Input tax rebate not reversed/short reversed in the cases of goods stock transferred out of State

The Assessing Authorities did not make reversal or made short reversal of input tax rebate in the ratio of stock transferred to branch offices. As a result, reversal of ITR amounting to ₹ 11.46 lakh was not done.

Input tax rebate should be allowed to the dealers after due verification of returns submitted by them and purchases shown in certified audited accounts. Further, As per Section 14(5)(a)(i) of the MP VAT Act 2002, where a registered dealer has claimed and adjusted input tax rebate towards the tax payable by him according to his return, such dealer shall in the event of disposal of, such goods or goods, specified in scheduled II, manufactured or processed or mined out of such 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, be liable to pay the amount of input tax or the amount at the rate of four *per cent* of the purchase price, net of input tax, of such goods, whichever is lower, towards the input tax rebate in respect of the aforesaid goods adjusted by him.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 35,029 cases in Divisional Office, DCCT, Sagar and Circle Office, CTO, Balaghat (between July 2015 and September 2015) and observed that in three cases of three dealers, assessed (between September 2013 and January 2015) for the period between 2010-11 and 2012-13, the assessing authorities did not make reversal or made short reversal of ITR in the ratio of stock transferred to branch offices. As a result, reversal of ITR amounting to ₹ 11.46 lakh was not done. A penalty of ₹ 1.35 lakh was also leviable thereon (**Appendix XII**).

After this was pointed out, the CTO, Balaghat stated that action would be taken after verification, while the DCCT, Sagar in respect of two cases, stated that ITR reversal given in the ratio of branch transfer and gross sale.

We do not agree with the reply as ratio of stock transferred and gross sale should have been calculated after deducting the value of scrap sale, canteen sale and VAT from gross turnover, which was not done in these cases.

We reported the matter to the Government and Department between 2015 and July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.7 Incorrect determination of Turnover

The Assessing Authorities under determined the taxable turnover by ₹ 51.63 crore against the turnover recorded in the audited books of accounts/sale list/relevant records of the dealers, as a result, tax of ₹ 10.24 crore including interest of ₹ 1.90 crore and penalty of ₹ 5.22 crore could not be levied.

According to Section 2 of the Madhya Pradesh *Vanijyik Kar Adhiniyam* 1994 and the Madhya Pradesh VAT Act 2002, turnover in relation to any period means the aggregate of sale prices received and receivable by a dealer in respect of any sale or supply or distribution of goods made during that period, excluding the amount of sales return within the prescribed period. For the purpose of determining taxable turnover (TTO), the *Adhiniyam* and the Madhya Pradesh VAT Act provides for deduction from turnover the sale price of tax paid goods and the amount of tax, if included in the aggregate of sale prices. Further, Section 21(3) provides that the assessment or re-assessment under Sub-section (1) shall be made within a calendar year from the date of commencement of the proceedings. Further, a dealer is liable to pay interest at the rate of 1.5 per cent per month under Section 18 (4) (a), if he fails to pay tax payable by him according to the periodic returns and also liable to pay penalty under Section 21(2) of the Act *ibid* at minimum three times of the assessed tax, where omission leading to assessment is attributable to the dealer.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 35,274 cases in seven Divisional Offices²⁰, seven Regional Offices²¹ and 20 Circle Offices²² (between March 2015 and April 2016) and found that taxable turnover in 56 cases of 53 dealers, assessed between July 2013 and March 2015 for the period between 2010-11 and 2012-13 was under determined by ₹ 51.63 crore as against the turnover recorded in the audited books of accounts/sale list/relevant records of the dealers. As a result, tax of ₹ 10.24 crore including interest of ₹ 1.90 crore and penalty of ₹ 5.22 crore could not be levied. Details along with reply of the AAs and our comments thereon are given in the **Appendix XIII**.

We reported the matter to the Government and the Department between November 2015 and July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.8 Entry Tax not levied/short levied/exempted without declaration form

Entry Tax on goods like iron and steel, machinery, HDPE sheet, TMT bars, coal, limestone, tiles etc. having turnover of ₹ 184.43 crore, was either not levied or was levied at incorrect rates on their entry into local area or AAs granted incorrect exemption of ET to the dealer without submission of prescribed declaration form. As a result, entry tax of ₹ 9.27 crore including penalty of ₹ 2.01 crore could not be realised.

²⁰ DCCT Chhindwara, Indore II, Indore (LTPU), Khandwa and Sagar

²¹ ACCT Gwalior I, Gwalior II, Indore I, Indore II, Indore III, Indore XI and Sagar I

²² CTO Anuppur, Balaghat, Betul, Bhopal VI, Burhanpur, Chhindwara I, Chhindwara II, Gwalior III, Gwalior IV, Gwalior XIV, Hoshangabad, Indore II, Indore XIV, Jabalpur I, Khandwa, Mandsour, Nawgaon, Ratlam II, Rewa and Sagar

Under the Madhya Pradesh *Sthaniya Kshetra Me Mal Ke pravesh Par Kar Adhiniyam*, 1976 and Rules and Notification issued thereunder, entry tax (ET) is leviable at the specified rates on the goods entering into local area for consumption, use or sale therein. Under the *Adhiniyam* and the MPVAT Act 2002, a dealer is liable to pay penalty where omission leading to assessment is attributable to dealer.

As per Notification No. 21 and 22 dated 4 April 2005, registered dealers who establish a new industrial unit in the state of Madhya Pradesh and hold an eligibility certificate in respect of Exemption Scheme 2004 is exempted from the payment of Entry Tax (ET), when they enter into local area any goods specified in Schedule II and III for consumption or use as raw material or for use as an incidental goods or for use in the packing of goods manufactured in his industrial units; or when the goods specified in schedule II are entered into a local area by a dealer, for sale and such goods are accordingly sold by him to another such dealer of any local area against a declaration in form appended to the Notification to the effect that the goods being purchased are intended for consumption or use as raw material or incidental goods in his industrial unit, are exempted from ET.

We test checked records such as assessment orders, audited accounts, purchase list etc. in respect of 36,037 cases, (Between May 2015 and March 2016) of six Divisional offices²³, eight Regional offices²⁴ and 22 Circle offices²⁵ and found that in 59 cases of 58 dealers, assessed/reassessed (between September 2013 and March 2015) for the period 2010-11 to 2013-14. We observed that Entry Tax on goods like iron and steel, machinery, HDPE sheet, TMT bars, coal, limestone, tiles etc. valued at ₹ 102.77 crore, was either not levied or was levied at incorrect rates on their entry into local area or incorrectly granted exemption of ET to the dealer on the purchase value of goods sold to unit exempted under ET Exemption Scheme 2004, although the dealer did not submit the prescribed declaration form. As a result of this, entry tax amounting to ₹ 9.27 crore including penalty of ₹ 2.01 crore could not be realised. Details along with reply of the AAs and our comments thereon are given in the **Appendix XIV**.

We reported the matter to the Government and the Department between November 2015 and July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.9 Penalty not imposed

Assessing Authorities did not impose penalty on dealers under Section 21, although omissions leading to assessment were attributable to the dealers. This resulted in short realisation of revenue of ₹ 5.39 crore.

Section 21 of the Madhya Pradesh VAT Act provides that where an assessment or reassessment has been made under the Act and for any reason

²³ **DCCT** Bhopal I, Bhopal II, Chhindwara, Indore II, Sagar and Ujjain
²⁴ **ACCT** Sagar II, Indore I, Indore II, Indore III, Chhindwara, Sagar I, Gwalior I and Ratlam
²⁵ **CTO** Satna II, Jabalpur II, Narsinghpur, Hoshangabad, TAW-2 Indore, Indore III, Indore IX, Shahdol, Jabalpur IV, Indore VII, Bhopal VI, Indore VIII, Balaghat, Anuppur, Waidhan, Damoh, Betul, Morena, Indore XIV, Indore VIII, Indore IX and Gwalior IV

any sale or purchase of goods liable to tax during any period, has been under-assessed or has escaped assessment or any wrong deduction has been made or rebate of input tax has incorrectly been allowed while making the assessment, is rendered erroneous and prejudicial to the interest of revenue, the Commissioner may at any time within the specified period by issue of a notice assess or reassess to tax. And where the omission leading to assessment or reassessment is attributable to the dealer impose upon him a penalty which is minimum three times of the tax so assessed.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 3,832 cases (between March 2014 and March 2015) in one Regional Office(ACCT Indore II) and three circle offices (CTO – Damoh, Dhar and Waidhan). It was observed that in the cases of four dealers (out of 3,832 cases examined) assessed under Section 21 of the Act between December 2013 and February 2015 for the period between 2009-10 and 2011-12, the AAs while finalising the assessment levied interest and penalty as per Section 18 and 39 of the Act instead of imposing penalty under Section 21 of the Act, as it was evident that dealers got C Forms of more value than the sale verified on TINXYS. This was a deliberate act of omission on the part of the dealer, leading to underassessment. This resulted in short realisation of revenue of ₹ 5.39 crore as shown in the **Appendix XV**. Reply of the AAs and our comments thereon are given in the Appendix.

After we pointed out, the CTO Waidhan, stated (March 2016) that taxation has been done as per Section 21 and Rule 31 (2) (3) the best of judgment after considering the surrounding circumstances.

We do not agree with the reply as Rule 31 (2) and (3) are applicable in only such cases where dealer had submitted any evidence at the time of assessment or reassessment after considering the objection raised by the dealer and examining such evidence. However, in this case, the dealer was neither submitted any account or presented himself. The dealer also did not raise any objection, thus penalty under Section 21(2) was leviable on the dealer.

We reported the matter to the Government and the Department between April 2016 and August 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.10 Tax not levied on material procured for contract work

Department incorrectly determined the turnover and did not levy tax on certain items procured by contractor for use in project. This resulted in short levy of tax amounting to ₹ 2.48 crore.

As per section 2(z) of Madhya Pradesh VAT Act 2002, turnover, in relation to any period means the aggregate of the amount of sale prices received and receivable by a dealer in respect of any sale or supply or distribution of goods made during that period, whether or not the whole or any portion of such turnover is liable to tax but after deducting the amount, if any, refunded by the dealer to a purchaser, in respect of any goods purchased and returned by the purchaser within six months from the date of such sale.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 117 cases (in February 2016)in Divisional

office, Jabalpur and found that in the case of a dealer (M/s G.K.C. Projects Limited), engaged in the work of Omkareshwar Project, assessed in April 2014 for the assessment year 2011-12, the AA while finalising the assessment, incorrectly determined the taxable turnover at ₹ 94.05 crore against the taxable turnover of ₹ 143.66 crore (Steel procurement ₹ 101,63,87,240 and Pipes ₹ 42,02,87,175) as evident from the memorandum of payment and running bills. This resulted in the short realisation of tax of ₹ 2.48 crore on differential turnover of ₹ 49.62 crore at the tax rate of five *per cent*.

After we pointed out, the AA stated (February 2016) that the total of sale price of goods transferred in work contract in a year is Gross Turnover (GTO) and not the Gross Receipts, because gross receipts includes labour, services, profit on labour etc. which does not come under the definition of “Goods” and tax cannot be levied on such receipts. In audit objection calculation has been made without making difference in GTO and GR which is against the principle and not fair because taxation cannot be done on GR in any condition.

We do not agree with the reply as after deducting the amount of mobilisation and machinery advances given to the dealer from total receipt of ₹ 152.16 crore, the amount of ₹ 101.64 crore paid against the supply of MS Plate (Steel procurement) and ₹ 42.03 crore is against supply of pipes according to Memorandum of payment No.15, 11th Running bill and Memorandum of payment No.16, 9th running Bill.

We reported the matter the Government and the Department in July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.11 Short levy of tax/ irregular grant of exemption/concession under Central Sales Tax Act

Assessing authorities while finalising the assessment in two cases applied concessional rate on the sale, which was not supported by Form ‘C’, allowed concessional rate on Form ‘C’ of Madhya Pradesh State in one case, granted concession on the basis of false declaration form and made incorrect calculation in other. This resulted in Short realisation of tax of ₹ 1.34 crore. Besides, penalty of ₹ 55.84 lakh was also leviable.

Under Section 8 of CST Act, every dealer, who in the course of inter-state trade or commerce, sells to a registered dealer, goods of the classes specified in the registration certificate of the dealer, shall be liable to pay tax, which shall be two *per cent* of his turnover, provided that such sale is supported by declaration in Form ‘C’. Further, if the selling dealer fails to furnish the prescribed declaration form obtainable from purchasing dealer, he shall be liable to pay tax on his interstate sale turnover at the rate applicable to the sale or purchase of such goods inside the appropriate State.

Under the provisions of Section 8(2) of the CST ACT, tax on inter-state sales of goods supported by the prescribed declaration in Form ‘C’ shall be levied at the rate of two *per cent*, otherwise rate of tax prevailing in the state shall be applicable. Further, as per Section 9(2) of CST Act, read with Section 21(2) of VAT Act, if the omission leading to assessment or reassessment is

attributable to the dealer he shall be liable to pay penalty which is three times of the tax so assessed.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 954 cases, two Divisional offices (Dy. Commissioner Div. II, Indore and Tax Audit Wing, Indore), three regional office²⁶ and two circle offices²⁷ and office of Deputy Commissioner, Tax Audit Wing Gwalior (between July 2014 and March 2016) and observed that in cases of four dealers, (assessed between June 2014 and February 2015 for the period between 2011-12 and 2012-13), the assessing authority while finalising the assessment in two cases applied concessional rate on the sale not supported by Form 'C' whereas in rest two cases, allowed concessional rate on Form 'C' of Madhya Pradesh State in one case and made incorrect calculation in other. And in five cases of five dealers out of 4,064 cases examined, the assessing authority allowed concessional rate of tax on interstate sale of ₹ 371.99 lakh supported with declaration in Form 'C'. On cross verification from TINXSYS it was found that these declaration Forms were either not issued by the concerned circle offices of the other state or issued to some other dealer or issued for lesser amount than as shown in the dealer's copy.

This resulted in short realisation of tax of ₹ 1.34 crore and penalty of ₹ 55.84 lakh, the details of which and reply of assessing authority in respect of each observation and our comments thereon are mentioned in the **Appendix XVI**.

The matter was reported to the Government and the Department in June 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.12 Sales incorrectly treated as tax free/tax paid

The assessing authorities (AAs), while assessing the cases, did not levy tax on the taxable commodities like Auto LPG, Drip line, Pesticides, etc., valued at ₹ 3.87 crore by incorrectly treating them as tax free goods. This resulted in short levy of tax of ₹ 69.08 lakh. Besides, a penalty of ₹ 15.71 lakh was also leviable.

The Madhya Pradesh VAT Act, and notifications issued thereunder prescribe rates of tax leviable on different commodities except those which are specified under Schedule I of the Act or exempted through notifications. Under Section 21(2) of the Act, a dealer is liable to pay penalty minimum three times of tax assessed where omission leading to assessment is attributable to the dealer.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 7,961 cases in four circle offices²⁸ between May 2015 and September 2015 and found that in the cases of five dealers assessed between May 2014 and September 2014 for the period between 2011-12 and 2012-13, the Assessing Authority (AA) while finalising the assessment did not levy tax on the sale of lubricant, sprinkler pipe, jute, petrol and diesel valued at

²⁶ ACCT Gwalior II, Indore III and Ratlam

²⁷ CTO Indore XII and Morena

²⁸ CTO Balaghat, Betul, Indore and Jabalpur

₹3.87 crore treating the goods as tax free/tax paid goods. This resulted in short realisation of tax of ₹ 69.08 lakh. Penalty of ₹ 15.71 lakh was also leviable as taxable goods were incorrectly treated as tax free goods (**Appendix XVII**).

After this was pointed out, the AAs stated (between May 2015 and September 2015) that action would be taken after verification.

We reported the matter to the Government and the Department (May 2016). The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.13 Irregular grant of deduction and application of incorrect rate of tax in composition cases

In two cases of composition, the assessing authorities irregularly granted deductions in respect of Section 2(x)(iii) and service tax against purchases from unregistered dealer and applied incorrect rate of tax in the case of purchases from unregistered dealer. This resulted in short levy of tax of ₹ 50.58 lakh including penalty of ₹ 33.14 lakh.

As per Section 11 of the Madhya Pradesh VAT Act 2002, a registered dealer purchasing goods specified in Schedule II from another such dealer within the State after payment to him of tax under Section 9 of the Madhya Pradesh VAT Act 2002 and/or purchasing goods specified in Schedule I, may opt for a lumpsum payment, in lieu of tax payable by him under Section 9. Further, as per Rule 8-A(4) of Madhya Pradesh VAT Rule 2006, (amended vide Notification No. 27 dated 24 September 2009), the amount to be paid in lump sum by way of composition shall be determined at the specified rate on the total monetary consideration received or receivable by the registered dealer in respect of work contract. The rate of tax is one *per cent*, if the dealer supplies wholly (Wholesale) goods specified in Schedule II that were purchased from another such dealer within the State after payment to him tax under Section 9 and/or goods specified in schedule I, otherwise, dealer has to pay tax at the rate of 5 *per cent*. Further, a dealer is liable to pay penalty under Section 21(2) of the Act *ibid* at minimum three times of the assessed tax, where omission leading to assessment is attributable to the dealer.

We test checked records such as assessment orders, audited accounts, returns, purchase list etc. in respect of 792 cases in one regional office (Assistant Commissioner Commercial tax, Division-1, Sagar) and in one circle office (Commercial tax officer, Anuppur) between August 2015 and December 2015, and found that in two cases of two dealers (Dealer assessed at ACCT Dn. I Sagar – Driplex Water Engineering Ltd. executing work contract of GAIL India Ltd. And Jabalpur Municipal Corporation) and (Dealer assessed at CTO Anuppur – S K Minerals executing work contracts awarded by MPRRDA), assessed between July 2014 and December 2014 for the period 2011-12 and 2012-13, the assessing authority (AA) in Sagar Division, that while finalising the assessment, AAs incorrectly granted deduction in respect of Section 2(x)(iii) and service tax as the tax was to be levied on total monetary consideration received by the dealer without allowing any deductions. In Anuppur circle, tax was levied at the rate of one *per cent* instead of five *per cent* on all the purchases related to the composition work of the dealer, although no document was made available to audit in support of the claim that

purchases were made from registered dealer. This resulted in short realisation of tax of ₹ 17.44 lakh as detailed below in **Table 3.11**:

Table 3.11
Details of short levy of tax from dealers

(Amount in ₹)

Sl. No.	Total Monetary Consideration	Rate of Tax	Tax	Monetary consideration taken in Assessment order	Tax determined in Assessment order	Difference	Difference in tax
ACCT, Division –I Sagar							
1.	23.38 crore	5%	1.17 crore	21.22 crore	1.06 crore	10.81 lakh	
2.	1.52 crore	4%	6.10 lakh	1.47 crore	5.86 lakh	23,472	
					Total	11.05 lakh	
CTO- Anuppur							
1.	1.59 crore	5 %	1 %	4%	7.98 lakh	1.59 lakh	6.38 lakh

As the dealer furnished incorrect particulars (ACCT, Div-I, Sagar), he was liable to pay penalty of ₹ 33.14 lakh, being three times of tax assessed as per Section 21(2) of the VAT Act. Thus the total short levy of tax worked out to be ₹ 50.58 lakh.

After we pointed out, the AAs stated (between August 2015 and December 2015) that action would be taken after verification.

We reported the matter to the Government and the Department (May 2016). The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

3.14 Purchase Tax not levied

Purchase tax amounting to ₹ 38.37 lakh was not levied from a trader even though the conditions for exemption of purchase tax as per Section 10 (A) were not fulfilled.

Under Section 10(A) of Madhya Pradesh VAT Act, 2002, every dealer, who in course of his business purchase notified goods whose value exceeded ₹ five crore in that year, shall be liable to pay tax at the rate of four *per cent* on the purchase value.

Section 10 (A) (2) further provides that no tax under this Section shall be levied in respect of the purchases made from a registered dealer by whom tax under this section is payable and who has declared by putting a statement on the sale bill that tax under this section is payable by him on such goods.

We test checked records such as assessment order, audited accounts and purchase list etc. in respect of 384 cases in Assistant Commissioner, Khandwa in August 2015 and found that a dealer, assessed in February 2015 for the

period 2012-13, purchased wheat of ₹ 9.5 crore on which purchase tax was leviable. However, the AA while finalising the case did not levy purchase tax treating it as tax free. As a result, purchase tax amounting to ₹ 38.37 lakh was not levied.

After we pointed out the case (February 2015), the AA stated that the trader has purchased wheat from Food Corporation of India (FCI) which is a registered dealer (TIN 23594000697) on which no tax was to be levied. We do not agree with the reply as in view of the Section 10 (A) (2), as no statement on the sale bill issued by FCI was found stating that tax under this section is payable by FCI.

We reported the matter to the Government and the Department in July 2016. The Department replied in the meeting (September 2016) that detailed reply would be forwarded after scrutiny of the cases. Further reply has not been received (October 2016).

CHAPTER – IV

ELECTRICITY DUTY

Chapter – IV

Electricity Duty



4.1 Results of Audit

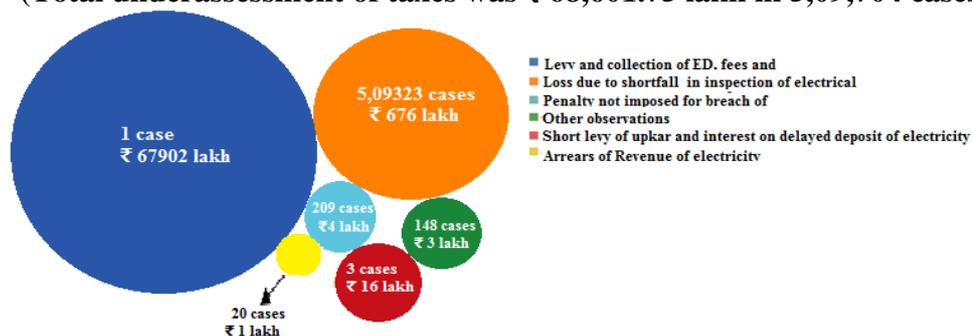
We test checked records of 24 units relating to Electricity Duty during the year 2015-16 and found electricity duty, fees and cess not realised/short realised; and other irregularities involving ₹ 686.02 crore in 5,09,704 cases which fall under the following categories as mentioned in the **Table 4.1**:

Table 4.1
Results of Audit

Sl. No.	Categories	No. of Cases	(₹ in lakh)
			Amount
1.	Levy and Collection of Electricity duty, fees and cess	1	67,902.44
2.	Loss due to shortfall in inspection of electrical installations	5,09,323	675.68
3.	Penalty not imposed for breach of rules	209	4.06
4.	Short levy of <i>upkar</i> and interest on delayed deposit of electricity duty	3	15.52
5.	Arrears of Revenue of electricity duty	20	1.28
6.	Other observations	148	3.21
Total		5,09,704	68,601.75

Chart 4.1: Result of Audit

(Total underassessment of taxes was ₹ 68,601.75 lakh in 5,09,704 cases)



All the audit observations were forwarded to the Department and the Department accepted revenue not realised/short realised and other deficiencies of ₹ 1.11 crore in 41,552 cases, which were pointed out in audit during the year 2015-16. An amount of ₹ 97,000 was realised in 23 cases by the Department during the year 2015-16.

Audit findings of the Audit on "**Levy and Collection of Electricity duty, Fees and Cess**" having money value of ₹ 679.02 crore are discussed in the following paragraphs:

4.2 Levy and Collection of Electricity duty, Fees and Cess

4.2.1 Introduction

The Indian Electricity Act, 2003 governs the law relating to generation, transmission, distribution, trading, use of electricity, supply of electricity etc. The Government of Madhya Pradesh, for levy and collection of taxes and duties on electricity supplied/sold to consumers, have framed Madhya Pradesh Electricity Duty Act, 1949 (MPEDA), Madhya Pradesh *Vidyut Shulk Adhinyam*, (MPVSA) 2012 and the Rules thereunder. Every distributor/distribution licensee¹ (DISCOMs)/franchisee, every generating company, captive power generating plant and producer of electrical energy shall pay every month to the State Government, at the prescribed time and in the prescribed manner, a duty calculated at the specified rate, on the units of electrical energy sold or supplied to a consumer or consumed by himself for his own purposes during the preceding month. Under the Madhya Pradesh Electricity Duty Rules (MPEDR), 1949 every producer and distributor of electrical energy shall pay the electricity duty in respect of each month before the expiry of the following month into Government Treasury and submit a return for each month in the Form "G" along with the treasury receipt to the Electrical Inspectors (EIs) within 15 days from such credit. The amount of duty due and remaining unpaid shall carry interest at such rate and in such circumstances as may be prescribed and shall be collected as arrears of land revenue. Energy Development Cess (EDC) is also leviable on sale or consumption of electrical energy under Madhya Pradesh *Upkar Adhinyam*, (MPUA), 1981 and its amendments. Further, fees for inspection of the electrical installation is levied and collected under the Indian Electricity Act 1910 (amended in 2003) and Indian Electricity Rules 1956. The receipts of the Department are deposited under the Major Head "0043-Taxes and duties on electricity".

4.2.2 Organisational setup

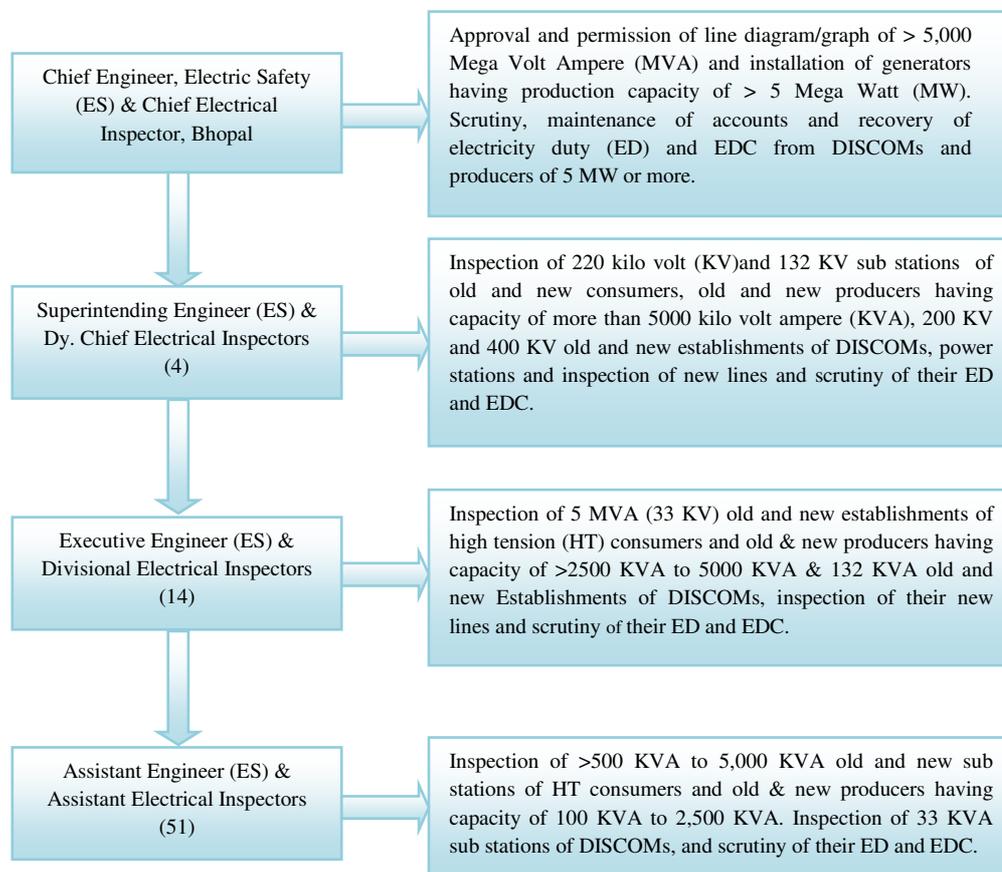
The Office of the Chief Electrical (Electrical Safety) & Chief Electrical Inspector is headed by the Chief Electrical Inspector (CEI) while the Principal Secretary of the Energy Department is the head at the Government level. The CEI is assisted by four Deputy Chief Electrical Inspectors (DCEIs), 14 Divisional Electrical Inspectors (DEIs) at the division level and 51 Assistant Electrical Inspectors (AEIs) at the sub divisional level for conducting inspection of electrical installations. They are responsible for ensuring

¹ Madhya Kshetra Vidyut Vitaran Co. Bhopal, Paschim Kshetra Vidyut Vitaran Co. Indore and Poorva Kshetra Vidyut Vitaran Co. Jabalpur

correctness of the levy and collection of duty, cess and inspection fees (IF) in respect of captive producers and other consumers of electricity.

Chart 4.2

Chart showing organisational set up and duties and functions



4.2.3 Audit Objective

The audit was conducted with a view to

- to assess the efficiency and effectiveness of the system of levy and collection of electricity duty, inspection fees and energy development cess;
- to ascertain whether statutory inspection of the electrical installations was being carried out and fees for such inspection was realised on time; and
- Whether exemptions granted if any were in conformity with provisions of the Indian Electricity Act, Madhya Pradesh *Vidyut Shulk Adhiniyam* and notifications issued from time to time.

4.2.4 Audit Criteria

Audit criteria has been derived from the provisions of the following Act, Rules, circulars and notifications issued there under:

- Indian Electricity Act 1910² (repealed in 2003);
- The Central Electricity Authority (Measures relating to Safety and Electric Supply) Regulations, 2010;
- The Indian Electricity Rules, 1956;
- Madhya Pradesh Electricity Duty Act (MPEDA), 1949;
- Madhya Pradesh Electricity Duty Rules (MPEDR), 1949;
- Madhya Pradesh *Vidyut Shulk Adhinyam* (MPVSA), 2012;
- Madhya Pradesh *Upkar Adhinyam* (MPUA), 1981; and
- various notifications and circulars issued from time to time by the Government and the Department.

4.2.5 Audit scope and methodology

With a view to evaluate the efficiency and effectiveness of the system and procedures of levy and collection of Electricity Duty (ED), Inspection Fee (IF) and Energy Development Cess (EDC) under the MPEDA & MPVSA, records of CEI, DCEI, DEI and AEI for the period between 2011-12 and 2015-16 were examined and it was also verified whether recommendations made in the Review on this topic in C&AG Audit Report 2009-10 “Revenue Receipts” had been implemented.

The Audit was conducted between October 2015 and June 2016 covering 17 out of 70 units, comprising offices of CEI (one), DCEI (four), DEI (seven) and AEI (five). Hundred *per cent* units of CEI and DCEIs have been selected, while the units of DEIs and AEIs were selected on the basis of simple random sampling method.

The recommendations of Public Accounts Committee (PAC) on the Review conducted in 2009-10 were tabled in Vidhan Sabha on 22 July 2015, however, action taken note thereon has not yet been received (September 2016).

4.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Energy Department for providing information and records to audit. An entry conference to discuss the audit objectives and scope of audit was held with the Principal Secretary of the Department and officials from CEI on 17 February 2016. The audit findings were forwarded to the State Government in June 2016.

The findings of the Audit were discussed with the Principal Secretary of the Department in an exit conference held on 3 September 2016. The views of the Government/Department have been suitably incorporated in paragraphs.

² Indian Electricity Act, 1910 has been repealed by the Electricity Act, 2003 and Indian Electricity Rules 1956 have also been replaced by Central Electricity Authority (Measures relating to safety and electric supply) Regulations 2010. However, this Act and Rules framed thereunder are still applicable as it is provided in the Electricity Act, 2003, that, Indian Electricity Rules, 1956 made under Section 37 of the Indian Electricity Act, 1910 as it stood before such repeal shall continue to be in force till the regulations under Section 53 of this Act are made.

4.2.7 Trend of Revenue

The Budget Manual chapter 3 B(i) provides that the estimates should take into account only such receipts as the estimating officer expects to be actually realised or made during the budget year. The Budget Manual clearly states that if the test of accuracy is to be satisfied, not merely should all items that could have been foreseen be provided for, but also only so much, and no more should be provided for as is necessary.

The trend of revenue from ED, EDC and IF receipts during last five years ending 31 March 2016 is as under:

Table 4.2
Table showing trend of revenue (Revised estimates and Actual Receipts)

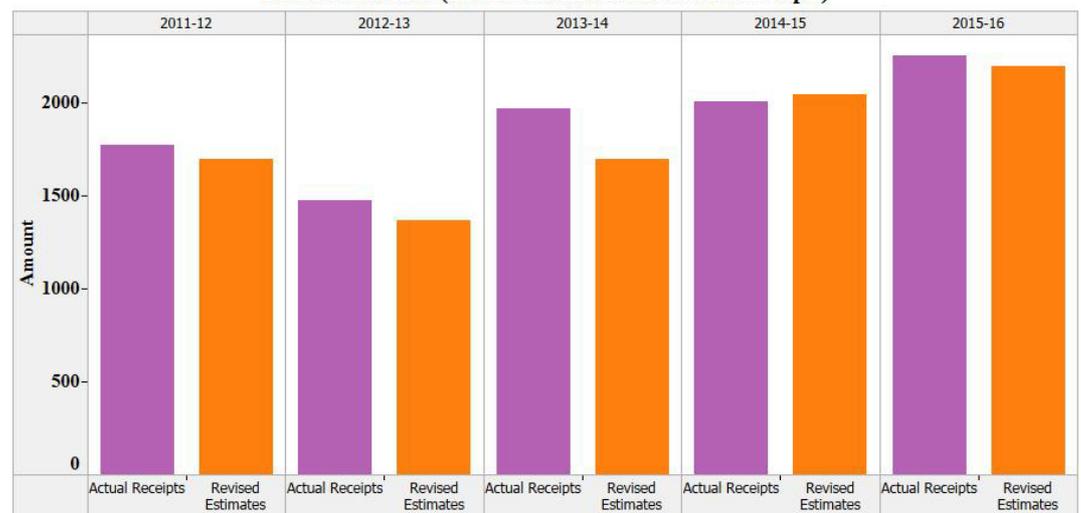
(₹ in crore)

Year	Revised estimates (RE)	Actual receipts (As per Finance Accounts)				Percentage increase (+)/decrease (-) over REs (Finance Accounts)	Total tax revenue of the State	Percentage of actual tax receipts to total receipts
		ED	EDC	IF	Total			
2011-12	1700.00	1297.25	230.95	245.12	1773.32	(+) 4.31	26973.44	6.57
2012-13	1370.00	1249.71	148.73	79.27	1477.71	(+) 7.86	30581.70	4.83
2013-14	1700.00	1537.11	304.63	130.46	1972.20	(+) 16.01	33552.16	5.88
2014-15	2050.00	1565.36	193.17	251.67	2010.20	(-) 1.94	36567.31	5.49
2015-16	2200.00	1769.50	313.13	175.20	2257.83	(+) 2.63	40240.43	5.61

(Source: Finance Accounts of GoMP for the period 2011-12 to 2015-16.)

Chart 4.3

Trend of Revenue (Revised Estimates and Actual Receipts)



From the table, it is evident that though the actual receipts were higher than the revised estimates in all the years except 2014-15, in the year 2012-13, the revised estimates were drastically reduced to ₹ 1,370 crore against ₹ 1,700

crore in 2011-12. The variation between revised estimates and actual receipts ranged between (-) 1.94 and (+) 16.01 *per cent*.

Regarding variation between revised estimates and actual receipts, Department replied (March 2016) that actual receipts exceeded the revised estimate figure by ₹ 73.32 crore due to outstanding balances received from DISCOMs in the year 2011-12. Similarly, actual receipts exceeded by ₹ 107.71 crore and ₹ 272.20 crore against revised estimates in the year 2012-13 and 2013-14 respectively due to receipt of outstanding balances of revenue and interest. Actual receipt decreased by ₹ 39.80 crore against revised estimates in 2014-15, as duty was exempted on new connection connected through grid (March 2014) and EDC on captive power producers was abolished in January 2013 by a notification issued in this regard. Further, in year 2012-13, the revised estimate was reduced to ₹ 1,370 crore against ₹ 1,700 crore of previous year due to implementation of MPVSA³, which was effective from 25 April 2012.

Chart 4.4

Percentage share of actual receipts of taxes and duty on electricity to total tax revenue of the State



The actual receipts of taxes and duty on Electricity vis-à-vis total tax revenue of the State between 2011-12 and 2015-16 ranged between 4.83 *per cent* and 6.57 *per cent*. This percentage declined substantially in 2012-13, 2014-15 and 2015-16 to 4.83 *per cent*, 5.49 *per cent* and 5.61 *per cent* respectively of the total receipts of the State from 6.57 *per cent* in 2011-12.

Audit findings

4.2.8 Position of arrears

According to Section 5 of MPEDA and Section 7 of MPVSA the amount of duty due and remaining unpaid shall carry interest and may be recovered in the same manner as an arrear of land revenue. The position of outstanding

³ According to MPVSA, 2012, no duty shall be payable in respect of electricity sold/supplied or consumed by any Generating Company in which the Government of Madhya Pradesh has at least fifty one *per cent* equity.

revenue including the ED, EDC and IF during the last five years ending March 2016 is given below:

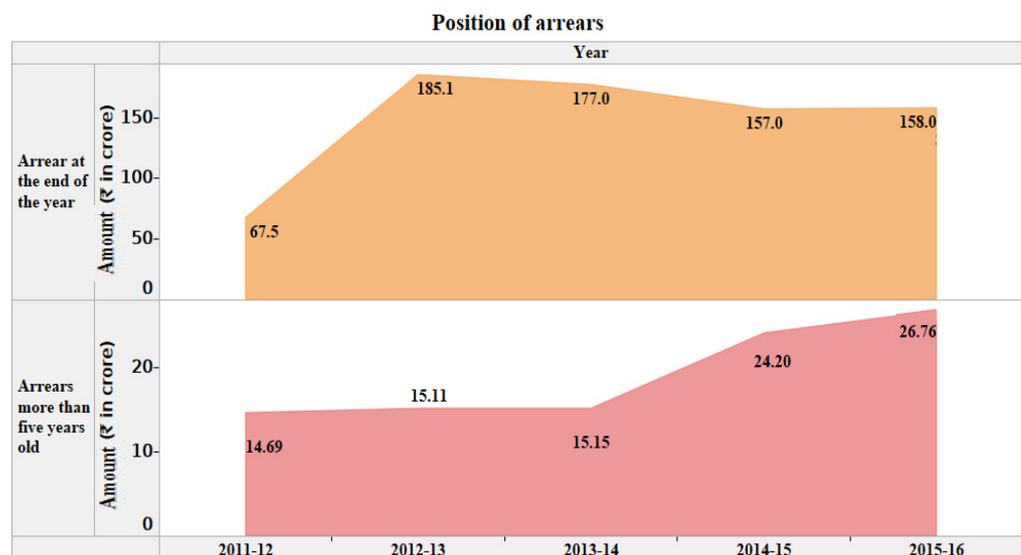
Table 4.3
Position of outstanding revenue

(₹ in crore)

Year	Opening balance	Additions during the year	Total outstanding arrears	Recovery during the year	Arrear at the end of the year	Arrear more than five years old
2011-12	70.67	8.64	79.31	11.83	67.49	14.69
2012-13	67.49	123.37	190.86	5.73	185.13	15.11
2013-14	185.13	4.94	190.07	13.09	176.98	15.15
2014-15	176.98	13.10	190.08	33.12	156.96	24.20
2015-16	156.96	4.88	161.84	3.89	157.95	26.76

(Source: Information furnished by the Department)

Chart 4.5



We observed that the recovery during the year as compared to the total outstanding arrears for the year varied between 2.40 per cent and 17.42 per cent during the last five years. An amount of ₹ 157.95 crore was outstanding as arrears on 31 March 2016 out of which ₹ 26.76 crore was outstanding for more than five years. As may be seen from the above table, the position of arrear has deteriorated, increasing from ₹ 67.49 crore in 2011-12 to ₹ 157.95 crore in 2015-16. Similarly, arrear outstanding for more than five years has also increased from ₹ 14.69 crore in 2011-12 to ₹ 26.76 crore in 2015-16. An analysis of major defaulters in terms of outstanding arrears revealed that the top five major defaulters were M/s J P Rewa (₹ 71.28 crore), M/s J P Bela (₹ 35.15 crore), M/s Hotline CPT, Malanpur (₹ 7.61 crore), M/s Ultratech Cement (₹ 1.50 crore) and M/s Rymond Limited, Sousar (₹ 1.47 crore).

The Government stated (September 2016) that out of ₹ 157.94 crore, revenue recovery certificates (RRC) had been issued for recovery of ED, EDC and IF of ₹ 126.95 crore, arrears pending in sub-judice cases were ₹ 9.64 crore, arrears of ₹ 3.67 crore were due from sick textile mills, revenue of ₹ 27.91

lakh were under consideration with State Government and arrears of ₹ 17.41 crore were due with others. It was further stated that Department sends notices to consumer from time to time for recovery of dues, while recovery in sub-judice cases is pending for long time. In the cases of recovery against RRC issued, it was replied that no recovery was effected due to lack of co-operation by District Collectors concerned. In all such cases where arrears of revenue are of more than one crore, the Department prepares a list of such consumers and sends it to Government and the Government forwards such cases to District Collectors concerned.

4.2.9 Energy Development Cess either not credited or belatedly credited in Electricity Development fund and utilised for other than the intended purposes

The Energy Development Cess amounting to ₹ 325.17 crore was not utilised for the purpose for which cess was levied and Department also did not timely transfer the amount of Energy Development Cess amounting to ₹ 88.22 crore into Electricity Development Fund.

According to Section 3(2) of the MPUA, EDC shall first be credited to the Consolidated Fund of the State and the State Government may, at the commencement of each financial year, place all the proceeds of cess realised by the State in the preceding financial year to the credit of a separate fund to be called the Electricity Development Fund (EDF) and such credit to the said fund shall be an expenditure charged on the Consolidated Fund of the State.

Further Section 3(3) of the MPUA, provided that the amount in the credit of the fund shall be utilised for research and development in the field of energy, improving the efficiency of generation, transmission, distribution and utilization of energy including reduction of losses in transmission, research in design, construction, maintenance, operation, survey of energy sources including non-perennial sources to alleviate energy shortage and others.

Details of EDC collected and credited into EDF are given in table below:

Table 4.4
Details of EDC collected and credited into EDF

(₹ in crore)				
Year	Actual Receipt of Cess	Amount credited to EDF in next financial Year	EDC excess (+) / less (-) credit to EDF	Disbursement of EDF
2010-11	349.15			
2011-12	230.95	305.00	(-) 44.15	33.45
2012-13	148.73	275.00	(+) 44.05	291.72
2013-14	304.62	----	(-) 148.73	153.34
2014-15	193.17	68.20	(-) 236.42	-----
2015-16	-----	490.20	(+) 297.03	108.15
Total	1226.62	1138.40	(-) 88.22	586.66

(Source: Finance Account of GoMP)

From the above table, it can be observed that the EDC amounting to ₹ 1,226.62 crore had been credited to the Consolidated Fund of the State during the period between 2010-11 and 2014-15 out of which an amount of ₹ 1,138.40 crore was credited to EDF between 2011-12 and 2015-16, including an amount of ₹ 490.20 crore credited to EDF on 31 March 2016

instead of commencement of financial year. Thus, an amount of ₹ 88.22 crore remained outside the EDF, which was against the provision of MPUA.

Further, it was also observed that during the period 2011-12 to 2015-16, an amount of ₹ 586.66 crore was disbursed against ₹ 1138.40 crore transferred to EDF and ₹ 551.74 crore remained undisbursed. Out of this, an amount of ₹ 325.17 crore was transferred to MH-4801-05-190 (Capital outlay on power projects)⁴ for the purpose of investment in power sector during the year 2011-12 and 2012-13, which otherwise should have been utilised for the purpose of research and development, improving the efficiency of generation, transmission, distribution and utilization of energy including reduction of losses in transmission etc. in the field of energy. It clearly depicts, that the amount of EDC was neither credited regularly in EDF at the commencement of each financial year, nor was the amount of EDF being disbursed for the purpose for which EDC was collected.

The Government replied (September 2016) that the amount of EDF is utilised for the intended purpose given in section 4 of MPUA. In future EDC would be transferred in EDF well in time.

Reply of the Government was not acceptable, because intended purpose of utilisation of EDF was derived in Section 3 (3) of MPUA and not in Section 4 and amount of EDF was disbursed for capital outlay instead of intended purpose as described in Section 3(3) of MPUA, 1981.

The Government may institute a mechanism to ensure timely transfer of EDC into EDF and timely and effectiveness utilisation of EDC for the intended purpose.

4.2.10 Interest not levied on outstanding balances with DISCOMs

During the years 2011-12 to 2015-16 an amount of ₹ 6,018.79 crore was collected by DISCOMs as ED and EDC but an amount of only ₹ 5,993.52 crore was transferred/adjusted to DISCOMs as loan by State Government. The amount of ED and EDC were transferred/adjusted as perpetual loan to DISCOMs with delay ranging between one month and eleven months. Thus, DISCOMs were liable for payment of interest of ₹ 272.11 crore up to March 2016 for the delay period.

According to Rule 3 of MPEDR, every distributor of electrical energy and every producer shall pay the electricity duty in respect of each month before the expiry of the following month into the Government Treasury to be credited under the head “0043- Taxes and duties on electricity- Taxes on consumption and sale of electricity” and send the treasury receipt to the EIs within 15 days from the date of such credit. As per Rule 5 of MPEDR, where the duty due is not paid within the period specified under Rule 3, the same shall attract interest thereon at the rate⁵ as may be fixed by the State Government by notification from time to time subject to a maximum of 24 *per cent* per annum.

⁴ MH-4801- Capital outlay on power projects, 05-transmission and Distribution, 190- investments in public sector and other undertakings

⁵ As per Notification date 22 July 1975, rate of interest shall be up to 3 months-12 *per cent* per annum (p.a.), >3 and 6 months-15 *per cent* p.a., >6 and 12 months-20 *per cent* p.a. and more than 12 months-24 *per cent* p. a

According to Rule 7 of MPEDR, every distributor of electrical energy and every producer shall submit monthly return form 'G' and yearly return form 'K' to the Electrical Inspector.

We observed from the records of the CEI that the annual returns in form 'K' were not submitted by the DISCOMs while monthly return in form 'G' were not submitted in the prescribed format. During the years 2011-12 to 2015-16 an amount of ₹ 6018.79 crore⁶ was collected by DISCOMs as ED and EDC but an amount of ₹ 5993.52 crore⁷ was transferred/adjusted to DISCOMs as loan by State Government. Balance amount of ₹ 25.27 crore was retained by DISCOMs, which was not converted into perpetual loan by the Government. The amount of ED and EDC collected by the DISCOMs was transferred/adjusted as perpetual loan to DISCOMs with delay ranging between one month and eleven months. As a result, DISCOMs were liable for payment of interest of ₹ 272.11 crore up to March 2016, which was calculated for the intervening period when the payment of ED was due and when the due amount was converted into perpetual loan.

Further, it was also observed that during the year 2011-12, ED of ₹ 878.37 crore and EDC of ₹ 105.56 crore was collected by DISCOMs. But ED amounting to ₹ 883.32 crore and EDC amounting to ₹ 105.38 crore was transferred/adjusted as perpetual loan. As a result ₹ 4.94 crore of ED was transferred/adjusted as perpetual loan in excess of ED collected by the DISCOMs, while EDC of ₹ 18.02 lakh was retained with DISCOMs, which remained unadjusted as perpetual loan.

On being pointed out in audit, the Government stated (September 2016) that as per Cabinet Note, the amount of ED/EDC collected by DISCOMs is converted into perpetual loan on monthly basis.

Reply of the Government is not acceptable, as there was delay in conversion of ED and EDC collected by DISCOMs into perpetual loan and as relevant Act/Rules were not amended in consonance with the Cabinet note by issuance of notification for its implementation.

Government should formulate a mechanism by which the ED due against the DISCOMs should either immediately be converted into perpetual loan or Government should levy interest in cases of delay in payment of electricity duty.

4.2.11 Electricity duty not paid without obtaining a certificate of eligibility for exemption

Orient Paper Mills, Amlai had set up two captive power plants of 25 MW and 30 MW thermal generator (TG) set and assumed exemption from ED without making any formal application and without obtaining a certificate of eligibility for exemption from payment of ED. As a result of which electricity duty amounting to ₹ 51.79 crore including interest could not be realised.

⁶ ED amount of ₹ 5901.26 crore and EDC amount of ₹117.53 crore.

⁷ ED amount of ₹ 5876.56 crore and EDC amount of ₹ 116.96 crore.



Orient Paper Mills, Amlai (Shahdol)

According to Notification dated 12 July 2006, the State Government had granted exemption from the payment of ED for a period of five years, seven years and ten years to the electrical energy produced by the Captive Power Plants of the projects (Mega Projects) investing permanent capital of more than ₹ 25 crore but upto ₹ 100 crore, more than ₹ 100 crore but up to ₹ 500 crore and more than ₹ 500 crore respectively, subject to certain condition.

Aforesaid notification was made effective from 02 May 2005 (retrospective date) in view of the decision taken by Empowered Committee on Investment Promotion which was held on 02 May 2005 Vide Notification dated 19 August 2008.

We observed in the office of the CEI, Bhopal, that Orient Paper Mills, Amlai had set up two captive power plants of 25 MW and 30 MW TG set with investment of ₹ 161.16 crore. The temporary permission was granted to operate TG set by CEI, Bhopal on 25 July 2012 and generation of electricity had been started through 25 MW TG set and 30 MW TG set from the month of September 2012 and October 2012 respectively. Orient Paper Mills had not paid any ED and assumed exemption from ED without making any formal application and without obtaining a certificate of eligibility for exemption from payment of ED from the EI. This was contrary to the conditions of notification dated 12 July 2006 *ibid*. This resulted in loss of ED of ₹ 51.79 crore (including interest of ₹ 15.75 crore up to March 2016) Further, we observed that Form 'G' of both TG set was sent up to December 2012 only. The Department also failed to notice of not submitting of form 'G' and did not take any tangible action against company for not paying ED. The ED has been calculated on the basis of average production and consumption of electricity energy for four and three months respectively for both TG Sets from September 2012 to January 2016.

The Government replied (September 2016) that Oriental Paper Mill had neither submitted monthly return Form 'G' nor deposited ED on consumption of units. Consumer did not pay electricity duty for trial run period and assumed exempted from ED. Legal action is being taken for breach of rule.

4.2.12 Loss of revenue due to failure to install separate meters for dutiable and not dutiable consumption of electricity

Separate meters were not installed for dutiable and not dutiable consumption of electrical energy in the case of 24 HT consumers resulting in loss of revenue amounting to ₹ 16 crore.

According to Rule 10 of the MPEDR, every distributor of electrical energy and every producer, shall install a meter separately for each category for

which rate of duty applicable are different. Further, amendment of Section 3 of the Act provides that if the consumption of any one purposes is used either wholly or partly, without the consent of distributors or producer of electricity, for consumption for any purpose for which higher rate of duty is chargeable, the entire energy sold or supplied shall be charged at the highest applicable rate. If consumption of electrical energy, both dutiable and not dutiable, is recorded by one meter, the dutiable energy consumption of different categories shall be assessed in the manner laid down by the Electrical Inspector (till such time, meter for each category is installed). Further, this issue was also highlighted in the previous Performance Audit (2009-10), on which, the CEI, Bhopal had replied (April 2010) that written communication has been sent to the distribution companies for issuing directions to install separate meters for recording dutiable and not dutiable consumption.

The Public Account Committee had also recommended that:

- i. The basis of duty of electricity without installing the separate meters for dutiable and not dutiable energy consumption be conveyed to the PAC.
 - ii. Action taken for recovery pointed out by Audit against Bhopal and Habibganj railway stations be made available to PAC
 - iii. Necessary instructions may be issued for fixation of dutiable and not dutiable consumption of electricity in a time bound manner.
- We observed in respect of 17 HT connections⁸ (16 railway stations and one Garrison Engineer) that separate meters were not installed for dutiable and not dutiable consumption of electricity, though the DISCOMs supplied 146.44 MU of electrical energy to HT consumers for combined purposes. ED on only 69.11 MU (47.19 *per cent*) of electrical energy was collected by these DISCOMs and remaining consumption was exempted from payment of the ED treating this as not dutiable consumption. The duty leviable at the applicable rates to dutiable units worked out to ₹ 6.32 crore for the last five years. Even for the dutiable consumption, the CEI did not have any basis for computation. We further observed that though the DISCOMs submitted the monthly returns regularly to the DEIs yet the latter failed to reassess the dutiable and not dutiable consumption recorded by a single meter. This led to failure to levy of ED of ₹ 6.32 crore. **(Appendix XVIII)**

On being pointed out in audit, the Government replied (September 2016) that the instructions for installation of separate meters for dutiable and not dutiable consumption of energy were issued in the year 2010 to DISCOMs. But even after lapses of six years, separate meters were not installed for dutiable and not dutiable consumption of electrical energy. Twelve out of 17 HT consumers had been reassessed between January 2016 and September 2016 after observations were made in the audit. Remaining HT consumers would be

⁸ (1) Divisional Superintendent, Mhow, (2) Divisional Superintendent, WR, Indore (3) Sr. divisional Electrical Engg. (WCR), Jabalpur (4) Sr. divisional Electrical Engg. (G) CR, Bhopal (Bina station) for Offices and Qutrs.(5) Divisional Electrical Engg. (DEE) G Central Railway, Bhopal (Bina station) (6) DEG (G) CR Bhopal (Bina river)(7) Divisional Suptd. Central Railway, Katni (8) Divisional Suptd. SE Railway, Mandla (9) Divisional Suptd. Western Railway, 1st point, Ratlam (10) Divisional Suptd. Western Railway station, Ujjain (11) DRM (WR) Kota Shamgarh Station (12) DRM (WR) Kota Ratlam, Neemuch Station(13) The Sr. DEE Railway station, Harda (14) Divisional Supt. (CR) Gwalior Railway station(15) DEE Maint. (CR) Battery Charger, Gwalior (16) The DRM, CR BPL Bara Tawa and (17) Garrison Engineer, No. 1, Mhow

assessed between September 2011 and November 2014. Of those consumers assessed, dutiable units of one HT consumer increased from 47 *per cent* to 60 *per cent* and bill was amended accordingly from April 2015 onwards.

- We observed that at seven HT connections⁹, separate meters were not installed for dutiable and not dutiable consumption of electricity, though the three DISCOMs supplied 181.02 MU of electrical energy to these seven HT consumers for combined purposes. However, ED on only 53.25 MU (29.42 *per cent*) of electrical energy was collected on the basis of fixed unit consumption each month by these DISCOMs and the remaining consumption was exempted from payment of the ED treating this as not dutiable consumption. The duty leviable at the applicable rates on dutiable units worked out to ₹ 9.68 crore for the last five years (**Appendix XIX**). Though the Chief Electrical Inspector instructed the distributions companies in 2010 regarding installation of separate meters for dutiable and not dutiable energy consumption, even after lapse of six years, no action has been taken in this regard. Moreover, the Department has also not taken any further initiative to get their aforesaid order implemented.

The Government replied (September 2016) that one HT consumer (the Commandant, CRPF, Neemuch) was reassessed in January 2016 and dutiable consumption was increased from 0.024 *per cent* to 67 *per cent*, for which recovery order has been issued. Railway station, Habibganj was reassessed in October 2014 and found that dutiable consumption increased from 20,250 unit per month to 34,390 unit per month which was fixed in January 2015. The instructions have been given to field officers for inspection of sites for calculation of dutiable and not dutiable consumption of energy and effect recovery of ED accordingly. The Department has decided to install separate meter for dutiable and not dutiable consumption after meeting with officials of Railway, Garrison Engineer, and Medical College.

The reply is not acceptable, because even after a lapse of six years, separate meters were not installed for dutiable/not dutiable consumption of electrical energy. In previous Review conducted in 2009-10, observation on this issue was also made on which, PAC also recommended suitable action. However, no remedial action was taken by the Department and such irregularities persisted including that of Habibganj Railway Station which also appeared in the last Review.

On previous review on this issue, Public Account Committee recommended for resolution of issue of dutiable and not dutiable consumption of electricity in a time bound manner and also asked the Department to give the basis of levy of electricity duty without installing the separate meters for dutiable and not dutiable energy consumption. We again recommend that Department may install separate meters for dutiable and not dutiable consumption of electricity and there should be a time bound recovery in all such cases where electricity duty was short levied due to absence of separate meters for dutiable and not dutiable consumption of electricity.

⁹ (1) Garrison Engineer, MES, Mhow (2) Superintendent M.Y. Hospital, Indore (3) Garrison Engineer, MES west Jabalpur (4) Garrison Engineer, MES west Jabalpur (5) Station Commandant CRPF, Neemuch (6) Joint Director, Medical Hospital, Jabalpur. (7) Sr. Divisional Electrical Engineer, Habibganj

4.2.13 Shortfall in electrical inspection

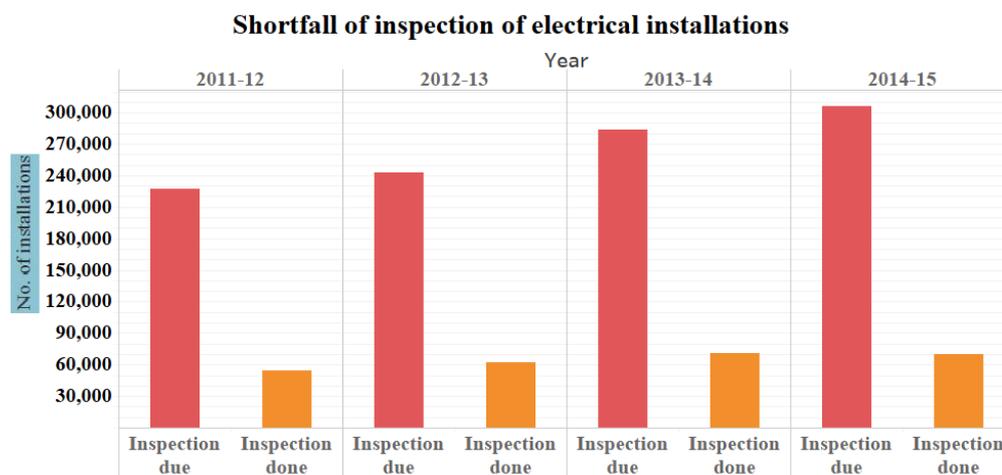
Department could not achieve targets of annual inspection of electrical installations, jeopardising the safety of medium and high tension electric installations. Besides, inspection fees amounting to ₹ 11.35 crore was also foregone.

Under the Indian Electricity Rules, every installation shall be periodically inspected and tested at an interval not exceeding five years either by an inspector or any other officer, on payment of fees in advance at the prescribed rates, depending on the connection load. The main purpose of this inspection is to ensure safety of the electrical installations and prevention of electrical accidents.

We observed in the seven DEIs¹⁰ and two AEIs¹¹ offices that out of 10.59 lakh medium voltage and high voltage electrical installations required to be inspected during the period 2011-12 to 2014-15, only 2.59 lakh installations were inspected by the Department, leaving a shortfall of eight lakh installations. The average shortfall of inspection of electrical installations was 75.58 per cent between 2011-12 and 2014-15.

It is evident that the Department never achieved full targets of annual inspection of electrical installations. Lack of timely inspection of electrical installation may have a huge bearing on the safety of electrical installations. Besides this, it also resulted in revenue foregone amounting to ₹ 11.35 crore as inspection fees.

Chart 4.6



The Government replied (September 2016) that hundred per cent inspection of electric installations is not possible due to lack of sufficient inspection staff. The target of inspection of installations has been achieved as per available technical staff and safety of installations was not compromised.

¹⁰ DEI, Guna, Hoshangabad, Chhindwara, Sagar, Gwalior, Shahdol and Ratlam
¹¹ AEI, Bhopal-2, Indore-2

The reply is not acceptable, as inspection of electrical installation is vital in prevention of electrical accidents and is one of the primary functions of the Department. By not inspecting the electric installations in accordance with the provisions, their safety was compromised.

The Government may ensure that the provisions relating to periodic inspection of the electrical installations be scrupulously followed in order to ensure safety of these electrical installations.

4.2.14 Short realisation of duty from High Tension consumers

Eight HT industrial consumers had consumed 18.04 Mega Unit (MU) electrical energy and paid ED at the rate of nine *per cent* instead of 15 *per cent* of tariff rate due to mis-classification of their business activity. This misclassification resulted in short realisation of ED and interest there on amounting to ₹ 1.43 crore.

According to Section 3 of MPED (Amendment) Act, 2011 (effective from 10 August 2011) and Section 3(1) (A) of MPVSA, every distributor/distribution licensee/franchisee of electrical energy shall pay every month to the State Government, at the prescribed time and in the prescribed manner, a duty calculated at the specified rate on the units of electrical energy sold or supplied to consumer or consumed by himself for his own purposes during the preceding month. As per Part-B of Section 3 of MPED (Amendment) Act, 2011 and Part-A of MPVSA, on HT¹² Industries connections, rate of duty would be 15 *per cent* of tariff per unit of electricity per month. Further, interest¹³ is also leviable on unpaid amount of ED at the rate as may be fixed by the State Government by notification from time to time subject to a maximum of 24 *per cent* per annum.

We observed during test check of 4480 HT consumers out of 6316 HT industrial consumers that eight HT industrial consumers had consumed 18.04 Mega Unit (MU) electrical energy and paid ED at the rate of nine *per cent* instead of 15 *per cent* of tariff rate. Four HT consumers out of these eight were involved in production of plastic packing material like Flexible Intermediate Bulk Containers, Plastic Product (PP) and high-density polyethylene (HDPE) Woven Sacks and PP & HDPE Woven Fabric, however, these were categorised as Textile Mills, weaving mills and spinning mills. Remaining three HT consumers were involved in production of food products and treated as Flour Mills. One HT consumer M/s Ruchi Soya Industry, Guna was involved in production and refining of edible oil on large scale and treated as oil expeller. This misclassification of industries/business resulted in short realisation of ED and interest there on amounting to ₹ 1.43 crore as detailed below:

¹² Connection of 11 kV and more are treated as HT connections.

¹³ As per Notification date 22 July 1975, rate of interest shall be upto 3 months-12 *per cent* per annum (p.a.), >3 and 6 months-15 *per cent* p.a., >6 and 12 months-20 *per cent* p.a. and more than 12 months-24 *per cent* p. a

Table 4.5
Short realisation of duty from High Tension consumers

(₹ in lakh)

Sl. No.	Name of consumers	Contract demand	Period	Units consumed (MU)	ED payable	ED paid	Amount of ED recoverable	Amount of interest
1	M/s Sita Shri food product, Indore	1000 KVA	03/13 to 04/14	2.71	26.43	15.86	10.57	5.68
2	M/s Ad-Manum Packaging Ltd. Mhow	900 KVA	09/12 to 07/15	1.24	97.57	58.54	39.03	17.56
3	M/s Mukesh Associate, Indore	250 KVA	05/13 to 07/15	3.50	27.36	16.42	10.94	3.66
4	M/s Parth Plast Pack Pvt. Ltd. Indore	460 KVA	08/13 to 07/15	3.14	25.13	15.08	10.05	3.06
5	M/s Malwa Agro Food Pvt. Ltd. Depalpur, Indore	350 KVA	07/12 to 04/14	1.04	10.89	6.53	4.36	3.73
6	M/s Manish Flexipack, Indore	450 KVA	04/15 to 07/15	0.85	7.26	4.35	2.90	0.34
7	M/s Malwa Agro Food Pvt. Ltd. Indore	700 KVA	09/13 to 10/13	0.49	3.89	2.33	1.56	0.85
8	M/s Ruchi Soya, Guna	1250 KVA	09/11 to 12/12	5.07	37.16	22.30	14.87	14.03
Total				18.04	235.69	141.41	94.28	48.91

The Government replied (September 2016) that Sl. No. 9 of Section 3 of MPVSA, 2011 clearly depicted that ED shall be levied at the rate of nine *per cent* for power loom, flour mill, oil expeller and textile mills. Further it was stated that four consumers (Sl. No. 2, 3, 4 and 6 of the table) were textile mills, three consumers (Sl. No. 1, 5 and 7 of the table) were flour mill and one consumer (Sl. No. 8) was an oil expeller. Hence, duty at the rate of nine *per cent* was levied.

The reply is not acceptable because, these units were related to manufacturing and production of plastic packaging material, Flexible Intermediate Bulk Containers, high-density polyethylene (HDPE) Woven Sacks and PP & HDPE Woven Fabric), food products (Bakers Maida, Sooji, Rawa, Tandoori Atta, Regular Atta, Daliya etc. on large scale) and production and refining of edible oil on a large scale and cannot be treated as textile mill/flour mill/oil expeller. Further, all consumers were having HT connections, hence these units should also have been classified as HT Industries according to Part-A of MPVSA, on which duty at the rate of 15 *per cent* was leviable.

4.2.15 Fine not levied for not submitting of monthly returns

In four DCEIs and seven DEIs offices 1,083 captive producers, neither submitted Form 'G', nor paid the duty against the energy produced/consumed through captive power. However, the Department did not file the cases with the jurisdictional court to impose fine for not submitting Form 'G'.

According to Rule 7 of the MPEDR, every distributor of electrical energy and every producer shall submit monthly return to the EI in Form 'G' along with the treasury receipt which contains amount of duty with dutiable and not dutiable consumption. Further, according to Section 8 of MPVSA, every distribution licensee or franchisee or every producer, captive generating plant, generating company and consumer obtaining electricity through open access shall keep in such form, books, accounts and records and furnish such returns at such times and to such authorities as may be prescribed. As per Section 11 of MPVSA, if any franchisee, producer, captive generating plant, generating company or consumer fails to keep accounts, records or to furnish returns in accordance with any rules, he shall be punishable with a fine which may extend to rupees five thousand. For this purpose, Department should issue notices/reminders to these producers/generating companies/franchisees for not submitting monthly returns. In the case of failure to comply with these notices, Department should initiate imposition of penalty through filing of cases with court of law as per applicable provisions.

We observed in the four DCEIs¹⁴ and seven DEIs offices¹⁵ that 1,083 captive producers out of 3910 captive producers neither submitted Form 'G' nor paid the duty against the energy produced/consumed through captive power. This attracted maximum fine of ₹ 54.15 lakh for which the Department did not file the case with the jurisdictional court. Amount of ED leviable could not be worked out due to the absence of Form G.

On being pointed out in audit, the Government stated (September 2016) that the instructions were issued to field offices for imposition of fine for not receiving monthly returns Form 'G' from distributors and producers. In future, online system will be adopted for receipt of Form 'G'.

The Department should strictly monitor the submission of returns by distribution companies and captive power producers and may also impose fine against errant companies to have a deterrent effect.

4.2.16 ED not realised for self-consumption and short levy of EDC for sale of electricity to DISCOMs

The Department did not levy ED on consumption of electricity for own use by HEG Limited amounting to ₹ 10.59 lakh and also did not levy EDC on sale of electricity of DISCOMs amounting to ₹ 26.75 lakh.

According to Section 3 (3) of MPVSA, 2012, every Generating Company, captive generating plant and producer shall pay every month to the State Government at the prescribed time and in the prescribed manner a duty

¹⁴ SE (ES) & DCEI, Indore, Jabalpur, Ujjain, and Rewa

¹⁵ EE (ES) & DEI, Hoshangabad, Guna, Chhindwara, Sagar, Gwalior, Shahdol and Ratlam

calculated at the rates specified in Part-C of the Schedule on the units of electricity consumed by himself or sold to consumer within the State of Madhya Pradesh. As per Part-C of Section 3(3), 15 per cent of the tariff shall be levied as electricity duty, if the electricity is supplied by Distribution Licensee. As per Section 7(1) of MPVSA, 2012, the amount of duty due and remaining unpaid shall carry interest¹⁶ at such rate and in such circumstances as may be prescribed.

We observed in the office of the CEI, Bhopal, that M/s HEG Limited, a hydel power producer at Itarsi produced electricity energy through 2x6.75 MW generating units. In the month of February 2015 and July 2015, 10,73,088 units and 8,550 units of electricity energy was consumed by Graphite unit of the HEG Limited, but no ED was paid for this consumption. Officials of the Department failed to analyse the information available in Form 'G' submitted by the Company. As a result, ED of ₹ 10.59 lakh¹⁷ (including interest of ₹ 2.31 lakh up to March 2016) was not levied.

- According to Section 3 (I) (b) of the MPUA (*Sanshodhan*), 2012, dated 11 January 2013, every person owing or operating generating plant shall pay to the State Government at the prescribed time and in the prescribed manner, an energy development cess at the rate of fifteen paise per unit on the total units of electrical energy sold or supplied to a distribution licensee or consumer in the State of Madhya Pradesh or its employee during prescribed period. Interest on the belated payment of cess shall also be levied according to the provisions of the Act.

- We observed in scrutiny of Form 'G' of HEG Limited that Company sold 2,57,94,848 units of electrical energy to distribution licensee (MP DISCOMs) between August 2015 and November 2015 but paid EDC only for 9437319 units. This resulted in short levy of EDC of ₹ 26.75 lakh¹⁸ (including interest of ₹ 2.22 lakh up to March 2016).

On being pointed out in audit, the Government stated (September 2016) that hydroelectric project of HEG Limited, Tawa is a captive power project for its Graphite Unit at Mandideep and transmission of energy for self-consumption at HEG Plant, Mandideep. According to schedule 14 of Section 3 of MPSVA, 2012, duty at the rate of 15 per cent of the tariff rate ₹ 5.65 per unit for auxiliary and self (residential colony) consumption has been paid regularly on HV 3.1 at 33 KV line as per MPERC orders.

The reply is not acceptable as HEG Limited is a producer/captive power producer and hence ED is leviable at the rate of 15 per cent of the tariff on auxiliary/self-consumption (Residential complex at Tawa Nagar and Graphite

¹⁶ As per Notification date 22 July 1975, rate of interest shall be up to 3 months-12 per cent per annum (p.a.), >3 and 6 months-15 per cent p.a., >6 and 12 months-20 per cent p.a. and more than 12 months-24 per cent p. a

¹⁷ Calculation of ED and interest
ED for 1073088 units @5.10x15%= ₹ 820912/- and interest= 820912 x 14 months x 24 percent= ₹ 229855/-
ED for 8550 units @5.65x15%= ₹ 7246/- and interest = 7245 x 9 months x 20 percent = ₹ 1087/-

¹⁸ Calculation of EDC and interest
August 2015, (76,06,509 -31,39,100) = 4467409 units @0.15 = ₹ 670111/- and interest = ₹ 670111 x 8 months x 20 percent = ₹ 89348/-
Similarly, in the month of September 2015, ₹ 31004/-
In the month of October 2015, ₹ 39024/-
In the month of November 2015, ₹ 62341/-

Unit). A total of 10,73,088 units and 8,550 units of electricity energy was consumed in the month of February 2015 and July 2015 by Graphite unit of the HEG Limited but no ED was paid till date. Regarding ED and EDC, illustration has been given by the Department for three months from August 2015 to October 2015 while no comments were offered for balance units in these months after auxiliary and self- consumption. The fact is that these units were sold to DISCOMs or other consumer and therefore cess should have been levied on balance units sold.

4.2.17 Irregular exemption of ED to HT consumers

Department gave irregular exemption of electricity duty to old consumers treating them as new. As a result, electricity duty amounting to ₹ 25.76 lakh could not be realised.

According to Notification dated 4 March 2014 of Energy Department, the State Government, exempted new HT consumers of 33 kV, 132 kV and 220 kV from the payment of ED on consumption of electricity supplied from the grid for a period of five years, seven years and ten years respectively. The exemption was applicable to HT consumers who take new connection from Electricity Distribution companies of the State within five years from the date of issue of this notification with the restriction that the exemption shall not be available for units/consumers presently with the Electricity Distribution Companies of the State.

We observed in office of the DCEI, Indore that three HT consumers had connected through grid and were granted exemption from electricity duty despite being old consumers of electricity distribution companies. This resulted in irregular exemption of ED of ₹ 25.76 lakh (Including interest up to Dec. 2015) as detailed below:

Table 4.6
Irregular exemption of ED to HT consumers

(₹ in lakh)							
Sl. No.	Name of consumer	Previous HT/contract demand	Present HT/contract demand	Month of exemption	Units consumed	Amount of ED	Amount of Interest
1	M/s Agroha Enterprises, Indore	11kV/ 300KVA	33 kV/ 400 KVA	August 2014 to July 2015	1109120	8.48	1.69
2	M/s Aaron Developers Pvt. Ltd., Indore	33 kV/ 200 KVA	33 kV/ 200 KVA	May 2014 to July 2015	1280628	9.80	2.30
3	M/s Sainath Stone Crusher, Indore	33 kV/ 125 KVA	33 kV/ 146 KVA	June 2014 to July 2015	140300	2.86	0.63
Total					2530048	21.14	4.62

On being pointed out in audit, the Government stated (September 2016) that M/s Sainath Stone Crusher, Indore had taken new connections after 4 March 2014 hence ED was not payable and recovery of ED is being initiated against balance two consumers.

The reply of Government regarding M/s Sainath Stone Crusher, Indore is not acceptable as the exemption was not available to existing units/consumers of the Electricity Distribution Companies of the State.

4.2.18 Conclusion

- The Energy Development Cess was neither being timely deposited in Electricity Development Fund, nor it was being utilised for the purpose for which cess was levied.
- The Department delayed in converting the ED due against DISCOMS into the perpetual loan and also did not levy interest against the amount of ED due with DISCOMs for the intervening period of ED due and conversion of ED into perpetual loan.
- Substantial revenue was lost as no separate meters were installed to assess dutiable and not dutiable consumption of electricity.
- Department could not achieve targets of annual inspection of electrical installations, jeopardising the safety of medium and high tension electric installations. This also resulted in substantial loss of inspection fees.
- The monitoring of the monthly return submitted in the DEI and CEI offices by the distribution companies and those by the captive power producers was deficient which led to failure in detection of short levy of duty.

4.2.19 Recommendations

- We recommend that the Government should ensure timely transfer of Electricity Development Cess into Electricity Development Fund and timely utilisation of Energy Development Cess for the intended purpose.
- Government should formulate a mechanism by which the ED due against the DISCOMs should either immediately be converted into perpetual loan or Government should levy interest in cases of delay in payment of electricity duty.
- On previous review on this issue, Public Account Committee recommended for resolution of issue of dutiable and not dutiable consumption of electricity in a time bound manner and also asked the Department to give the basis of levy of electricity duty without installing the separate meters for dutiable and not dutiable energy consumption. We again recommend that Department may install separate meters for dutiable and not dutiable consumption of electricity and there should be a time bound recovery in all such cases where electricity duty was short levied due to absence of separate meters for dutiable and not dutiable consumption of electricity.
- The provisions relating to periodic inspection of the electrical installations should scrupulously be followed in order to ensure safety of these electrical installations.
- The Department should strictly monitor the submission of returns by distribution companies and captive power producers and may also impose fine against errant companies to have a deterrent effect.

CHAPTER – V

MINING RECEIPTS

Chapter- V Mining Receipts

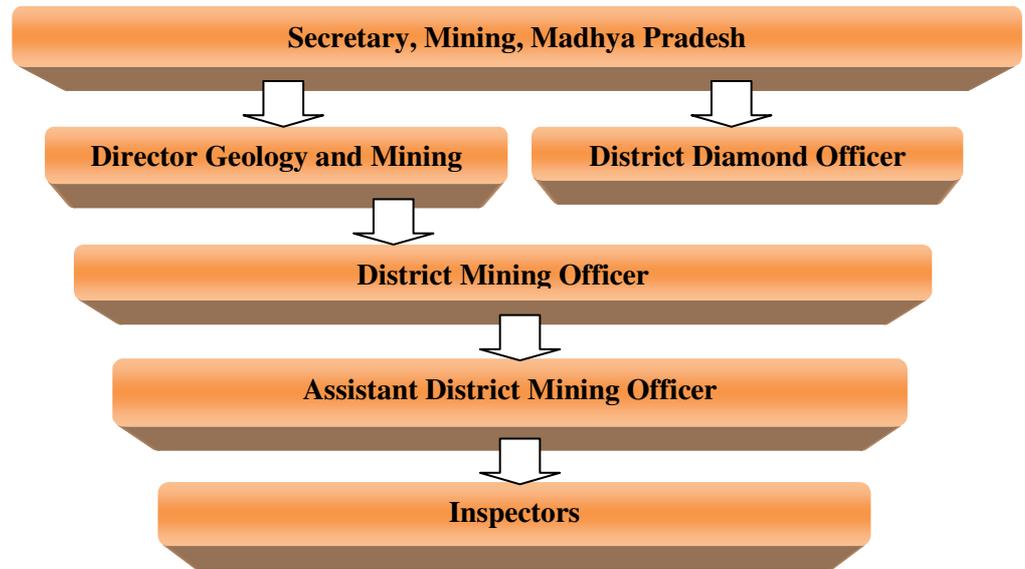


5.1 Tax administration

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 there under:

- 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.

Chart 5.1: Organisational Setup



5.2 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 unit was not conducted.

All the observations raised in this Chapter through Paragraph 5.4 to 5.13, had also been raised in our earlier Audit Reports. This clearly shows that in absence of internal audit wing, these audit observations have resurfaced year after year, which has resulted in short realisation of revenue to the Department.

5.3 Results of Audit

We test checked the records of 32 units out of 51 units relating to Mining Receipts during 2015-16 and observed cases of revenue not realised/short realized and other irregularities involving ₹ 227.96 crore in 1,501 cases which fall under the following categories as mentioned in the **Table 5.1**.

Table 5.1

Sl. No.	Categories	₹ incrore)	
		No. of cases	Amount
1.	Cases in which dead rent/royalty not levied	418	5.03
2.	Cases where rural infrastructure and road development tax not assessed	244	74.47
3.	Short realisation of contract money in trade quarries	31	0.95
4.	Interest on belated payments not levied	226	6.23
5.	Other observations (Cases of penalty on delayed payment of rural infrastructure and road development tax, cases of export of copper by Government Company not related to revenue, Mines not auctioned and operated due to environment clearance, etc.)	582	141.28
Total		1,501	227.96

Chart 5.2: Results of Audit
(Amount involved is ₹227.96 crore in 1,501 cases)



The Department accepted cases where revenue not realised/short realised and other deficiencies of ₹ 227.71 crore in 1,500 cases, which were pointed out in audit during the year 2015-16.

The Department recovered ₹ 4.97 crore in 151 cases as mentioned in Table 5.2.

Table 5.2

Table showing amount recovered by the Department against audit observations

Year to which recovery pertain	Amount (in Lakh)	Cases
2011-12	4.94	7
2012-13	7.88	16
2013-14	11.09	25
2014-15	472.93	103
Total	496.84	151

All observations were communicated to Government and Director, Geology and Mining. A meeting was held with the Department on 28 September 2016 to discuss paragraphs included in this Chapter. Replies given by the Department during the meeting have been included in respective paragraphs.

A few illustrative cases involving ₹ 43.91 crore highlighting important audit findings are mentioned in the following paragraphs:

5.4 Exempted Stamp duty and Registration fees not recovered

The lessee did not commence the commercial production at mines allotted to it by the due date despite availing the benefits of subsidised stamp duty and registration fees under the Industrial Policy of the State Government. The Department did not recover the amount of rebate of Stamp duty and registration fees amounting to ₹ 9.46 crore on agreement of allotment of lease and interest of ₹ 8.08 crore thereon, despite conditions of agreement not fulfilled.

In order to establish new industries in Madhya Pradesh, employment generation for local population and to scientifically exploit the mineral resources of the State, the State Government had entered into an MoU with M/s Abhijeet Cement Ltd., Nagpur (ACL) on 16 February 2008 for setting up; (a) Cement Plant of capacity of 2.5 MTPA, (b) Limestone Mine of capacity of 2.5 MTPA, (c) Captive Power Plant of 50 MW and (d) Coal Mine; with an investment of ₹ 800 crore in first phase. The total investment proposed by ACL in Madhya Pradesh is ₹ 1,210 crore.

Later, an agreement was entered on 26 June 2010 with ACL by the State Government through Managing Director, M.P. Trade and Investment Facilitation Corporation Ltd. to produce Cement in Morena District with an investment of ₹ 1,162 crore. According to the Industry Department letter dated 23.11.2009 these concessions shall be available to the company only on condition that it shall start commercial production by 31.03.2012. Further as per agreement, the State Government shall also have the right to withdraw this facility from the company without prejudice to its right of the agreement or otherwise and also recover the amount with interest at the rate of 18 *per cent* per annum if the State Government is of the opinion that the company has at any point of time misrepresented or concealed any material fact or made any false statement for availing such benefits as mentioned vide its letter dated 16 June 2010 issued by the State Government.

The company was allotted Limestone Mines on an area of 645.636 hectare land on 30 years' lease vide agreement dated 3 July 2010. Further, the Government vide its letter dated 16 June 2010, granted exemption of Stamp Duty on mining lease, according to which the Company had to pay Stamp Duty of only two *per cent* leviable as per rule or ₹ two lakh, whichever was less.

The Government allotted the Limestone Mines to ACL on following terms and conditions communicated vide letter dated 07 January 2009:-

1. Applicant Company shall ensure that the area allotted is not affected by provision of Forest Conversation Act 1986.
2. Action may be taken in accordance of notification issued by the Government of India, Ministry of Forest and Environment dated 14 September 2006. As per the letter of Government of M.P., Commerce Industry and Employment Department, the date by which Company was to start commercial production was 31 March 2012. It was further stated in this letter that Company shall be entitled to avail all these benefits only when it will commence commercial production on or before 31 March 2012.

On Company's request, the Commerce Industry and Employment Department, Bhopal vide its letter dated 23 November 2009 had extended the date of commercial production to 31 March 2012, which was earlier 31 March 2011.

During the audit of DMO, Morena we observed (July 2015) that, ACL was given concession of stamp duty and registration fees amounting to ₹ 9.46 crore on registration of agreement of mining leases. It was further observed that the ACL had not started the commercial production at the mines of limestone even upto July 2015, although as per conditions *ibid*, it had to start commercial production on or before 31 March 2012. Thus due to violation of terms and conditions of the agreement, the exemption of Stamp duty and Registration

fees of ₹ 9.46 crore was recoverable from the Company. Further, as per Clause 5 of the agreement executed on 16 June 2010, interest of ₹ 8.08 crore (from 3 July 2010 to 31 March 2015) at the rate of 18 *per cent* per annum was also leviable. Thus, total amount of ₹ 17.54 crore was recoverable from the Company as shown in **Appendix XX**.

After we pointed out (July 2015), District Mining Officer stated that action would be taken by the Government because exemption was given by the Government Committee.

We reported the matter to the Government and the Department, (July 2016); the Department also reiterated that action would be taken by the Government because exemption was given by the Government (September 2016). The Department stated in a meeting (September 2016) that detailed information from DMO, Morena is requisitioned and awaited and that detailed reply would be submitted accordingly.

5.5 Stamp duty and Registration fees not realised/short realised

5.5.1 Mining leases/ Quarry leases

Agreements of 22 mining/quarry leases were executed on unduly stamped lease agreement. As a result, Stamp duty and Registration fees amounting to ₹ 4.19 crore was not realised/short realised.

According to the instructions of Government of Madhya Pradesh (March 1993), Mineral Resources Department, Stamp Duty and Registration Fees are leviable on average annual royalty on new mining lease to be calculated on the basis of mineral to be extracted as shown in the application for mining lease or the production given in the mining plan, whichever is higher. Further, as per Section 33 of Indian Stamp Act, 1899 the Stamp Duty shall be levied at the same rate as conveyance for a market value equal to the amount or at the rate of five *per cent* or one and half times to five times of the market value of average annual royalty for the lease period five to 30 years, depending on the period of lease. Besides, as per Indian Registration Act, 1908 Registration Fee shall be levied at the rate of 75 *per cent* of Stamp Duty. Further, 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 test checked 21 mining leases out of 63 and 118 quarry leases out of 170 in six District Mining Offices¹ (between May 2015 and January 2016) during scrutiny of case files of leases sanctioned to MP State Mining Corporation Limited (MPSMCL) for the period 2011-15 and observed that the corporation entered into agreement with lessees for 22 mining/quarry leases. An amount of ₹ 4.26 crore was leviable for Stamp Duty and Registration Fees on the agreements. Against this, an amount of ₹ seven lakh only was levied. As a

¹ Chhatarpur, Chhindwada, Dindori, Harda, Singrouli and Umaria

result, Stamp Duty and Registration Fee of ₹ 4.19 crore was not realised/short realised (**Appendix XXI**). The respective DMOs, being public officers, should not have accepted the unduly stamped agreements and should have impounded the same and referred it to Collector of Stamps for correct levy of Stamp duty.

We reported the matter to the Government and the Department, (between December 2015 and April 2016). The Department accepted the audit observations and stated in his reply (July 2016) that action for recovery is being taken by respective District Collectors in all these cases.

However, the Department stated in a meeting (September 2016) that all such cases are forwarded to District Registrar, for quantum of leviable Stamp Duty and Registration Fees, on the basis of which, Stamp Duty and Registration Fees has been recovered.

We do not agree with the reply as, in cases of trade quarries, agreements of leases were executed on stamp papers of ₹ 100 also. This suggests that quantum of Stamp Duty and Registration Fees was not decided by the District Registrars.

5.5.2 Trade Quarries

Instead of levying the Stamp duty on full amount of contract money in accordance with the Departmental instructions, agreements of trade quarry leases were executed on stamp papers of lesser amount. As a result, Stamp Duty and Registration Fees of ₹ 7.66 crore was not realised/short realised.

As per instructions issued by Mineral Resources Department, Government of Madhya Pradesh (March 1993), full amount of contract money should have been treated as premium for the purpose of levy of Stamp Duty on trade quarries. Besides, as per Indian Registration Act, 1908, Registration Fee at the rate of 75 per cent of Stamp Duty is leviable.

We observed (between May 2015 and January 2016) during scrutiny of case files of District Mining Officer, Harda, that in all three cases test checked, Stamp Duty and Registration Fee of ₹ 7.66 crore was leviable as per instructions *ibid*. However, agreements of leases were executed on stamp papers of ₹ 100. This resulted in short realisation of Stamp Duty and Registration Fees of ₹ 7.66 crore (**Appendix XXII**).

We reported the matter to the Government and the Department, (between December 2015 and April 2016).The Department accepted the audit observation and stated in reply (July 2016) that action for recovery is being taken by respective District Collectors in all these cases.

However, the Department stated in a meeting (September 2016) that we forward all such cases to District Registrar, for quantum of leviable Stamp Duty and Registration Fees, on the basis of which, Stamp Duty and Registration Fees has been recovered.

We do not agree with the reply as in cases of trade quarries, agreements of leases were executed on stamp papers of ₹ 100 also. This suggests that quantum of leviable Stamp Duty and Registration Fees was not decided by the District Registrar.

5.6 Rural infrastructure and road development tax not realised/short realised

Ninety nine mining lessees had paid ₹ 11.91 crore of rural infrastructure and road development tax against the payable amount of ₹ 17.89 crore for the period 2014-15. This resulted in short realisation of revenue amounting to ₹ 5.98 crore.

According to the provisions of the Madhya Pradesh Rural Infrastructure and Road Development Act, 2005 and notification of September 2005, rural infrastructure and road development tax at the rate of five *per cent* per annum of the market value of major minerals produced after deducting amount of royalty actually paid by the lessee and ₹ 4,000 per hectare per year in the case of idle mines is to be levied on lessees holding mining leases. Further, in the case of working mines, rural infrastructure road development tax shall be levied at the rate of five *per cent* on the average of the sale price of preceding two years. Every lease holder has to deposit tax by the last day of each quarter in terms of Rule 7 of the Act. In case of tax not paid, competent authority shall, under Section 4(2), impose the penalty not exceeding three times of the tax payable, but not before giving a reasonable opportunity to the assesses of being heard. According to Sub Section 5 of Section 4, the competent authority shall recover the amount of tax and penalty, if not paid, as the arrears of land revenue.

We observed (between April 2015 and March 2016) during scrutiny of individual case files of major minerals in respect of mining leases of 10 District Mining Offices² that out of 314 test checked, 98 lessees had not paid rural infrastructure and road development tax amounting to ₹ 2.34 crore and only one lessee had paid ₹11.91 crore against the payable amount of ₹ 15.55 crore for idle mines for the period of 2012-15. The Department failed to comply with the prescribed system of quarterly collection of tax and did not collect tax accordingly. This resulted in short realisation of revenue of ₹ 5.98 crore.

After we pointed out these cases, DMO, Katni reported that an amount of ₹ 6.57 lakh has been recovered and demand notices issued for remaining amount; DMO, Damoh reported that demand notices have been issued for recovery; other DMOs, stated (between April 2015 and March 2016) that audit would be intimated after recovery of payable amount.

We reported the matter (between September 2015 and April 2016) to the Government and the Department. The Department accepted the audit observation and stated (July 2016) in reply that ₹ 0.27 lakh has been recovered by DMO Shahdol and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that its recovery is under process.

² Balaghat, Chhindwada, Damoh, Jabalpur, Jhabua, Katni, Mandasaur, Neemuch, Satna and Shahdol

5.7 Interest not realised/short realised on belated payments of royalty on mining leases

The Department did not levy interest of ₹ 5.67 crore on belated payments of royalty by lessees in respect of 18 lessees of mining leases as per the provisions of the Rules.

According to Rule 64 (a) of Mineral Concession Rules, 1960, a lessee is liable to pay royalty, rent and rates by the prescribed date, failing which he is 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.

We observed (between April 2015 and March 2016) during scrutiny of case files of six District Mining Offices³ for the period April 2013 to March 2015 that 18 lessees, out of 218 test checked, had delayed payments of royalty by 45 to 1,101 days beyond sixtieth day of the expiry of the stipulated date between July 2011 to January 2015. The DMOs did not recover the amount of interest of ₹ 5.67 crore on belated payments. As a result, interest of ₹ 5.67 crore on belated payment of royalty was not realised.

After we pointed this out (March 2015), DMO, Katni reported realisation of full amount of ₹ 9.99 lakh; DMO Khargone stated that audit would be intimated after recovery of the amount and other DMOs stated that action for recovery would be taken after scrutiny of the cases.

We reported the matter (between December 2015 and April 2016) to the Government and the Department, The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that ₹ 80,000 has been recovered by DMO Neemuch and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

5.8 Dead rent for quarry lease/mining lease not realised or short realised

Department recovered dead rent of ₹ 9.82 lakh against recoverable amount of ₹ 1.23 crore from 131 lessees holding quarry lease and mining leases. As a result, dead rent amounting to ₹ 1.13 crore was not realised.

According to Rule 30 (1) (a) of Madhya Pradesh Minor Mineral Rules, 1996, every lessee shall pay yearly dead rent for every year, except for the first year, at the rates specified in Schedule IV, in advance for the whole year, on or before the twentieth day of the first month of the year.

According to Section 9 A (i) of the Mines and Minerals (Development and Regulation) Act 1957, and rules made thereunder, every lessee of a mining lease has to pay dead rent every year to the State Government at the rates prescribed in Schedule III of the Act in respect of all areas included in the lease provided that where the lessee becomes liable to pay royalty for any mineral removed or consumed, he shall be liable to pay either such royalty or the dead rent in respect of that area, whichever is greater.

³ Katni, Khargone, Neemuch, Rewa, Satna and Sidhi

We observed (between April 2015 and February 2016) during scrutiny of individual files of lessees of 14 District Mining Offices⁴ that out of 407 test checked, 95 lessees had not paid dead rent and 36 lessees had paid short amount of dead rent for the period April 2011 to March 2015. This resulted in short realisation of dead rent of ₹ 1.13 crore.

After we pointed out these cases (between April 2015 and January 2016), DMO Dindori reported recovery of ₹ 40,000; DMO Katni reported that dead rent on quarry lease of ₹ nine lakh and dead rent on mining lease of ₹ 8.20 lakh had been recovered and demand notices issued for remaining amount and other DMOs stated that audit would be intimated after scrutiny and recovery of payable amount.

We reported the matter (between September 2015 and April 2016) to the Government and the Department. The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that dead rent on quarry lease of ₹ 37.99 lakh has been recovered by five DMOs⁵ and dead rent on mining lease of ₹ 0.35 lakh has been recovered by DMO Neemuch and DMO Shahdol and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

5.9 Contract money not realised/short realised in trade quarries

The Department recovered contract money of only ₹ 23.16 lakh for agreement of trade quarries from 15 contractors, against recoverable amount of ₹ 81.96 lakh. As a result, contract money of ₹ 58.80 lakh was not realised/short realised.

According to Rule 37(1) of M.P. Minor Mineral Rules, 1996, and condition No. 5(i) and 9 of the Contract Agreement for trade quarry, every contractor has to pay contract money to the State Government on the scheduled date. If the contract money remains unpaid for more than one month, the contract may be cancelled and quarry may be re-auctioned. Consequently, upon re-auction of the quarry, if the Government sustains any loss, the same will be recovered from the defaulting contractor as arrears of land revenue, but before doing so, notice would be issued to the contractor to deposit amount of overdue within 30 days.

We observed (between November 2015 and January 2016) during test check of the case files of 31 trade quarries of three District Mining Offices⁶ for the period 2012-15 that contract money of ₹ 81.96 lakh was due for payment whereas the contractors paid an amount of ₹ 23.16 lakh only. As a result, contract money amounting to ₹ 58.80 lakh from 15 contractors was not realised/short realised. Out of these 15 contractors, 11 contractors at DMO Panna did not pay any amount of contract money. The DMO should have initiated action of cancellation of these trade quarries after one month from the scheduled date. However, DMO failed to initiate action in accordance with the relevant rules to cancel the auction of trade quarries and re-auction them.

⁴ Chhatarpur, Dindori, Jabalpur, Katni, Khargone, Mandsour, Morena, Neemuch, Rewa, Satna, Shahdol, Sidhi, Singrouli and Tikamgarh

⁵ Dindori, Khandwa, Neemuch, Shahdol and Ujjain

⁶ Guna, Panna and Rajgarh

We reported the matter to the Government and the Department, (January 2016 to June 2016). The Department accepted the audit observation and stated in his reply (July 2016) that ₹ 1.42 lakh has been recovered by DMO Rajgarh and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

5.10 Short realisation of royalty on mining lease

One lessee had paid royalty of ₹ 3.29 crore on mining lease, between June 2013 and March 2015 for consumption/transportation of minerals against payable royalty of ₹ 3.69 crore. This resulted in short realisation of royalty of ₹ 40 lakh.

According to Section 9(i) of the Mines and Minerals (Development and Regulation) Act, 1957, every lessee of a mining lease has to pay royalty in respect of minerals removed or consumed by him from the leased area, at the rates specified in the Schedule II of the Act. Further, as per instructions issued by Director, Geology and Mining (DGM) in September 2005, assessment of tax for every half year period January to June and July to December should be completed by 31st of July and January respectively.

We observed (June 2015) during scrutiny of case files, assessment and annual production statement of District Mining Office, Katni that one lessee of major minerals, out of 80 test checked, had paid royalty of ₹ 3.29 crore against the payable amount of ₹ 3.69 crore due for the period June 2013 to March 2015. It was stated by the District Mining Officer (DMO) that lessee did not submit timely returns and records to the Department, therefore royalty could not be recovered. Had the DMO scrutinised the returns on time as per instructions of DGM, short realisation of royalty could have been avoided. This resulted in short realisation of royalty of ₹ 40 lakh.

After we pointed this out (June 2015); DMO Katni reported (April 2016) recovery of full amount. However, particulars of recovery were not provided to audit (October 2016).

5.11 Royalty against temporary permits issued not realised/short realised

District Mining Officer failed to recover advance royalty of ₹ 31.00 lakh from three contractors to whom permission for extraction, removal and transportation of minor mineral was granted to carry out Government work.

According to Rule 68 (1) of Madhya Pradesh Minor Mineral Rules, 1996, the Collector shall grant permission for extraction, removal and transportation of any minor mineral from any specific quarry or land which may be required for the works of any Department and undertaking of the Central Government or the State Government. Sub-rule (3) further provides that such permission shall only be granted on payment of advance royalty calculated at the rates specified in Schedule III.

We observed (between April and November 2015) during scrutiny of the case files and temporary permits issued to contractors under three District Mining

Offices⁷ for the period 2012-15 that four temporary permits out of 13 test checked were issued to three contractors for the minerals used in Govt. construction work. The DMOs did not realise the entire sum of royalty payable in advance and instead issued permits against part payment by the contractors. As a result, the Department could realise ₹ 40 lakh only against the payable royalty of ₹ 71 lakh leading to short realisation of revenue of ₹ 31 lakh.

After we pointed out the cases (between April and November 2015), DMO Katni replied that demand notice has been issued for recovery of payable amount and DMO Mandasaur stated that audit would be intimated after recovery of payable amount and DMO Satna stated that action for recovery would be taken after scrutiny.

We reported the matter (between December 2015 and April 2016) to the Government and the Department. The Director, Geology and Mining accepted the audit observation and stated in his reply (July 2016) that action for recovery was being taken by respective District Collectors. However, in a meeting (September 2016), the Department stated that in cases of temporary permits, Department is recovering royalty on the basis of quantity excavated.

The reply of the Department is not acceptable as in cases of temporary permits, royalty should always be recovered in advance as per the provisions of Rule 68 (1) of Madhya Pradesh Minor Mineral Rules, 1996.

5.12 Interest on belated payments of dead rent by quarry lessees was not levied

The Department did not levy interest of ₹ 29.72 lakh on belated payments of royalty/dead rent by lessees in respect of 147 quarry lessees as per the provisions of the Rules.

As per Rule 30 (i) (d) of Madhya Pradesh Minor Mineral Rules, 1996, every lessee of quarry lease is required to pay dead rent or royalty under sub rule (a) and (b) to the State Government on or before the twentieth day of first month of the year, failing which the lessee is liable to pay interest at the rate of 24 *per cent* per annum till the default continues, besides any penal action to be taken under the rules.

We observed (between May 2015 and February 2016) during scrutiny of case files related to quarry leases of sixteen District Mining Offices⁸ between April 2011 and March 2015 that 147 lessees, out of 527 test checked, had made delayed payment of dead rent. The delay ranged between eight to 1,165 days. The Department did not levy any interest on these belated payments. As a result, interest on delayed payments of ₹ 30.13 lakh was not recovered.

After we pointed out these cases (between May 2015 and February 2016), DMO Hoshangabad immediately recovered ₹ 41,000 out of leviable interest of ₹ 73,000; DMO Harda reported that an amount of ₹ 11,427 has been recovered and demand notices issued for remaining amount. DMO Katni reported that an amount of ₹ 18,944 has been recovered and demand notices issued for remaining amount; while, other DMOs stated that audit would be intimated

⁷ Katni, Mandasaur and Satna

⁸ Alirajpur, Anuppur, Dindori, Guna, Harda, Hoshangabad, Indore, Jhabua, Khandwa, Khargone, Katni, Morena, Panna, Sidhi, Singrouli and Ujjain

after recovery of payable amount. An amount of ₹ 29.42 lakh is still outstanding (April 2016).

We reported the matter to the Government and the Department (between December 2015 and April 2016). The Department accepted the audit observation and stated in reply (July 2016) that action for recovery was being taken by respective District Collectors. The Department stated in a meeting (September 2016) that amount would be recovered.

5.13 Royalty on quarry lease not realised/short realised

Nineteen lessees had paid royalty of ₹ 42.09 lakh between January 2008 and March 2015 for consumption/transportation of minerals against the payable amount of royalty of ₹ 57.92 lakh, resulting in short realisation of royalty of ₹ 15.83 lakh.

As per Rule 30(1) (a) of Madhya Pradesh Minor Mineral Rules, 1996, a lessee shall pay the amount of dead rent in advance for a full year on or before twentieth day of the first month in which lease was granted. Further, as per Rule 30(1) (b) of Madhya Pradesh Minor Mineral Rules, 1996, a lessee shall pay the amount of dead rent or royalty whichever is higher but not both in respect of each mineral. The lessee shall pay royalty in respect of quantity of mineral consumed or transported from the leased area, as soon as the amount of dead rent already paid, equals the royalty on mineral consumed or transported by him.

We observed (between May 2015 and January 2016) during scrutiny of case files and returns of quarry lease holders in nine District Mining Offices⁹ that 19 lessees, out of 344 test checked, had paid royalty of ₹ 42.09 lakh in respect of mineral removed between January 2008 and March 2015 against payable amount of ₹ 57.92 lakh which resulted in the short realisation of royalty of ₹ 15.83 lakh. The DMOs did not scrutinise the returns on time as per Departmental instructions and hence the royalty on the quarry leases was not realised or short realised.

After we pointed out these cases (between May 2015 and January 2016), DMO Harda stated (April 2016) that demand notices have been issued for recovery of dues; DMOs Alirajpur, Panna and Singrouli stated that audit would be intimated after recovery of due amount and the other DMOs stated that audit would be intimated after scrutiny.

We reported the matter to the Government and the Department, (April 2016). The Department accepted the audit observation and stated in reply (July 2016) that ₹ 5.47 lakh has been recovered by DMO Rajgarh and DMO Harda and action for recovery is being taken by respective District Collectors in other cases. The Department stated in a meeting (September 2016) that amount would be recovered.

⁹ Alirajpur, Anuppur, Guna, Harda, Jhabua, Panna, Rajgarh, Seoni and Singrouli

CHAPTER – VI
STATE EXCISE

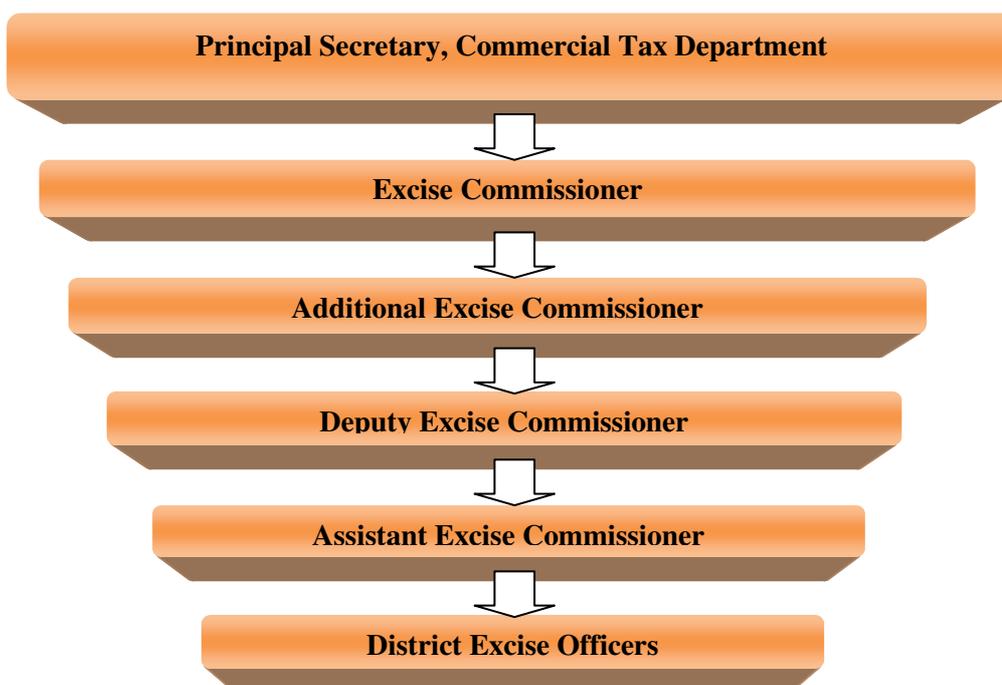
Chapter-VI State Excise

6.1 Tax Administration

The Principal Secretary, Commercial Tax Department is the administrative head of the Excise Department at the Government level. The Excise Commissioner (EC) is the Head of the Department and is assisted by one Additional Excise Commissioner (Addl. EC), three Deputy Excise Commissioners (DEC) at headquarters at Gwalior, seven divisional flying squads headed by DECs, 15 Assistant Excise Commissioners (AEC) and 54 District Excise Officers (DEO) in districts. In the district, the District 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 organisational chart of the Department is as under:

Chart 6.1: Organisational Setup



The working of distilleries, bottling plants (India made foreign liquor) and breweries are monitored by the DEOs with the assistance of the Assistant 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.

State Excise revenue is collected under the provisions of the following Acts, Rules and notifications issued thereunder:

- Madhya Pradesh Excise Act, 1915 (MP Excise Act);
- Madhya Pradesh Distillery Rules, 1995 (MP Distillery Rules);
- Madhya Pradesh Foreign Liquor Rules, 1996 (MPFL Rules);
- Madhya Pradesh Country Spirit Rules, 1995 (MPCS Rules);
- Madhya Pradesh Breweries and Wine Rules (MP B&W Rules);
- Medicinal and Toilet Preparation (Excise Duties) Act, 1955 (M&TP ED Act); and
- Orders, circulars and notifications issued by Excise Commissioner/Government.

6.2 Internal Audit

An Internal Audit Cell (IAC) was established in the office of Excise Commissioner 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.

The Department informed (May 2016) 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 2015-16. The Department conducted audit of only 16 units out of 69 units planned for audit in 2015-16. A total of 93 paragraphs of general nature were included in these internal audit reports and officials were directed to carry out work in accordance with the Departmental Manual and as per orders issued by Finance Department.

The Department needs to strengthen the system of internal audit to remove the persistent irregularities pointed out by audit, some of which have been discussed in this Chapter.

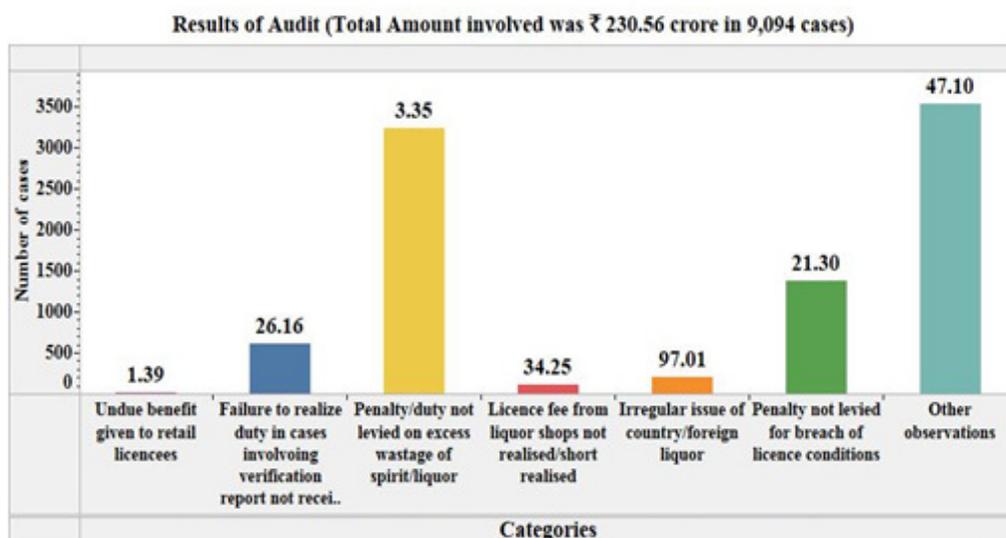
6.3 Results of Audit

We test checked records of 43 units out of 61 units of State Excise receipts during the year 2015-16 and observed issues involving duty was not realised/short realised, loss of revenue, penalty was not levied etc., amounting to ₹ 230.56 crore in 9,094 cases which fall under the following categories as mentioned in **Table 6.1**.

Table 6.1
Results of Audit

Sl. No.	Categories	(₹ in crore)	
		Number of cases	Amount
1.	Undue benefit given to retail licensees	8	1.39
2.	Failure to realise duty in cases involving verification report not received	615	26.16
3.	Penalty/duty not levied on excess wastage of spirit/liquor	3,236	3.35
4.	Licence fee from liquor shops not realised/short realised	113	34.25
5.	Irregular issue of country/foreign liquor	207	97.01
6.	Penalty not levied for breach of licence conditions	1,373	21.30
7.	Other observations	3,542	47.10
Total		9,094	230.56

Chart 6.2



All observations were communicated to the Government and the Department. The Department accepted cases in which duty was not realised/short realised, penalty was not imposed and loss of revenue etc. involving ₹ 198.84 crore in 8,938 cases, which were pointed out in audit during the year 2015-16 and reported realisation of ₹ 16.17 lakh in 855 cases.

A few illustrative audit observations involving ₹ 26.39 crore are mentioned in the following paragraphs. A meeting was held with the Department on 28 September 2016 to discuss paragraphs included in this chapter. Replies given by the Department in the meeting have been included in the paragraphs.

6.4 Excise Verification Certificates not furnished by licencees who got transport/export permits issued for transport of foreign liquor/beer

The licensees of foreign liquor/beer did not furnish Excise Verification Certificates (EVCs) duly obtained from the Officer-in-charge of the destination units to the authority who issued the transport/export permit. EVCs were not furnished against export/transport of 7,93,797.56 proof litre (PF) foreign liquor and 3,87,165 bulk litre (BL) beer involving excise duty of ₹ 0.62 crore on beer and ₹ 16.99 crore on liquor.

According to Rules 12, 13 and 14 of Madhya Pradesh Foreign Liquor (MPFL) Rules, the export/transport of foreign liquor/beer is permissible on payment of duty or on furnishing a bank guarantee or on executing a bond in form FL-23¹ with adequate solvent sureties for the amount of duty involved. After transportation of the liquor, the licensee shall obtain an EVC from the Officer-in-Charge of the destination unit and furnish it to the authority, who issues the transport/export permit, within 40 days of the expiry of the permit. In case of default of licensee, the duty involved shall be recovered from the deposit made, bank guarantee furnished or the security bond executed by the

¹ Form of bond to be executed on the removal of foreign liquor from the licensed premises of F.L.9/F.L.9A/F.L.10A/F.L.10B/B-3 license at export/transport in bond.

licensee. This will be in addition of penalty which may be imposed under Section 19 of MP Excise Act.

We observed (between October and December 2015) from the export/transport permits registers and Excise Verification Certificates receipt registers in DEO Gwalior, DEO Morena and AEC Raisen that the licensees exported/transported 7,93,797.56 PL foreign liquor and 3,87,165 BL beer involving duty of ₹ 17.61 crore on 175 permits out of 175 permits issued and examined. However, these EVCs were not furnished to the authorities who issued the transport/export permits.

After we pointed out the cases, DEO, Gwalior replied (October 2015) that the cases were being sent to Commissioner's office for further orders and DEO Morena (December 2015) stated that the pending EVCs would be shown to next party while AEC Raisen stated (October 2015) that EVCs would be collected and shown to audit.

We reported the matter to the Government and Department in April 2016. The Department replied in a meeting (September 2016) that pilot study was going on for issuance and verification of EVCs online through internet/broadband and after its implementation, this issue would be resolved.

The fact remains that export/transport of foreign liquor/beer amounting to ₹ 17.61 crore could not be verified in absence of EVCs.

6.5 Short recovery of licence fees on licences of poppy straw

The District Collectors did not revoke licences of 11 poppy straw licensees who did not pay licence fees amounting to ₹ 12.15 crore.

As per Clause 10.3 of Gazette Notification (*Asadharan*), Bhopal dated 30 April 2015, licence would be given to the highest bidder for wholesale trade of poppy straw. Licence fees shall be divided in 10-1/2 parts and licensee shall deposit monthly licence fees of that month before the end of that particular month. If the licence fees of the month is not paid before the end of the month concerned, then District Collector would revoke the licence of wholesaler of poppy straw and prohibit him to carry out any further trade (purchase/sale) of poppy straw and process to float new tender would be initiated at the cost of licensee concerned. The recovery of all losses of revenue to Government would be recovered from old licensee by issuing Revenue Recovery Certificate.

The above Clause of the said notification nowhere states that Collector would give notices to the defaulter licensee to recover the amount of monthly installment of annual licence fees defaulted by the licensee. The Clause clearly states that if licence fee of a month is not paid by the last date of that month then, wholesaler licence of that licensee would be withdrawn and shall be re-tendered at the cost of defaulter licensee. The said Clause also stipulates that Collector would also restrict/sale of the poppy straw by the defaulter licensee.

We test checked records of the DEOs Mandsaur and Ratlam between April 2015 and March 2016 and observed that the DEO Mandsaur and Ratlam had allotted 38 licences to 32 licensees. Licence for wholesale trade of poppy straw for a period of ten and half months was issued on 13 May 2015 for the period 15 May 2015 to 31 March 2016. However, post-dated cheques given by

11 licensees having 12 licences against monthly instalment of licence fees of every month from June 2015 onwards were not honoured by the Banks due to insufficient balance in their bank accounts.

Despite provisions of the notification for withdrawal of licences in cases of default in payment of licence fee of one month, the District Collector issued notices (between July 2015 and February 2016) to defaulter licensees for payment of dues. Moreover, criminal action for dishonor of cheques issued by licensees was also not initiated by the District Collectors.

This not only resulted in short realisation of revenue of ₹ 12.15 crore but also the trade of narcotic substance continuously remained in the hands of persons, who were not committed to adhere to the clauses of the agreement.

After we pointed out the cases, the DEO and AEC stated (February 2016) that the audit would be informed after recovery of the amount.

The matter was reported to the EC and the Government (July 2016), their replies have not been received (October 2016).

6.6 Very Small Aperture Terminal (VSAT) connectivity was not installed at warehouses for which penalty was not imposed

In 107 warehouses of 51 districts of Madhya Pradesh, arrangements for VSAT connectivity were not made, contravening the provisions of tender document. The Department did not levy penalty amounting to ₹ 6.05 crore on the warehouses.

In Clause 6 (xxxii) of tender notice for supply of country spirit in sealed bottles in 51 districts of Madhya Pradesh issued by the Excise Commissioner Madhya Pradesh, Gwalior vide notification dated 3 January 2014, it was stipulated that the successful tenderer for supply of country spirit will have to make arrangements for VSAT connectivity in all the storage warehouses at his cost. Rule 12(1) of Madhya Pradesh Country Spirit Rules, 1995 provides that the Excise Commissioner may impose a penalty not exceeding ₹ 50,000 (up to 12 January 2014) and ₹ 2 lakh (from 13 January 2014) for any breach or contravention of any of these rules and may further impose in the case of continued contravention, an additional penalty not exceeding ₹ 1,000 for every day during which the breach or contravention is continued. The objective behind installation of VSAT at country spirit warehouses was to generate permits online.

We test checked the records of Excise Commissioner Office, Gwalior for the period August 2014 to July 2015 and found that out of 107 warehouses of 51 districts of Madhya Pradesh, none of the warehouses had made arrangements for VSAT connectivity. As a result, the online permit from warehouses were not generated and issued. No proper action was taken by authority concerned and penalty amounting to ₹ 6.05 crore² was not levied for breach and continued contravention of rules on the successful tenderer. Further, Excise Verification Certificates were also not generated online against the liquor supplied through transport/export permits. As a result, transportation of liquor

² (₹ 2,00,000 + ₹ 3,65,000 = ₹ 5,65,000 per warehouses) * 107 = ₹ 6,04,55,000

involving excise duty of ₹ 17.61 crore remained unacknowledged which is highlighted in paragraph 6.4 of this Chapter.

We reported the matter to the Government and the Department in April 2016. The Department replied in a meeting (September 2016) that contract is given for one year, and if in next year, same contractor does not get contract again, his investment in VSAT would become redundant. It was further stated that the Department had been working for connectivity of all warehouses through broadband.

We do not agree with the reply as any variation from conditions stipulated in the tender tantamount to undue favour to the contractor and vitiated the tendering process.

6.7 Penalty not imposed on failure to maintain minimum stock of country liquor at warehouses and bottling units

The licensees of country liquor did not maintain minimum stock of bottled country liquor at country liquor warehouses and country liquor bottling units. However, penalty amounting to ₹ 2.76 crore for breach and continued contravention of rules was not imposed against the licensees.

Rule 4(4) of Madhya Pradesh Country Spirit Rules 1995 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. Rule 12(1) of Madhya Pradesh Country Spirit Rules 1995 provides that the Excise Commissioner may impose a penalty not exceeding ₹ 50,000 (up to 12 January 2014) and ₹ 2 lakh (from 13 January 2014) for any breach or contravention of any of these rules and may further impose in the case of continued contravention, an additional penalty not exceeding ₹ 1,000 for every day during which the breach or contravention is continued.

(i) Minimum Stock at Warehouses not maintained

We observed (between April 2015 and March 2016) from records viz. Stock Register, Monthly Register etc., of 10 Assistant Excise Commissioner Offices³ and 11 District Excise Officers⁴ that the minimum stock of bottled country liquor was not maintained by 25 licensees between August 2011 and February 2016. This was in violation of provisions of Rule 4(4) of Madhya Pradesh Country Spirit Rules 1995. Penalty amounting to ₹ 1.96 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.

(ii) Minimum stock at Country liquor bottling units not maintained

We observed from the records viz. Stock Register, Monthly Register etc., of three Assistant Excise Commissioner Offices⁵ and two District Excise

³ Bhopal, Chhatarpur, Chhindwara, Jabalpur, Khandwa, Raisen, Ratlam, Sagar, Shivpuri and Ujjain

⁴ Annuppur, Barwani, Dhar, Hoshangabad, Mandasour, Morena, Seoni, Shajapur, Sheopur, Umaria, and Vidisha

⁵ Chhindwara, Khandwa and Shivpuri

Officers⁶ (between May 2015 and March 2016) that minimum stock of spirit and bottles at Country liquor bottling units that equals average of five days' supply of previous month was not maintained by five licensees (between February 2014 and February 2016). This was in violation of provisions of Rule 4(4) of Madhya Pradesh Country Spirit Rules 1995. Penalty amounting to ₹ 79.67 lakh 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.

We reported the matter to the Government during February 2016 and July 2016. The Department replied in a meeting (September 2016) that imposition and recovery of penalty is under process.

6.8 Penalty not imposed on excess wastage/shortage

During export/transport of foreign liquor, beer and Extra Neutral Alcohol (ENA), total wastages of foreign liquor, beer and ENA was 1,57,108.59 PL, 12,814.30 BL and 26,439.27 PL respectively. This was 1,22,329.50 PL in excess of admissible limit in the case of the foreign liquor, 9,035.58 bulk litre in the case of beer and 15940.79 PL in the case of ENA. However penalty of ₹ 2.51 crore was not imposed and recovered by the Department.

6.8.1 Foreign liquor/beer during export/transport

Rule 16 and 19 of Madhya Pradesh Foreign Liquor Rules, 1996 provide that the maximum wastages allowance for all export of bottled foreign liquor/beer shall be 0.25 percent irrespective of the distance, for all transports. It shall be 0.1 percent if the selling and purchasing licensees belong to the same district and 0.25 percent if they belong to different districts. In case of wastages beyond the permissible limit, the licensee shall be liable to pay penalty at the rate prescribed by the Government from time to time. The Excise Commissioner or the authorised officer may waive off this penalty under Rule 19 (2) of Rules *ibid* if it is proved to his satisfaction that such excess deficiency or loss was due to some unavoidable causes like fire or accident and its First Information Report was lodged in Police Station.

We observed (between September and December 2015) from EVCs of foreign liquor bottling units and breweries of Deputy Commissioner Office, Indore, Assistant Excise Commissioner Office, Bhopal and three District Excise Officers⁷ that during export/transport, total wastages of foreign liquor was found 1,57,108.59 PL which was 1,22,329.50 PL in excess of the admissible limit of 34,779.09 PL in 2,469 permits. Further, during export/transport (between November 2014 and October 2015), total wastage of beer was found 12,814.30 BL which was 9,035.58 BL in excess of the admissible limit of 3,778.72 BL in 250 permits. On these excess wastages, penalty of ₹ 2.36 crore was leviable on licensees but was not imposed and recovered by the Department.

⁶ Dhar and Rajgarh

⁷ Gwalior, Morena and Shajapur

We reported the matter to the Government in March 2016. The Department replied in a meeting (September 2016) that the imposition and recovery of penalty was under process.

6.8.2 Extra Neutral Alcohol (ENA)

Rule 6(4) and 8(4) of Madhya Pradesh Distillery Rules 1995 provide for an allowance of 0.1 to 0.2 *per cent* on account of leakage or evaporation of spirit/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 PL on country spirit at that time.

We observed in December 2015 from Excise Verification Certificates of District Excise Officer, Khargone pertaining to M/s Associate Alcohol and Breweries Ltd. that through all 141 permits issued and examined, 52,49,240 PL ENA was exported from Madhya Pradesh to other states between August 2014 and October 2015 against which 52,22,800.73 PL ENA was received by the borrowing/importing States resulting in loss of 26,439.27 PL ENA. The total loss beyond the permissible limit of 10,498.48 PL was 15940.79 PL ENA. On the excess wastage, a penalty of ₹ 14.92 lakh⁸ was leviable. However, the Department did not levy penalty.

We reported the matter to the Government and the Department in March 2016. The Department replied in a meeting (September 2016) that the issues were under process. Further reply has not been received (October 2016).

6.9 Value Added Tax (VAT) was not recovered on old stock of liquor

The Department did not levy VAT on closing stock of country liquor with retailers as on 31 March 2013 as per the provisions of VAT Act. As a result, VAT amounting to ₹ 2.26 crore on closing stock of ₹ 45.25 crore could not be recovered.

Government of Madhya Pradesh notified in March 2013, that liquor as specified in Part III A of Schedule II of VAT Act, on which tax is payable and which have been purchased by a dealer from a registered dealer inside the State of Madhya Pradesh shall be “tax-paid goods”. Liquor, when sold by a dealer was also included under Schedule II, Part III A of the VAT Act for levy of VAT at five *per cent*.

It was also specified that VAT would be leviable on both Country Liquor and Foreign Liquor sold in the State on or after 1 April 2013.

We test checked (between March 2014 and October 2015) records of four Assistant Excise Commissioner Offices⁹ and 11 District Excise Officers¹⁰ and found that stock amounting to ₹ 45.25 crore was lying with retailers as closing

⁸ For the year 2014-15 - 12699.54 PL * ₹ 92 (Rate of ENA in 2014-15) = ₹ 11,68,358
For the year 2015-16 – 3241.25 PL * ₹ 100 (Rate of ENA in 2015-16) = ₹ 3,24,125
Total (₹11,68,358 + ₹3,24,125 = ₹ 14,92,483)

⁹ Chhatarpur, Dewas, Dhar and Hoshangabad

¹⁰ Ashok Nagar, Barwani, Chhindwara, Damoh, Dindori, Katni, Khargone, Satna, Sehore, Seoni and Sheopur

stock for the financial year 2012-13 and the same was sold on or after 1 April 2013. Thus, the aforesaid stock attracted VAT amounting to ₹ 2.26 crore. However, neither the retailers deposited VAT nor the Department took any initiative for recovery of VAT.

Matter was reported to the Government and the Department in May 2016. The Department replied in a meeting (September 2016) that VAT on old stock of liquor with licensee was not levied as it was already sold to licensee in previous year while the procedure for collecting VAT prescribed by the Commercial Tax Commissioner was applicable from 1 April 2013. It was also stated that VAT was collected by Officer-in-Charge from the retailers at the time of issue from Foreign Liquor warehouse and in case of Country Liquor warehouse; it was collected by the supplier from the retailers at the time of issue so there is no provision of collecting VAT from retail shops.

We do not agree with the reply of the Department as the order of March 2013 implied that VAT should be levied and collected from retailers concerned and not from end users. Moreover, the Department was already collecting VAT on foreign liquor.

6.10 Loss of revenue as offer of highest bidder was not accepted

The offer of the highest bidder for ₹ 8,68,77,777 was not accepted as the cheque of earnest money submitted by him along with the financial bid was 75 paise less than the stipulated amount of ₹ 72,39,814.75, which was equivalent to 1/12th of the offer price. Shops were awarded to second highest bidder whose offer of ₹ 8.01 crore was ₹ 67.65 lakh less than the offer of highest bidder.

As per para 16.11 of the gazette notification dated 21 January 2015, every bidder had to submit a cheque equivalent to 1/12th amount of offer price along with the financial bid. Notification further stipulated that if in the envelope, bidder had not submitted the cheque equivalent to 1/12th of the offer price the offer shall not be considered.

During audit of District Excise Office, Khandwa, we observed (December 2015) that for execution of one foreign liquor shop and three country liquor shops in C-1 group during the year 2015-16, one bidder made highest offer of ₹ 8.69 crore. His offer was not accepted as the cheque for financial bid submitted by him in the envelope was less than the 1/12th of the amount of offer ₹ 72.40 lakh by 75 paise. The Department allotted the shops to the second highest bidder who offered ₹ 8.01 crore for these shops which was ₹ 67.65 lakh less than the offer of highest bidder.

On being pointed out in audit, the DEO replied (December 2015) that Para 16.14 of the Gazette Notification stipulated that if in the envelope of financial bid, tenderer had not submitted a cheque equivalent to 1/12th of offer made by him then his offer would not be considered.

We do not agree with the reply as Para 16.11 of the said Gazette Notification also stipulated that the said cheque of earnest money shall be returned to successful tenderer after he deposited the security amount. Therefore, it was clear that the said cheque along with offer was collected only for security purpose. The authorities of the Department rejected an offer in which earnest

money was only short by 75 *paise* thereby causing loss to the exchequer to the extent of ₹ 67.65 lakh. The revenue officers in the larger interest of the revenue should have sorted out the issue with the highest tenderer to safeguard the revenue of the State. Not doing so resulted in loss of revenue to this extent.

We reported the matter to the Government and Department (January 2016). The Department stated in a meeting (September 2016) that detailed reply would be given after analysis of the issue. Further reply has not been received (October 2016).

CHAPTER – VII
TAXES ON VEHICLES

Chapter – VII

Taxes on Vehicles



» MP Transport Website » e-Sewa Home » New Search : RC DL LL

Vehicle Registration Search

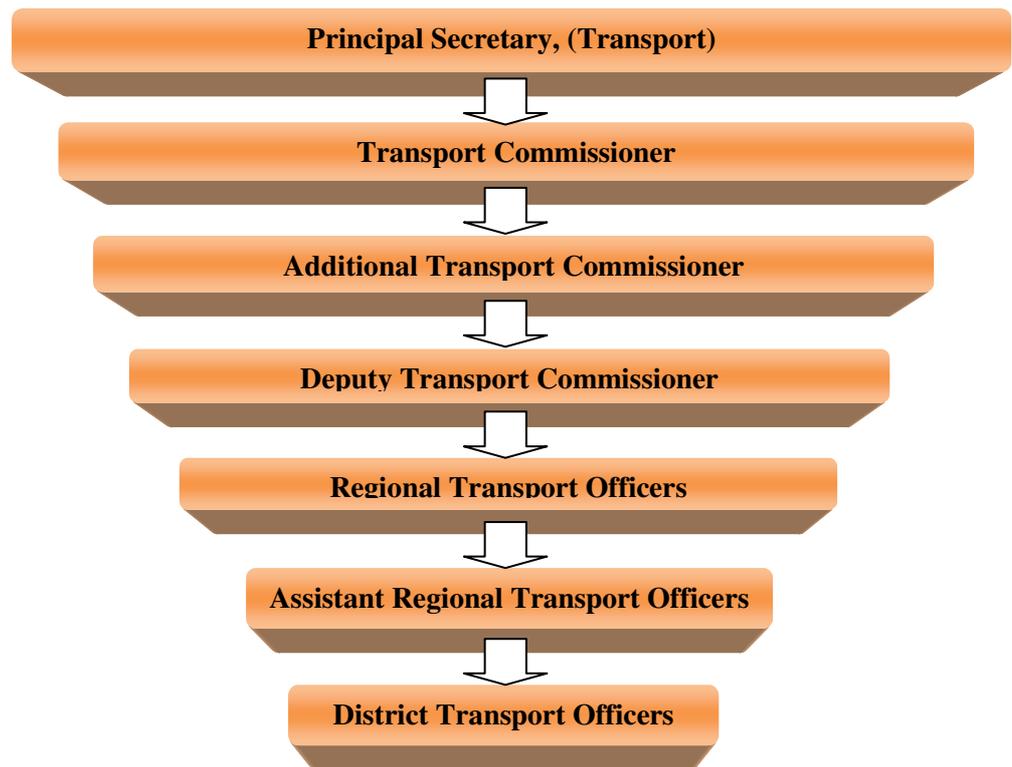
Registration No.	:	<input type="text"/>	<small>If Vehicle No. is MP 04 A 2300 then enter "MP04A2300" and click "Submit" Button</small>
Engine No.	:	<input type="text"/>	<small>If Engine No. is DFMBJC58332 then enter complete numeric and character "DFMBJC58332" and click "Submit" Button</small>
Chassis No.	:	<input type="text"/>	<small>If chassis No. is DFFBJC22641 then enter complete numeric and character "DFFBJC22641" and click "Submit" Button</small>
Search Criteria	:	<input checked="" type="radio"/> Exact <input type="radio"/> Start With <input type="radio"/> Anywhere <input type="radio"/> End With	
		<input type="button" value="Submit"/>	<input type="button" value="Clear"/>

7.1 Tax Administration

The Transport Department functions under the overall charge of the Principal Secretary (Transport). Issue of driving license/permit and levy and collection of tax/fee/penalty on vehicles is administered and monitored by the Transport Commissioner. 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 Assistant 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.

The organisational chart of the Department is as under:

Chart 7.1: Organisational Setup



Taxes on vehicles are collected under the provisions of the following Acts, 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)*, 1994

7.2 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 Transport Commissioner. The Internal Audit is conducted under the supervision of Joint Transport Commissioner (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 2015-16, the Department planned 40 field units for internal audit, however, audit of only 20 units was completed. The Department cited shortage of staff as reason for not covering the remaining 20 units in internal audit. The internal audit raised objections on vehicle tax and penalty not levied, fitness of vehicles, departmental income, pending paras of PAC and others. The auditee units were instructed to comply with the objections and to maintain the registers/returns as per rules.

7.3 Results of Audit

We test-checked records of 28 units (Office of Transport Commissioner, RTOs – 8, ARTOs – 5 and DTOs –14) involving total revenue of ₹ 3,776.09 crore out of 51 units relating to taxes on vehicles during the year 2015-16 and observed underassessment of tax and other irregularities involving ₹ 42.37 crore in 63,869 cases which fall under the following categories as mentioned in **Table 7.1**.

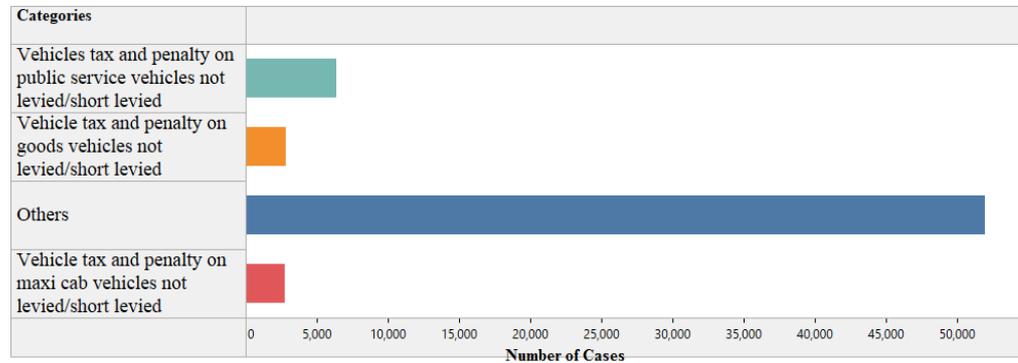
Table 7.1
Results of Audit

(₹ in crore)

Sl. No.	Categories	Number of cases	Amount
1.	Vehicles tax and penalty on public service vehicles not levied/short levied	6,386	24.28
2.	Vehicle tax and penalty on goods vehicles not levied/short levied	2,805	7.01
3.	Vehicle tax and penalty on maxi cab vehicles not levied/short levied	2,725	4.10
4.	Others	51,953	6.98
Total		63,869	42.37

Chart 7.2

Results of Audit (Amount involved ₹ 42.37 crore in 63,869 cases)



The audit observations were forwarded to the Department. The Department accepted underassessment and other deficiencies of ₹ 26.99 crore in 263 cases, which were pointed out in audit during the year 2015-16 and reported realisation of ₹ 2.81 lakh in 9 cases.

Two meetings were held with the Department on 20 September 2016 and 30 September 2016 to discuss issues raised in the paragraphs included in this chapter. Replies given by the Department during the meeting have been incorporated.

A few illustrative cases involving ₹ 24.77 crore are discussed in the following paragraphs.

7.4 Vehicle tax and penalty not realised

Vehicle tax of ₹ 13.09 crore and penalty of ₹ 9.14 crore in respect of public service vehicle kept as reserve, goods vehicles, maxicabs, stage carriage vehicles, public service vehicles plying on All India Tourist Permit and earthmovers / harvesters, was neither paid by the vehicle owners nor any demand notices found issued by the Taxation Authorities.

According to the provisions under Section 3 (1) of the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 tax shall be levied on every goods vehicle used or kept for use in the State at the rates specified under item No. V(a) of the First Schedule to the *Adhiniyam*. If the tax due has not been paid by the owner of the vehicle within the prescribed period, he shall be liable to pay penalty at the rate of four *per cent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax due as specified under Section 13 of the *Adhiniyam* *ibid*.

We scrutinised (between April 2015 and July 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database and found that vehicle tax on 4,031 vehicles out of 11,916 vehicles test checked for the period between April 2010 and March 2015 was neither paid by the vehicle owners nor any demand notice was issued by the Taxation Authorities (TAs) for the outstanding amount. As a result, tax of ₹13.09 crore was not realised. Besides, a penalty of ₹ 9.14 crore on the unpaid amount of tax was also not levied. Thus, an amount of ₹ 22.23 crore was not realised as shown in **Table 7.2**.

Table 7.2
Vehicle tax and penalty not realised

(₹ in crore)

Type of vehicle / number of defaulter vehicles	Number of offices involved	Tax not realised	Penalty on tax not levied	Total
<u>Public Service Vehicles kept as reserve</u> 660	8 RTOs 4 ARTOs <u>13 DTOs</u> Total 25 offices ¹	4.27	2.97	7.24
<u>Goods Vehicles</u> 1550	8 RTOs 5 ARTOs <u>13 DTOs</u> Total 26 offices ²	3.43	2.57	6.00
<u>Maxicabs/Taxicabs</u> 885	5 RTOs 2 ARTOs <u>10 DTOs</u> Total 17 offices ³	1.52	1.09	2.61

¹ **RTO** Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

ARTO Chhatarpur, Chhindwara, Guna and Satna

DTO Anuppur, Badwani, Betul, Damoh, Dewas, Harda, Jhabua, Mandla, Neemuch, Panna, Raisen, Ratlam and Shivpuri

² **RTO** Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

ARTO Chhatarpur, Chhindwara, Guna, Satna and Seoni

DTO Anuppur, Badwani, Betul, Damoh, Dewas, Harda, Jhabua, Mandla, Narsinghpur, Neemuch, Panna, Raisen and Ratlam

³ **RTO** Bhopal, Indore, Jabalpur, Rewa and Ujjain

<u>Stage carriage vehicles</u> 213	7 RTOs 2 ARTOs 7 DTOs Total 16 offices ⁴	1.41	0.89	2.30
<u>All India Tourist permit vehicles</u> 57	4 RTOs 3 ARTOs 2 DTOs Total 9 offices ⁵	1.20	0.85	2.05
<u>Earthmover/Harvester</u> 666	5 RTOs 4 ARTOs 6 DTOs Total 15 offices ⁶	1.26	0.77	2.03
Total	4031	13.09	9.14	22.23

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department accepted audit observation and reported recovery of ₹ 1.24 crore (October 2016).

7.5 Incorrect levy of tax on private service vehicles at the rate applicable to educational institution buses

Vehicle tax in respect of 155 private service vehicles was incorrectly levied at the rate applicable to Educational Institution Buses. Failure to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹ 1.20 crore.

According to Section 2 (11) of Central Motor vehicle Act 1988, Educational Institution Bus means an omnibus, which is owned by a college, school or other educational institution and used solely for the purpose of transporting students or staff of the educational institution in connection with any of its activities.” On these buses, tax on concessional rate, at the rate of ₹ 30 per seat per quarter (₹ three per seat per quarter from October 2014) should be levied.

Further as per Section 2 (33) of Central Motor Vehicle Act 1988, Private Service Vehicle means a motor constructed or adapted to carry more than six persons excluding the driver and ordinarily used by or on behalf of the owner of such vehicle for the purpose of carrying persons for, or in connection with his trade or business otherwise than for hire or reward but does not include a motor vehicle used for public purposes. Tax at the rate of ₹ 450 per seat per quarter (₹ 480 per seat per quarter from October 2014) according to Section 7 of First Schedule of the *Adhiniyam*, should be levied on such vehicles.

We scrutinised (between May 2015 to January 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database

	ARTO	Satna and Seoni
	DTO	Anuppur, Badwani, Betul, Damoh, Harda, Jhabua, Mandla, Neemuch, Raisen and Ratlam
⁴	RTO	Bhopal, Indore, Jabalpur, Morena, Rewa, Sagar, and Ujjain
	ARTO	Chhindwara and Seoni
	DTO	Badwani, Damoh, Jhabua, Neemuch, Panna, Ratlam and Shivpuri
⁵	RTO	Gwalior, Indore, Morena and Sagar
	ARTO	Chhatarpur, Chhindwara and Seoni
	DTO	Dewas and Shivpuri
⁶	RTO	Bhopal, Indore, Jabalpur, Rewa and Ujjain
	ARTO	Chhatarpur, Guna, Satna and Seoni
	DTO	Jhabua, Mandla, Neemuch, Raisen, Ratlam and Shivpuri,

in 11 offices⁷ for the period between April 2011 to March 2015. We test checked records of 1,425 vehicles and found that vehicle tax in respect of 155 private service vehicles, was levied at the rate prescribed for “Educational Institution Buses”. Failure of the TAs to detect the application of incorrect rate of tax resulted in short realisation of vehicle tax of ₹1.20 crore.

After we pointed this out, the DTO Raisen stated (May 2016) that Demand notices have been issued for recovery. RTO Ujjain did not accept the audit observations in 90 out of 91 cases and stated (June 2016) that vehicle owners have entered into lease agreement with Educational institutions. We do not agree with the reply of RTO Ujjain as copy of lease deed was neither produced to audit team nor forwarded with the reply.

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department stated that in cases pertaining to RTO Ujjain, the information was awaited, while in remaining cases, recovery was in progress.

7.6 Vehicle tax and penalty on public service vehicles plying on stage carriage permit was short levied

Vehicle tax amounting to ₹ 33.72 lakh in respect of 80 public service vehicles plying on stage carriage permit was neither paid by the vehicle owners nor any demand notices had been issued by the Taxation Authorities. A penalty of ₹ 17.21 lakh was also leviable for not paying the taxes.

According to Section 3(1) of the *Adhiniyam*, tax shall be levied on every motor vehicle used or kept for use in the State at the rates specified in the first schedule. In case of public service vehicles, tax will be calculated on the basis of the seating capacity of the vehicle and distance of the route allowed. If the tax due has not been paid within the prescribed period, penalty is also leviable at the rate specified under Section 13 of the *Adhiniyam*.

We scrutinised (between April 2015 to January 2016) the permit issue register, NOC issuance register, vehicle surrender register and computerised database in eight offices⁸ and examined 1,305 vehicles for the period between April 2009 and March 2015. It was found that vehicle tax in respect of 80 vehicles was paid short by the vehicle owners. The reason for the short payment was wrong calculation of tax by vehicle owners. Taxation authorities failed to detect the short payment by vehicle owners, although, upto date vehicle-wise data is available online on the Department's portal <http://www.mptransport.org>. As a result, vehicle tax amounting to ₹ 33.72 lakh was neither paid by vehicle owners nor could be realised by the Department. Besides, a penalty of ₹ 17.21 lakh was also leviable.

We reported the matter to the Government and Department between December 2015 and April 2016. In a meeting (September 2016), the Department reported

⁷ **DTO** Badwani , Dewas , Narsinghpur, Neemuch, Raisen and Ratlam

RTO Indore,Ujjain and Rewa

ARTO Chhatarpur and Satna

⁸ **RTO** Indore, Jabalpur and Rewa

DTO Badwani, Damoh, Mandla, Neemuch and Ratlam.

recovery of ₹ 56,000, while in remaining cases, it was stated that recovery was in progress.

7.7 Short levy of tax due to wrong assessment of seating capacity of public service vehicles

Fifty seven vehicles were registered with less seating capacity ranging from two to six seats by the registration authority than the prescribed seating capacity according to wheel base and model. This resulted in short levy of vehicle tax of ₹ 40.08 lakh.

According to the Rule 158(3) of Motor Vehicle Tax Act, 1994 and instructions issued by the Transport Commissioner on 31 May 2005, seating capacities of the buses should be decided by the Registration Authority on the basis of the wheel base/model of the respective vehicle as per the provisions of the Motor Vehicle Act.

We scrutinised (between May and August 2015) the permit issue register, NOC issuance register, vehicle surrender register and computerised database of eight offices⁹ for the period from April 2011 to March 2015 and found that 57 vehicles were registered with less seating capacity by the registration authority than the prescribed seating capacity on the basis of wheel base and model. Vehicles were registered with less seating capacity ranging from two to six seats. This resulted in short levy of vehicle tax amounting to ₹ 40.08 lakh.

We reported the matter to the Government and the Department between December 2015 and April 2016. In a meeting (September 2016), the Department stated that recovery was in progress.

7.8 Trade fees not levied

The Department failed to recover trade fees from dealers of vehicles, amounting to ₹ 29.60 lakh (at ₹ 50 per two wheelers and at ₹ 200 per vehicle for other vehicles) on 32,345 two wheelers and 6,714 four wheelers registered between April 2011 and March 2015.

According to Rule 34 of the Central Motor Vehicles Rules (CMVR), 1989, an application for grant or renewal of a trade certificate shall be made in Form 16 and shall be accompanied by the appropriate fee (for motorcycle ₹ 50 and for others ₹ 200 per vehicle) as specified in Rule 81 *ibid*. The Transport Commissioner directed (January 2012) to levy trade fees on each vehicle at the time of renewal/issuance of trade certificate as per Rule 81.

We scrutinised the vehicle registration data and trade certificate/fee register of three offices¹⁰ (between March 2015 and October 2015) and observed that various registered dealers sold 39,059 vehicles between April 2011 and March 2015 on which trade fee of ₹ 29.60 lakh was not levied and recovered by the TAs.

⁹ RTO Ujjain
 DTO Badwani, Damoh, Dewas, Jhabua, Mandla, Raisen and Ratlam.

¹⁰ DTO Damoh, Raisen and Ratlam

We reported the matter to the Transport Commissioner and the Government (between April 2015 and April 2016). In a meeting (September 2016), the Department stated that recovery was in progress.

7.9 Penalty on belated payments of tax not realised

Vehicle tax in respect of 130 vehicles was paid by the owners after delay ranging from one to 81 months. However, penalty of ₹ 13.31 lakh was neither demanded from the owners along with tax, by the Taxation Authorities nor it was paid by owners.

According to the provisions under Section 13 of the *Adhiniyam*, if the tax in respect of any motor vehicle is not paid on due date as specified in Section 5, the owner shall, in addition to the payment of tax due, be liable to pay penalty at the rate of four *percent* per month on the unpaid amount of tax which shall not be more than twice the amount of tax. In case of payment not realised, the taxation authority is required to issue a demand notice and recover the dues as arrears of land revenue.

We scrutinised (between May 2015 and March 2016) the records¹¹ in eleven Regional/Asst. Regional/District Transport offices¹² and found that tax in respect of 130 vehicles out of 2,638 vehicles scrutinised for the period between April 2011 and March 2015 was paid by the owners after delay ranging from one to 81 months. However, penalty of ₹ 13.31 lakh was neither demanded by the TAs along with tax nor paid by the owners of the vehicles.

We reported the matter to the Government and the Department (between May 2015 and June 2016). In a meeting (September 2016), the Department reported recovery of an amount of ₹ 2.79 lakh while in remaining cases, the Department stated that information from respective offices was awaited.

¹¹ Demand and collection register, NOC issuance register, as well as computerised database

¹² **RTO** Sagar, Rewa and Ujjain

ARTO Satna

DTO Badwani, Damoh, Jhabua, Mandla, Panna, Raisen and Ratlam

CHAPTER – VIII

LAND REVENUE

Chapter – VIII

Land Revenue

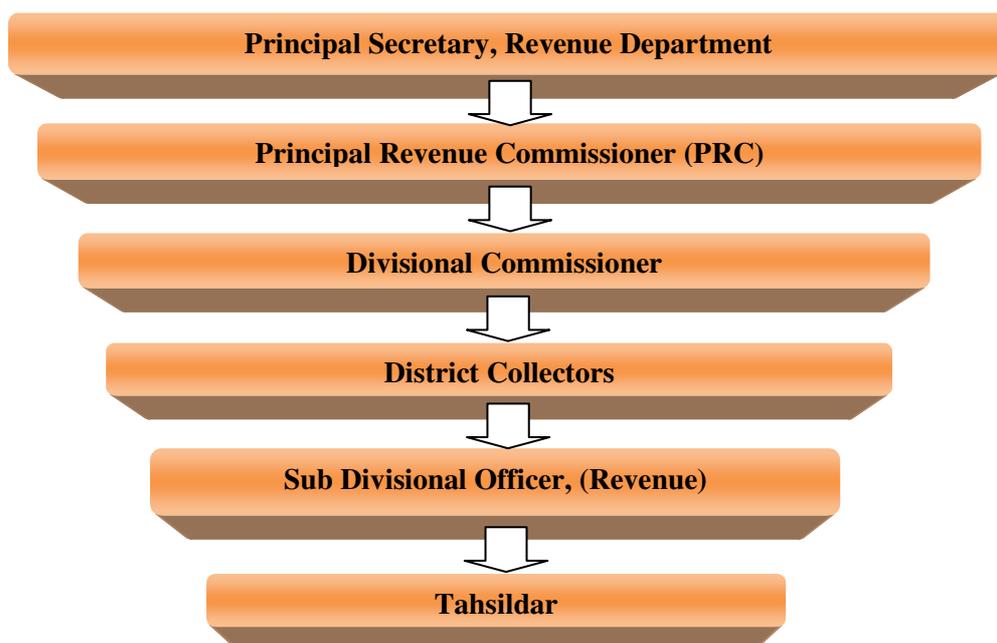


8.1 Tax Administration

The Revenue Department is headed by the Principal Secretary at the Government level. The Principal Revenue Commissioner (PRC) is the Head of the Department and is assisted by the Commissioner, Settlement and Land Records (CSLR). Commissioners of Divisions exercise administrative and fiscal control over the districts included in the Division. In each district, the Collector administers the activities of the Department. It is entrusted upon the Collector of a district to place one or more Assistant Collector(s) or Joint Collector(s) or Deputy Collector(s) in charge of a sub-division of a district. The officers so 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. There are 10 revenue divisions (each headed by a Commissioner), 50 districts (each headed by a Collector) and 341 *tahsils* in the State.

The Organisational Chart of the Department is as under:

Chart 8.1: Organisational Setup



All land, to whatever purpose applied and wherever situated, is liable to pay revenue to the State Government, except such land as has been wholly exempted from such liability by 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*¹/Government land allotted on permanent and temporary lease in the State. *Panchayat upkar* is also levied on land revenue in respect of land situated in *panchayat areas*. Section 74 of *Panchayat Raj Adhiniyam*, 1993 provides for the levy of cess in *Gram Panchayat* areas on diversion rent and premium thereon. *Panchayat* and *Gramin Vikas Vibhag* under Government of Madhya Pradesh is the administrator and user of this fund. The fund is utilised for developmental work of *panchayat*. During the period 2011-12 to 2015-16, the Revenue Department had collected *panchayat upkar* amounting to ₹ 69.40 crore.

Receipts from Land Revenue are regulated under the provisions of the following Acts and Rules and notifications issued thereunder:

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

¹ *Nazul* land is Government land which is used for construction or public utility purpose viz *bazar* or entertainment places.

8.2 Internal Audit

Internal Audit 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 revenue not collected/short collected or evasion of revenue.

The Department has informed (August 2016) that as of now, Internal Audit Wing (IAW) has not been formed. However, proposal for establishment of IAW has been forwarded to Administration Department for administrative approval.

In absence of internal audit, many irregularities persisted year after year and officials were adopting different approach on certain provisions of the MP Land Revenue Code.

8.3 Results of Audit

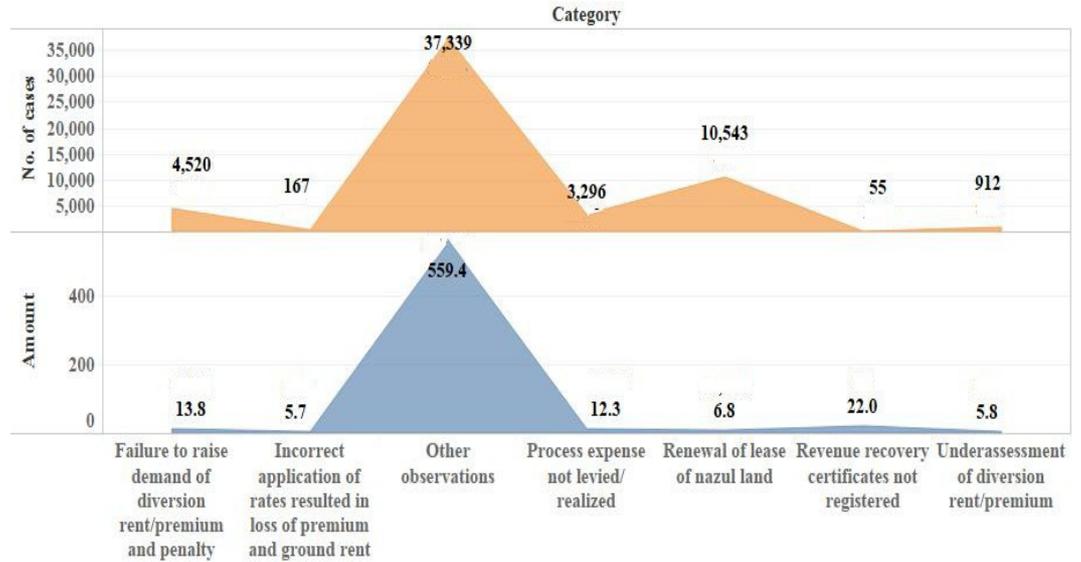
We test checked records of 79 units (26 Collectorates and 53 Offices of *Tahsildar*) out of 384 units relating to land revenue during the year 2015-16 and found underassessment of revenue and other irregularities involving ₹ 625.73 crore in 56,832 cases which fall under the following categories as mentioned in the **Table 8.1**:

Table 8.1
Results of Audit

Sl. No.	Categories	(₹ in crore)	
		No. of Cases	Amount
1.	Incorrect application of rates resulted in loss of premium and ground rent	167	5.67
2.	Renewal of lease of <i>nazul</i> land	10,543	6.80
3.	Underassessment of diversion rent/premium	912	5.80
4.	Failure to raise demands of diversion rent/premium and penalty	4,520	13.81
5.	Process expense not levied/ realised	3,296	12.30
6.	Revenue recovery certificates not registered	55	21.98
7.	Other observations (recovery process not initiated in arrears of land revenue, recovery against Revenue Recovery Certificates not effected and maintenance of list of defaulters not maintained in Form B-7)	37,339	559.37
Total		56,832	625.73

Chart 8.2

Results of Audit (Amount involved is ₹ 625.73 crore in 56,832 cases)



The audit observations were forwarded to the Government and the Department. The Department accepted underassessment and other irregularities of ₹ 167.27 crore in 10,194 cases, which were pointed out in audit during the year 2015-16 and an amount of ₹ 70 lakh was realised in 6,308 cases by the Department.

The replies given by the Department during a meeting (September 2016) have been included in respective paragraphs.

A few illustrative cases involving loss of Government revenue of ₹ 3.86 crore are mentioned in the following paragraphs:

8.4 Panchayat upkar on diversion rent and premium not levied

In 473 cases related to diversion of land situated in gram panchayat areas, the Collectorates and Tahsil Offices did not levy and demand panchayat upkar on diversion rent and premium depriving the Government of revenue of ₹ 2.48 crore.

Panchayat Raj Adhiniyam, 1993 provides that *panchayat upkar* is leviable for each revenue year on every land holder and the Government lessee in respect of land held by him in the *Gram Panchayat* area at the rate of 50 *paisa* per rupee of land revenue or/and rent assessed for each piece of land. The *upkar* is leviable in addition to the land revenue or/and rent. Under Section 58(2) of Madhya Pradesh Land Revenue Code, premium is included in the definition of land revenue; hence *panchayat upkar* is leviable on premium rent also.

We observed during test check of diversion cases in nine Collectorates² and 12 *Tahsil* offices³ between July 2015 and April 2016 that out of 1,040 cases test

² Agar malwa, Annupur, Ashok Nagar, Burhanpur, Chhatarpur, Dewas, Jabalpur, Raisen and Sagar

checked, in 473 cases of diversion of land, *panchayat upkar* of ₹ 2.48 crore on diversion rent and premium was not levied (between 2009-10 and 2015-16) though the land was situated in *Gram Panchayat* area.

Tahsildar Ratlam (November 2015) and Shahpura (March 2016) did not agree with the audit objection and stated that there is no provision of recovery of *panchayat upkar* on premium, Collector Annupur (April 2016) stated that *panchayat upkar* would be assessed and intimated to the audit, while Collectors and *Tahsildars* of remaining offices replied (between July 2015 and March 2016) that *panchayat upkar* would be assessed and recovered after verification.

The replies of *Tahsildar* Ratlam and Shahpura were not acceptable as Section 58(2) of the Madhya Pradesh Land Revenue Code clearly stipulate that premium is included in the definition of land revenue; thus *Panchayat upkar* is leviable on premium also.

We reported the matter to the Department and Government (May 2016 and June 2016). The Department stated during a meeting (September 2016) that, directives from the Government would be obtained regarding levy of *panchayat upkar* on premium and rent.

8.5 Process expenses not recovered

The Department did not recover process expenses of ₹ 1.14 crore on the amount of ₹ 40.22 crore recovered against Revenue Recovery Certificates during the period 2007-08 to 2015-16.

The MP *Lokdhan (Shodhya Rashiyon Ki Vasuli) Adhinyam*, 1987 (MPLA) and Madhya Pradesh Land Revenue Code (MPLRC) provided that the recovery officer will register the revenue case in the Revenue Recovery Certificate (RRC) Register after receipt of the Revenue Recovery Certificate and issue the demand notice within 15 days. The demand notices include principal amount with cost of proceedings and interest on the sum due at the rate specified in the agreement, upto the date of recovery. The *Adhinyam* and rules made thereunder stipulated that process expenses at the rate of three *per cent* of the principal amount is also leviable in RRC cases.

The rules made under aforesaid *Adhinyam* stipulate that all the recoveries effected under this *Adhinyam* should be recorded in a recovery register – Form - II in which details of the person, amount of recovery as shown in recovery certificate, process fees recovered and total amount recovered with dates should be maintained. Respective branches of the bank should also forward monthly statement in Form – IV, in which the amount deposited by its client directly in branches against RRCs recovered by the Department and details of amount of process fees deposited in treasury should be recorded.

³ Ashta (Sehore), Ashok Nagar, Bhanpura (Mandsour), Dewas, Kasrawad, Huzur (Bhopal), Lavkush Nagar (Chhatarpur), Ratlam, Sanver (Indore), Shahpura (Dindori) Ujjain and Vijaypur

We observed (between April 2015 and July 2016) during test check of the statements of recovery of four Collector Offices⁴ and 17 *Tahsil* Offices⁵, that process expenses of ₹ 1.14 crore was recoverable on the amount of ₹ 40.22 crore recovered against RRCs during the period 2007-08 to 2015-16. However, the amount remained unrecovered as the system prescribed for monitoring of amounts recovered by the Department against RRCs and process expenses thereon were not followed and prescribed registers were not maintained by the *Tahsildar* offices. Monthly statement by Banks in Form - IV were also not being submitted by their respective branches. Thus an amount of ₹ 1.14 crore remained unrealised due to the absence of a system for monitoring the recovery of process expenses (**Appendix XXIII**).

We reported the matter to the Department and the Government between May 2015 and July 2016. The District Collector, Shivpuri has reported (September 2016) recovery of process expense of ₹ 2.87 lakh against outstanding amount of ₹ 7.32 lakh. The Department stated (September 2016) that demand notices have been issued to the Banks to deposit process expenses.

8.6 Under assessment of diversion rent and premium.

There was under assessment of diversion rent and premium amounting to ₹ 23.98 lakh in 31 cases due to incorrect application of rates.

As per Section 59 and 172 of the Madhya Pradesh Land Revenue Code 1959, if land assessed for one purpose is diverted for any other purpose, the land revenue (premium and diversion rent) payable on such land shall be revised and reassessed in accordance with the purpose for which it was diverted from the date of such diversion at the rates fixed from time to time by the Department/Government.

We observed during test check of diversion cases in two Collectorates of Chhindwara and Ratlam and four *Tahsil* Offices of Alirajpur, Dabra, Pipariya and Kurwai between May 2015 and January 2016, that there was underassessment of diversion rent and premium in 31 cases, out of 296 cases, of diversion decided (between April 2014 and November 2015). Underassessment was mainly due to application of old rates of tax. This resulted in short realisation of diversion rent ₹ 4.62 lakh and premium of ₹ 19.36 lakh during the period 2013-14 to 2014-15 as mentioned in **Appendix XXIV**.

⁴ Agar Malwa, Dindori, Raisen and Ratlam

⁵ Ashok Nagar, Betul, Bhanpura, Dewas, Gulana, Guna, Mandsaur, Mohan Bododiya, Neemuch, Niwari, Panna, Pansemal, Pathriya, Shivpuri, Shujalpur, Sonkatchh and Suwasara

We reported the matter to the Government and Department between April 2016 and May 2016. The Department stated (September 2016) that detailed reply would be submitted separately, after getting the status from the units involved.



(DEEPAK KAPOOR)

Accountant General

(Economic and Revenue Sector Audit)

Madhya Pradesh

Bhopal

The 21 December 2016

Countersigned



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India

New Delhi

The 23 December 2016

APPENDICES

Appendix – I
(Referred to in paragraph 2.4.32)
Beneficiary Survey Questionnaire

**Office of the Accountant General (Economic & Revenue Sector Audit),
Madhya Pradesh, Bhopal**

Subject: Survey regarding e-Registration process

The facility of online registration of document has been commenced in Madhya Pradesh from December 2014/August 2015 to facilitate citizens to get their documents registered easily. In this regard, following information is desired from citizens/service providers.

Information from citizens:

- 1 Are you aware of the process of online registration of the documents? – Yes/No
- 2 Are you facing any problems in this new facility? – Yes/No
- 3 Are you getting full co-operation from the Registration office during registration under this new system? – Yes/No
- 4 Is there any compulsion for cash payment of registration fees? – Yes/No
- 5 Have you registered any document online under the new system? – Yes/No
How much time it took to get documents after registration?
- 6 Are you satisfied with the facility of online registration of the documents? – Yes/No
- 7 Any other comments, if necessary

Name and Signature

Information from service providers:

- 1 Are you satisfied with e-Registration process? – Yes/No
- 2 Are your complaints addressed in time? – Yes/No
- 3 Are you satisfied with the system of BMC ticketing tool? – Yes/No
- 4 Any other cases/complaints not resolved? – Yes/No
- 5 Do you have any complaint related to credit limits? – Yes/No
- 6 Any other comments, if necessary?

Name and Signature

Appendix II
(Referred to in paragraph 2.4.32)
BENEFICIARY SURVEY - SUMMARY

Sl. No.	Name of District where beneficiary survey conducted	Number of forms distributed	Total form received back	Negative Feedbacks Received from		
				Service Provider	Citizens	Total negative feedbacks
1	Burhanpur	10	3	2	-	2
2	Shajapur	15	4	2	-	2
3	Gwalior	30	10	4	1	5
4	Dewas	30	20	6	5	11
5	Indore	35	18	2	7	9
6	Bhopal	35	28	5	7	12
7	Sehore	15	18	5	4	9
8	Dhar	15	14	4	3	7
9	Ujjain	15	14	4	4	8
10	Jabalpur	30	12	2	5	7
11	Tikamgarh	10	1	1	0	1
	Total	240	142	37	36	73

Appendix III
(Referred to in paragraph 2.12)
Short levy of Stamp duty and Registration fees due to misclassification

(Amount in ₹)

Sl. No.	Name & period of Audited Unit	Nature of irregularities	Total no. of instruments	Registered value/value as per guideline	Leviabale SD/RF	Levied SD/RF	Difference SD/RF	Total
1	SR Jabalpur-I 04/14 to 03/15	Gift deed was treated as partition deed	1	<u>10267000</u> 10266900	<u>474845</u> 82140	<u>256700</u> 82140	<u>218145</u> -	2.18lakh
2	SR Jabalpur-II 04/14 to 03/15	Conveyance deed was treated as release Deed	1	<u>7100000</u> 7100000	<u>355000</u> 56975	<u>71000</u> 56975	<u>284000</u> -	2.84lakh
3	SR Gwalior-I 4/14 to 3/15	Instruments relating to several distinct matters were treated as instruments of single matter.	1	--- 23149628	<u>1157581</u> 185442	<u>100</u> 100	<u>1157481</u> 185342	13.43lakh
4	SR Indore-IV 4/14 to 3/15	Gift deed was treated as release deed	1	<u>2405000</u> 2405000	<u>171356</u> -	<u>96200</u> -	<u>75156</u> -	0.75lakh
5	SR Badwani 4/12 to 3/15	Gift deed was treated as partition deed	1	<u>9948000</u> 9948000	<u>708795</u> 79585	<u>454000</u> 79585	<u>254795</u> -	2.55 lakh
6	S R Shadol 03/14 to 03/15	Gift deed was treated as partition deed	2	<u>11633000</u> 15411960	<u>1010211</u> 123615	<u>291000</u> 93070	<u>719211</u> 30545	7.50 lakh
7	S R Shajapur 4/13 to 3/15	Gift deed was treated as partition deed	1	<u>6966000</u> 6966000	<u>337416</u> 34830	<u>248170</u> 34830	<u>89246</u> -	0.89lakh
TOTAL			8	<u>48319000</u> 75247488	<u>4215204</u> 562587	<u>1417170</u> 346700	<u>2798034</u> 215887	30.14 lakh

Appendix IV

(Referred to in paragraph 2.15)

Short realisation of Stamp Duty and Registration fee due to less valuation from market value for renewal of mining lease

(Amount in ₹)

Vol. / Doc. No. & date	Leaser/Lease holder	Period of lease	Description of land	Registered value/as per guideline value of land	Leviable stamp duty/ registration fee	Levied stamp duty/ registration fee	Short stamp duty/ registration fee
2644/ 137/ 28.04.15 Document Presenting date 25.03.15	Collector (Mining) Panna/ N.M.D.C. Limited Diamond extraction project, Panna Lease agreement execution date 31.01.2015	15.07.05 to 14.07.2025 (20 Year)	Village Majhgava, TahsilPanna Area 29.546 Hectare and village Hinauta Tehsil Panna area 83.834 hectare total land area 113.38 hectare as per collector guideline 2014-15 Rate of irrigated land 450000/- per hectare village Maghgava (29.546 x 450000 x 1.5 = 1,99,43,550/-) and rate of irrigated land 622600/- per hectare Village Hinauta. (83.834 x 622600 x 1.5 = 7,82,92,573/-) Total 19943550 + 78292573 = 9,82,36,123/-	<u>7,64,99,100</u> 9,82,36,123	<u>39,29,445</u> 29,47,084	<u>30,59,964</u> 22,94,973	<u>8,69,481</u> 6,52,111
						Total	15,21,592/- say 15.22 lakh

Appendix V

(Refer to paragraph 3.3.7.3)

Incorrect waiver of penalty under Section 57 of MP VAT Act.

(₹ in lakh)

Sl. No.	Detail of Appellate Authority	Name of Transporter/Vehicle No	Appeal case No./date of Appeal order	Amount of relief of Penalty	Audit observation	Reply of Appellate Authorities/ Audit Comments
1	DC CT Appeal Jabalpur.	M/s Dorsel Logistics/ UP71B-5514	721/12 04-05-13	4.70	The AA correctly imposed penalty for the reasons that Form 49 passed by check post was not found with the vehicle and appellate authority waived penalty on incomplete forms.	The Appellate Authority replied that downloaded Form 49 from departmental portal are not necessary for passing at check post and relief is granted as per explanation under section 57(8). We do not agree with the reply as the Form 49 is not fully downloaded and not duly filled electronically and not passed by the check post.
2	DC CT Appeal Jabalpur.	M/s S.K. Cargo/ MP28B-2055	277/13 28-05-13	4.39	The AA correctly imposed penalty for the reasons that Form 49 passed by check post was not found with the vehicle and appellate authority waive penalty on incomplete forms.	The Appellate Authority replied that downloaded form 49 from departmental portal are not necessary for passing at check post and relief is granted as per explanation under section 57(8). We do not agree with the reply as the Form 49 is not fully downloaded and not duly filled electronically and not passed by the check post.
3	DC CT Appeal Gwalior	M/s CTO Carrier Limited Delhi/MP15/MA/1001	687/2011 04-11-11	5.61	The AA correctly imposed penalty for the reasons that Form 49 passed by check post was not found with the vehicle and appellate authority waive penalty on incomplete forms.	The Appellate Authority replied that relief granted after verification of facts and figures found in Case file. We do not agree with the reply as the Form 49 is not fully downloaded and not duly filled electronically and not passed by the check post.
4	DC CT Appeal Gwalior	M/s Ghuraiya Freight Carrier Morena, MP06-HC-0276	441/2011 22-08-12	3.76	The AA correctly imposed penalty on the basis of doubtful bills besides purchaser mentioned in the doubtful bill is also denied of those purchases. The appellate authority waive penalty on the basis of above bill.	The Appellate Authority replied that relief granted after verification of facts and figures found in case file. We do not agree with the reply as appellate authority passed the appeal order without verifying the actual purchaser or seller of goods, invoice is also doubtful.
5	DC CT Appeal Indore-III	M/s Siddhi Vinayak Logistic Limited, Kolkatta Vehic	147/13ET 153/13VAT 146/13ET 150/13VAT 152/13ET	6.24 6.20 6.24	The appellant had been explained in appeal that there was no intention of tax evasion and fine charged on the basis of technical /clerkly mistake. The appellant also explained that Consignor and Consignee is same and firm	The Appellate Authority replied (May 2016) that after verification of facts action would be intimated. Further reply has not been received.

Sl. No.	Detail of Appellate Authority	Name of Transporter/Vehicle No	Appeal case No./date of Appeal order	Amount of relief of Penalty	Audit observation	Reply of Appellate Authorities/ Audit Comments
		le no. NL01K/8638 NL01K/8636 NL01K/8635 NL01K/8541 2012-13	151/13VAT 148/13 VAT 149/13ET 05-03-14	5.93	transferred unblended tea from Guwahati after blending the tea was packed to sale in MP and out of state and the appellate authority accept appeal in favor of the appellant on the basis that the re-use of form 49 not considered in those conditions if all the other entries are not same in Form 49 and it is only clerical mistake. However, the check post officer correctly imposed penalty on the transporter on the basis of bogus form 49 (used, incomplete download and manipulated forms) available with the No. of fourvehicles which were entered in Madhya Pradesh transporting unblended tea and after 12 days they produced relevant form 49 which were downloaded after seizer of vehicles hence the intention of transporter clearly proved evasion of tax .	
6	DC CT Appeal Indore-III	M/s Dekkan Sales & Corporation Service Pvt.Ltd. Transporter M/s Asosiat Road Carriars G.H.01C.U. 9463	407/13 408/13 23-09-14	4.48	The appellant had been explained in appeal that there was no intention of tax evasion and fine charged on the basis of technical /clerical mistake. The appellant also explained that he downloaded one Form 49 and due to mistake official mailed that Form 49 to two dealers. The first Officer of Check Post passed Form49 due to negligence because Form 49 was related to vehicle no. G.H.01C.U. 9463. The appellate authority accepted the appeal and granted relief. Intention of dealer was doubtful because he downloaded only one incomplete Form 49 and used the Form 49 in two transactions and first time passed Form 49 not produced/enclosed in appeal file to verify.	The Appellate Authority replied that after verification of facts action would be intimated. Further reply has not been received.
7	DC CT Appeal	M/s Awagaman	690/14 VAT 689/14 ET	27.81	The appellant had been explained in appeal that there was no intention of tax evasion	The Appellate Authority replied that there was no intention of tax evasion as per "Explanation-clause"

Sl. No.	Detail of Appellate Authority	Name of Transporter/Vehicle No	Appeal case No./date of Appeal order	Amount of relief of Penalty	Audit observation	Reply of Appellate Authorities/ Audit Comments
	Indore-III	Road Carriers, Ltd. M/s SamboyedPharma Lab Ltd. GJ 01 BY 5236	24-02-15		because he was importing Capital Goods for installation and not for sale. He also produced form 49 after seizure of vehicle. The Appellate Authority accepted the appeal and granted relief of penalty. However, the check post officer correctly imposed penalty on the transporter on the basis of non-production of compulsory form 49, hence the intention of transporter clearly proved evasion of tax.	under section 57(2) because goods were not for sale in M.P., hence, penalty was not levied. We do not agree with the reply as dealer knew all provisions very well and he also has facility of download form 49 but he did not download, in the absence of form 49 possibilities of those imported goods remains unaccounted in the books of accounts and also those purchase will hide for the purpose of taxation hence dealer have intention of tax evasion.
8	DC CT Appeal Indore-III	M/s Haryana Delhi Road wings, Indore Vehicle No. MP 09 HP 3499	59/14 VAT 60/14 ET	8.09	The appellant had been explained in appeal that there was no intention of tax evasion because he was transport sale return goods from Gujarat to MP with all other valid documents he was also produced Form 49 after sized of vehicle. The Appellate Authority accepted the appeal and granted relief. Intention of dealer was doubtful because he was downloaded and produced Form 49 after sized of vehicle.	The Appellate Authority replied that there was no intention of tax evasion as per "Explanation-clause" under section 57(2) because goods were not to sale in M.P. hence, penalty could be levied. We do not agree with the reply as dealer knew all provisions very well and he also have facility to download Form 49 but he did not download Form 49. This proves that dealer had intentions of tax evasion.
9	DC CT Appeal Satna	M/s Ritvik Project Pvt. Ltd. HR 35 E 7879	268/15 31-10-2015	9.38	The appellant had been explained in appeal that there was no intention of tax evasion because he was transport plant and machinery from UP to MP to complete civil contract works after completion of works he took back above plant and Machinery, hence Form 49 was not required. The Appellate Authority accepted appeal and granted relief without any detailed explanation in order. The deal was defaulter hence registration was cancelled from 31-05-2014 so he was not produced required Form 49. The penalty order of AO was correct as per section 57(8) of VAT Act.	Appellate Authority replied that the dealer imported machinery for use in contract works only and that there was no intention of tax evasion as per "Explanation-clause" under section 57(8) of MP VAT Act. Reply is not acceptable because machinery is notified goods and Form 49 is mandatory for all notified goods transported for any purpose. In the absence of Form 49, there is a possibility of the imported goods may remain unaccounted for and also in absence of Form 49, the purchase not coming to the notice of the Department in absence of Form 49 for the purpose of taxation. Thus dealer's intention of tax evasion may not be ruled out.

Sl. No.	Detail of Appellate Authority	Name of Transporter/Vehicle No	Appeal case No./date of Appeal order	Amount of relief of Penalty	Audit observation	Reply of Appellate Authorities/ Audit Comments
10	DC CT Appeal Sagar	M/s Jindal Stainless Limited , Hisar M/s Union Roadways Corporation, Kolkatta HR 39 B 6696	2/13 and 3/13 13-02-2014	7.77	The appellant had been explained in appeal that there was no intention of tax evasion because he was already downloaded Form 49 but due to clerical mistake used Form 49 provided to transporter. The Appellate Authority accepted the appeal and granted relief. The order was not according to provision because produced Form 49 was not fully downloaded and as per provision Form 49 was also not available with transporter at the time of checking.	The Appellate Authority replied that Form 49 already downloaded due to human error it could not be produced at the time of checking. We do not agree with the reply as dealer not fully downloaded Form 49 and could use it in other transaction; hence it was not necessary that produced Form 49 could not be related in this transaction.
11	DC CT Appeal Sagar	M/s K. Vaiktaraju AP22AE 6969	45/14 & 46/14 20-05-2015	4.88	The appellant had been explained in appeal that there was no intention of tax evasion because he was transporting Capital Goods with bill and built to use in civil contract works not to sale and he also produced Form 49 after sized of vehicle. The Appellate Authority accepted the appeal and granted relief. The order was not according to provision because Form 49 produced by dealer after sized of vehicle.	The Appellate Authority replied that non availability of Form 49 was not intention of tax evasion and transported goods was not to sale. We do not agree with the reply as utilisation of goods was also taxable and dealer knew all provisions very well and he also have facility of download Form 49 but he not downloaded Form49, This proves that dealer had intention of tax evasion.
12	DC CT Appeal Sagar	M/s Mahavir Transport Company, Sagar RJ 11 A 0604	60/12 & 66/12 30-10-13	2.11	The appellant had been explained in appeal that there was no intention of tax evasion because he was transporting goods with valid bill & built he was also produced Form 49 after sized vehicle. The Appellate Authority accepted the appeal and granted relief. The order was not according to provision because manually issued Form 49 produced by dealer after sized of vehicle.	The Appellate Authority replied that all the valid document are available with transporter and he was also produced Form 49 before enter in MP. We do not agree with the reply as transporter produced manually issued Form 49 after seizure of vehicle.
Total				107.60 lakh		

Appendix VI

(Refer to paragraph 3.3.7.4)

Input tax rebate not reversed/short reversed in the cases of goods stock transferred out of State

(₹ in lakh)

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of Appeal order	Amount of ITR Reversible /ITR reversed	Amount of tax relief in favour of dealer	Audit Observation	Reply of the department/Audit comments
1	Additional Commissioner Jabalpur	M/s ShardaMaa Enterprises Pvt ltd Katni, 23716204180 / 2010-11	80/2013-14 VAT & 25/2013-14 CST 21-04-14	<u>39.92</u> 0	39.92	The AA rejected Stock transfer of ₹ 20,58,18,458/- due to non-submission of F forms and levied central tax on such amount treating as interstate sale and allowed full claimed ITR without reversal. During appeal, the Appellate Authority allowed stock transfer value of ₹ 20,58,18,458/- after submission of F forms and grant relief of CST without reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	No specific reply has been provided by the Appellate Authority.
2	Additional Commissioner Jabalpur	M/s Birla Corporation Ltd Satna, 23757000140 / 2008-09	133/12 21-01-13	<u>16.59</u> 0	16.59	The AA reversed ITR on purchases of plant and machinery in respect of stock transferred of manufactured goods in proportionate of stock transfer. During appeal, the Appellate Authority grant relief of such ITR reversal by elaborating that there should be no proportionate reversal of ITR pertaining to plant and machinery even if there is stock of transfer of manufactured goods. Moreover the reversal done by AA as per section 14(5)(a)(i) of the MP VAT Act 2002.	No specific reply has been provided by the Appellate Authority.

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of Appeal order	Amount of ITR Reversible /ITR reversed	Amount of tax relief in favour of dealer	Audit Observation	Reply of the department/Audit comments
3	Additional Commissioner Jabalpur	M/s Birla Corporation Ltd Satna, 23757000140 / 2007-08	132/12 21-01-13	<u>15.02</u> 0	15.02	The AA reversed ITR on purchases of plant and machinery in respect of stock transferred of manufactured goods in proportionate of stock transfer. During appeal, the Appellate Authority grant relief of such ITR reversal by elaborating that there should be no proportionate reversal of ITR pertaining to plant and machinery even if there is stock of transfer of manufactured goods. Moreover the reversal done by AA as per section 14(5)(a)(i) of the MP VAT Act 2002.	No specific reply has been provided by the Appellate Authority.
4	Additional Commissioner Jabalpur	M/s ShardaMaa Enterprises Pvt Ltd Katni, 23716204180 / 2008-09	36/11 27-03-12	<u>15.28</u> 8.77	6.51	The AA rejected Stock transfer of ₹ 2,56,52,362 due to non-submission of F Forms and levied central tax on such amount treating as interstate sale During appeal, the Appellate Authority allowed stock transfer value of ₹ 2,56,52,362 after submission of F Forms and grant relief of CST without proportionate reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	No specific reply has been provided by the Appellate Authority.
5	DC CT Appeal Bhopal	M/s Sanfield India Bhopal, 23893602638 / 2010-11	404/13 26-03-14	<u>5.48</u> 0	5.48	The AA rejected Stock transfer of ₹ 8,73,77,566/-due to non-submission of F forms and levied central tax on such amount treating as interstate sale and allowed full claimed ITR without reversal. During appeal, the Appellate Authority allowed stock transfer	The Appellate Authority replied that reply will be submitted after verification/Final action is awaited in audit.

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of Appeal order	Amount of ITR Reversible /ITR reversed	Amount of tax relief in favour of dealer	Audit Observation	Reply of the department/Audit comments
						value of ₹ 8,73,77,566/- after submission of F forms and grant relief of CST without reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	
6	DC CT Appeal Bhopal	M/s Mapra Laboratories Pvt Ltd Mandideep , 2325410667 / 2010-11	191/13 19-11-13	0.11 0	0.11	The AA reversed ITR on purchases of packing material in respect of stock transferred of manufactured goods in proportionate of stock transfer. During appeal, the Appellate Authority grant relief of such ITR reversal by elaborating that there should be no proportionate reversal of ITR pertaining to packing material even if there is stock of transfer of manufactured goods. Moreover the reversal done by AA as per section 14(5)(a)(i) of the MP VAT Act 2002.	Appellate Authority replied that as per Section 14 (i)(a)(6) there is not need to reversal of the ITR in respect of packing material used in packing of scheduled II goods. We do not agree with the reply as Section 14 (i) (a) (6) disposal of manufactured goods 14(1)a rebate of input tax as provided in this Section shall be claimed by or be allowed to a register dealer in the circumstances specified below,-(a)where a registered dealer purchases any goods specified in Schedule II within the State of Madhya Pradesh from another such dealer after payment to him input tax for-(6) Disposal of:-goods, or Goods specified in Schedule II, manufactured or processed or mined out of such 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 claim or be allowed in such manner and within such period as may be prescribed, input tax rebate of the amount of such input tax, (ii)in case of goods referred in sub-clauses (6), which is in excess of 4 percent of the purchase price, net of input tax of such goods.

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of Appeal order	Amount of ITR Reversible /ITR reversed	Amount of tax relief in favour of dealer	Audit Observation	Reply of the department/Audit comments
7	DC CT Appeal Gwalior	M/s Singh Oil Morena, 23135604263 / 2007-08	550/10 22-09-11	<u>2.53</u> 0	2.53	Appellate authority grant relief to appellant on the basis of the stock transfer material purchased out of state, while during audit it was noticed that packing material of ₹ 1,03,86,669 purchased and used in re-packaging of material hence as per ration of stock transfer ITR should be reversed.	Appellate authority replied that relief granted after verification of facts and figures found in case file. We do not agree with the reply as provision, ITR was not reversed.
8	DC CT Appeal Gwalior	M/s MadanlalNandki shoreNarwar, 23635701182 / 2008-09	335/11 10-08-12	<u>0.63</u> 0	0.63	The AA rejected Stock transfer of ₹ 15,82,789 due to non-submission of F Forms and levied central tax on such amount treating as interstate sale and allowed full claimed ITR without reversal. During appeal, the Appellate authority allowed stock transfer value of ₹. 15,82,789 after submission of F Forms and grant relief of CST without reversal of ITR in new circumstances as disposal of goods, otherwise than by way of sale.	Appellate Authority replied that relief granted after verification of facts and figures found in case file. We do not agree with the reply as provision ITR was not reversed.
9	DCCT Appeal Jabalpur	M/s Bahubali Marble Jabalpur, 23886004994 / 2010-11	460/13 30-08-14	<u>0.36</u> 0	0.36	The Appellate Authority grant relief to the appellant on the basis of the AA determined wrong GTO due to included branch transaction in GTO. During audit it was noticed that the Appellate Authority had not reversed ITR as per ratio of stock transfer to branch office.	The Appellate Authority replied that during appeal proceedings no action required in respect of ITR reversal. We do not agree with the reply as the Appellate Authority re-assessed the case during appeal proceeding, hence ITR should be reversed according to ratio of stock transfer.
Total				<u>95.92 lakh</u> 8.77 lakh	87.15 lakh		

Appendix VII

(Refer to paragraph 3.3.7.5)

Application of Incorrect Rate of tax by the Appellate Authority

(₹ in lakh)

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of order/ Name of commodity	Cost of goods/ TTO	Rate of tax applicable/ applied in Appeal order (<i>per cent</i>)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority/Audit Comments
1	Additional Commissioner, Jabalpur	M/s Heavy Engineering Workshop Rewa, 23156904246 / 2010-11	47/13-14 18-02-14/ Machinery	896.12	13/5	71.69	In tax audit report and impugned assessment order dealer could not certify the transfer of material i.e. tungsten in job work besides the main business of dealer is sale of manufactured heavy engineering items (13%). However, Appellate Authority without verifying the facts granted relief to dealer on the basis of transfer of material (Tungsten Constraint) (5%) in job-work.	No specific reply has been given by the Appellate Authority.
2	DC CT II Appeal, Indore	M/s Powerline Corporation Indore, 23391000694 /2009-10	115/2011 19-03-12/ Wiring Harness	30.93	12.5/4	3.34	Appellate Authority allowed relief in favour of dealer on the basis of the uses of purchaser.	Appellate Authority replied that reply will be submitted after due verification. Further comments awaited in audit.
3	DCCT Appeal, Jabalpur	M/s S.B Enterprises, 23645808604 / 2006-07	170/12 19-03-13/ Old Motor Vehicle	8.03	12.5/1.5	3.97	On the sale of Old Car by treating Schedule entry No II/III/9 Appellate Authority allows rebate to dealer, However, in the year 2006-07 old car is taxable @12.5 <i>per cent</i> .	Appellate Authority replied that as per second amendment of Act (w.e.f01.04.06) those motor vehicles which were registered under MP Transport department are taxable @ 1.5 <i>per cent</i> as per II/III/9. We do not agree with the reply as schedule VAT tax rate is 1.5 <i>per cent</i> on "old and second hand motor vehicle as the State Government

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of order/ Name of commodity	Cost of goods/ TTO	Rate of tax applicable/ applied in Appeal order (per cent)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority/Audit Comments
								may, by notification, specify" whose principle business is of buying and selling of motor cars. However in the instant case the principle business of the dealer is trading of diesel, petrol and lubricant hence not cover under the said notification.
4	DCCT Appeal, Jabalpur	M/s Shri Govind Industries Madhav Nagar Katni, 23166202397 / 2007-08	219/2013 28-03-14/ Old Motor Vehicle	1.80	12.5/1.5	0.79	On the sale of Old Vehicle by treating Schedule entry No II/III/9. Appellate Authority allows rebate to dealer, However, in the year 2006-07 old vehicle is taxable @ 12.5 per cent.	Appellate Authority replied that as per second amendment of Act (w.e.f.01.04.06) those motor vehicles which were registered under MP Transport Department are taxable @ 1.5 per cent as per II/III/9. We do not agree with the reply as schedule VAT tax rate is 1.5 per cent on "old and second hand motor vehicle as the State Government may, by notification, specify" whose principle business is of buying and selling of motor cars. However in the instant case the principle business of the dealer is manufacturing of pulses (Dal) hence not cover under the said notification.
5	DCCT Appeal, Jabalpur	M/s Kailash Chandra Bagdia, 23856200611	398/12 26-06-13/ Old Motor Vehicle	1.95	12.5/1.5	0.64	On the sale of Old Vehicle by treating schedule entry No II/III/9. Appellate Authority allows rebate to dealer, However, in the year 2006-07 old vehicle is taxable @ 12.5 per cent.	Appellate Authority replied that as per second amendment of Act (w.e.f.01.04.06) those motor vehicles which were registered under MP Transport Department are taxable @ 1.5 per cent as per

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of order/ Name of commodity	Cost of goods/ TTO	Rate of tax applicable/ applied in Appeal order (<i>per cent</i>)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority/Audit Comments
		/ 2006-07						II/III/9. We do not agree with the reply as such schedule VAT tax rate is 1.5 <i>per cent</i> on "old and second hand motor vehicle as the State Government may, by notification, specify" whose principle business is of buying and selling of motor cars. However in the instant case the principle business of the dealer is trading & manufacturing of lime and lime stone hence not cover under the said notification.
6	DCCT Appeal, Jabalpur	M/s Banarsi Das Bhanot and Sons, 23645808119 / 2007-08	235/2012 24-04-13/ Old Motor Vehicle	17.11	12.5/1.5	1.88	On the sale of Old Vehicle by treating Schedule entry No II/III/9. Appellate Authority allows rebate to dealer, However, in the year 2006-07 old vehicle is taxable @ 12.5 <i>per cent</i> .	Appellate Authority replied that as per second amendment of Act (w.e.f01.04.06) those motor vehicles which were registered under MP Transport Department are taxable @ 1.5 <i>per cent</i> as per II/III/9. We do not agree with the reply as such schedule VAT tax rate is 1.5 <i>per cent</i> on "old and second hand motor vehicle as the State Government may, by notification, specify" whose principle business is of buying and selling of motor cars. However in the instant case the principle business of the dealer is trading of sand hence not cover under the said notification.
7	DCCT Appeal, Satna	M/s Kanhaya Lal	232/2010 21-09-11/	20.66	12.5/4	1.76	The Appellate Authority short levied VAT due to wrong	The Appellate Authority replied that the records of original assessment

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of order/ Name of commodity	Cost of goods/ TTO	Rate of tax applicable/ applied in Appeal order (per cent)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority/Audit Comments
		Agrawal/238 07204152/20 07-08	Civil Works Contract				calculation of taxable value of higher rate sale.	had been returned to the AO after disposal of appeal; hence no action is required at appeal level. We do not agree with the reply as action should be required as per provision.
8	DCCT Appeal, Satna	M/s S,K.Enterpris es, Sidhi 2340730321/ 2007-08	249/2010 10-06-11/ Old Motor Vehicle	3.90	12.5/0	0.49	The AA levied VAT @ 1.5per cent instead of 12.5 per cent but the Appellate Authority grant relief to appellant on the double taxation basis	The Appellate Authority replied that the records of original assessment had been returned to the AA after disposal of appeal; hence no action is required at appeal level. We do not agree with the reply as action should be required as per provision.
9	DCCT Appeal, Indore-III	M/s AtulTradelink , Indore 23141200506 /2006-07	83/2011 18-10-11/ Old Motor Vehicle	3.00	12.5/1.5	0.33 tax + 0.33 penalty	The AA levied VAT @ 12.5 per cent and he also levied penalty as per section 21(1) the Appellate Authority levied VAT @ 1.5 per cent as per appellant proposal and also waived penalty.	The Appellate Authority accept the audit observation.
10	DCCT Appeal, Sagar	M/s Paras Industries, Sagar 23117403915 /2008-09	54/13 01-10-14/ Home UPS	14.19	12.5/4	Tax 1.21 Intt0.40	The Appellate Authority granted relief to appellant on the basis that Home UPS (Inverter) purchased by the appellant @ 5 per cent. As per circular issued by the Commissioner, CT, Indore vide no./Vat-sale/2004/292 dated 31- 07-2006 explanation no. 17 Home UPS is taxable @ 12.5 per cent.	The Appellate Authority replied that as per entry no.51 and sub-entry (8) of schedule-II of VAT Act, the UPS is taxable @ 5 per cent. We do not agree with the reply as sold goods are Home UPS instead of UPS and As per circular issued by the Commissioner, CT, Indore vide no./VAT-sale/2004/292 dated 31-07-2006 explanation no. 17 Home UPS is taxable @ 12.5 per cent.

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period	Appeal case No./date of order/ Name of commodity	Cost of goods/ TTO	Rate of tax applicable/ applied in Appeal order (<i>per cent</i>)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority/Audit Comments
11	DCCT Appeal, Sagar	M/s AgrohaEnden , Herpalpur 23027702482 /2006-07	05/2011 10-08-11/ Old Motor Vehicle	1.53	12.5/1.5	0.15	The AA levied VAT @ 12.5 <i>per cent</i> and he also levied penalty as per section 21(1) the Appellate Authority levied VAT @ 1.5 <i>per cent</i> as per appellant proposal.	The Appellate Authority replied that after verification of facts action would be intimated.
Total				999.22		86.98lakh		

Appendix VIII
(Refer to paragraph 3.3.7.6)
Entry Tax not levied/short levied

(₹ in lakh)

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period/ Name of commodity	Appeal case No./date of Appeal order	Cost of goods/TTO	Rate of tax applicable/ applied in Appeal order (per cent)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority and our comments
1	Additional Commissioner CT Jabalpur	M/s ShardaMaa Enterprises Pvt. Ltd. Katni, 23716204180 / 2010-11/ Coal	118/13-14 21-04-2014	147.10	2 / 0	29.42	Appellant claim Entry tax exemption on the basis of declaration certificate provided by dealer M/s Prism cement TIN 2331700844, however, as per sale bills the aforesaid sale certified to another dealer M/s Prism cement TIN 23127002475.	No specific reply has been provided by the Appellate Authority.
2	Additional Commissioner CT Zone II, Indore	Ms Prakash Solvex Indore , 23361400981/ 2008-09/ RBD Palm Oil	08/11 21-03-2012	764.93	1 / 0	7.65	The Appellate Authority grant relief to the appellant on the basis of material of closing stock (2008-09), which had been stock- transfer in the year 2009-10. The Appellate Authority did not verify fact that the dealer also claimed deduction of those stock transferred goods purchase value for computation of ET in the year 2009-10. However the AA also allowed deduction of ET on the basis of stock- transfer in the year 2009-10.	The Appellate Authority replied that the objection is raised on assumption basis only. We do not agree with the reply as it is certified from next year (2009-10) assessment order of ET itself, that the dealer claimed deduction of whole stock transferred goods purchase value for computation of ET and the AA allowed.
3	DC CT Appeal, Gwalior	M/s Arpit Enterprises Gwalior, 23035306528 / 2008-09/ Edible oil	610/11 01-10-2012	551.63	1 / 0	5.52	The Appellate Authority grant relief to the appellant on the basis of inter-state sale, while the AA levied tax because dealer sold all the material at full rate of tax and dealer also failed to produce Bilty and doubtful Bilty in respect of interstate sale.	The Appellate Authority replied that the appeal order passed after verification of the available evidence in original case file and explanation. We do not agree with the reply as evidence had not been provided to audit and the AA also mentioned in assessment order that the dealer was failed to produce Bilty and doubtful Bilty.
4	DC CT Appeal, Gwalior	M/s Tropolite Foods Pvt Ltd Gwalior, 23235207575 / 2008-09/ Plant & Machinery	532/11 10-09-2012	380.77	1 / 0	3.81	The Appellate Authority granted relief to appellant on the basis of the certificate of General Manager of District Industries Center, Gwalior. During test it was found that the plant and machinery was not covered under that certificate.	The Appellate Authority replied that the appeal order passed after verification of the available evidence in original case file and no action has been required. We do not agree with the reply as plant and machineries was not covered that certificate.
5	DC CT Appeal, Jabalpur	M/s Sheela Agro Pvt Ltd Katni, 23686206961/ 2010-11/ Plant & Machinery	148/14 03-07-2014	16.84	1 / 0	0.17	The Appellate Authority grants relief to appellant on the basis of the exemption certificate. During test check it was found that the plant and machinery was not covered under that exemption certificate.	The Appellate Authority replied that the appeal order passed after verification of the available evidence in original case file and no action has been required. We do not agree with the reply as annexure

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period/ Name of commodity	Appeal case No./date of Appeal order	Cost of goods/TTO	Rate of tax applicable/ applied in Appeal order (per cent)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority and our comments
								of exemption certificate machinery was not listed for exemption.
6	DC CT Appeal, Indore-III	M/s Asosiatedalkohal&Br ewaries Limited, Indore, 23581200555/ 2004-05/ Decayed Cereals	173/10 14-11-2011	1661.24	1 / 0	16.61	The AA levied ET on purchases of imported <i>decayed cereals</i> as per entry tax schedule-II, entry no.-57 "all kinds of cereals and pulses". The Appellate Authority grant relief of ET to appellatant by treating that <i>decayed cereals</i> are not covered in cereal because it is useless to human as well as animal. However, there was not specific entry of <i>decayed cereals</i> and dealer are used <i>decayed cereals</i> as raw material in manufacture of liquor, hence <i>decayed cereals</i> are taxable as per entry tax schedule-III entry no 1- "all goods other than those specified under schedule-I and II are taxable at the rate of one <i>per cent</i> ".	The Appellate Authority replied that after verification of the facts action would be intimated.
7	DCCT Appeal, Indore-III	M/s Guarav Sales Agencies, Indore 23470822248/ 2010-11/ Skimmed Milk Powder	478/2015 26-09-2015	249.12	2 / 1	24.49	The AA levied @ 2 <i>per cent</i> entry tax on Skimmed Milk Powder as per entry no. 31 of schedule-II of ET ACT. The Appellate Authority granted tax relief to appellatant incorrectly treated ET @ 1 <i>per cent</i> on Skimmed Milk Powder on the basis that Skimmed Milk Powder is covered under schedule-III of ET Act.	The Appellate Authority replied that there is no specific entry of Skimmed Milk Powder, hence Skimmed Milk Powder covered under residuary entry. Reply is not acceptable, as per entry tax schedule-II entry no. 31 "vegetable, mineral and other preparations, tonics, food supplements, appetizers, dietician foods and all other food preparations for human consumption in liquid, pill, powder forms, whether prepared according to pharmacopical standards or otherwise (other than those specified elsewhere in this schedule and pickles, past and powder made from fruits vegetable and spices)", hence Skimmed Milk Powder covered under above entry and above facts already been confirmed by Appellate Authority Indore-III (07-07-2015) in the case of M/s Mithalal Multanmal, case no, 539/2014 / entry tax.
8	DCCT Appeal, Satna	M/s Satyasai Medical Hal, Rewa 23576903433/ 2011-12/ Medicine	24/15 27-03-2015	24.25	1 & 2 / 0	Tax3.23 Intt.1.29	The AA levied ET and interest due to URD purchased. The Appellate Authority granted relief on the basis of audited account. As per provision of VAT Act, the Appellate Authority should verify the status of registration before allow relief of ET and interest.	The Appellate Authority replied that the records of original assessment had been returned to the AA after disposal of appeal; hence no action is required at appeal level. We do not agree with the reply as action should be required as per provision.

Sl. No.	Name of Appellate Authority	Name of Dealer, TIN / Period/ Name of commodity	Appeal case No./date of Appeal order	Cost of goods/TTO	Rate of tax applicable/ applied in Appeal order (per cent)	Amount of tax relief in favour of dealer	Observation in brief	Reply of Appellate Authority and our comments
9	DCCT Appeal, Satna	M/s Kasyap Traders & Drug Store, Reva 23426906086/ 2011-12/ Medicine	04/15 27-03-2015	261.91	1 / 0	Tax 2.62 Intt 1.05	The AA was levied ET and interest due to URD purchased. The Appellate Authority granted relief on the basis of audited account. As per provision of VAT Act, the Appellate Authority should verify the status of registration before allow relief of ET and interest.	The Appellate Authority replied that the records of original assessment had been returned to the AA after disposal of appeal; hence no action is required at appeal level. We do not agree with the reply as action should be required as per provision.
10	DCCT Appeal, Satna	M/s Narmada Construction Company, Satna 23427005317/ 2012-13/ Cement	122/15 15-02-2015	1.81	2 / 1	0.18	The Appellate Authority levied @ 1 per cent ET instead of @ 2 per cent.	The Appellate Authority replied that the records of original assessment had been returned to the AA after disposal of appeal; hence no action is required at appeal level. We do not agree with the reply as action should be required as per provision.
11	DCCT Appeal, Sagar	M/s Sagar Cement Pipe Industries, Sagar 23507500458/ 2011-12/ Cement pipe	203/14 13-10-2015	1.60	1 / 0	0.16	The Appellate Authority granted relief on the basis of decision of the Appellate Board in the case of M/s Coca Cola India V/s CCT that producer is not liable to pay ET on the basis he was not marked 'entry tax not paid' seal on invoice because he had not entered the goods in local area of MP. Above decision not applicable in this case because Manufacturer(producer) is register dealer of MP and as per section 7 of ET Act, entry tax should be paid by either producer or purchaser, if producer was not marked 'entry tax not paid' seal on sale invoice then producer is liable to pay entry tax, hence assessment order passed as per provision.	The Appellate Authority replied that as per provision of Act liability of entry tax on manufactured goods does not arises on manufacturer. We do not agree with the reply as Section 7 of ET Act, provided that if producer was not marked 'entry tax not paid' seal on sale invoice then producer is liable to pay entry tax.
12	DCCT Appeal, Sagar	M/s Fashion World, Sagar 2395704915/ 2007-08/ Readymade garments	83/10 08-08-2011	2.70	1 / 0	0.27	The Appellate Authority granted relief of entry tax and determined taxable turnover after deduction of commission/profit on consignment sale, while as per assessment order the relief which was claimed by the dealer already allowed by the AO and determined taxable turnover on the basis of purchase bill.	The Appellate Authority replied that after verification of facts action would be intimated.
Total				566.10 lakh say 5.67 crore		74.47 lakh		

Appendix IX
(Referred to in paragraph 3.4)
Irregular grant of deduction

(Amount in ₹)

Sl. No.	Name of auditee unit/ Dealer	Period/ Month of assessment	Taxable turnover	Rate of Tax	Tax Leviable	Tax levied	Difference	Audit Observation	Reply of the Department/ Audit Remarks
1.	CTO-Bhind M/s Mau Indane , Tin-23224803527	<u>2011-12</u> <u>July-2014</u>	1,17,37,5 81 1,55,14,8 19 4,12,545	13% 5% 4%	15,25,886 7,75,741 16,502	13,51,209 7,38,801 15,867	1,74,677 36,940 635 <u>Interest-82,778</u> <u>Total=2.95 lakh</u>	As per audit report purchase and sale are without VAT. Hence, deduction under Section 2(X)(iii) was irregular.	The AA stated that sales shown in the audit report is inclusive of vat. Reply is not tenable purchase and sale are without vat as per audit report and ITR has also been granted on the net purchase amount recorded in the Trading and Profit & Loss A/c.
2.	CTO-Narsinghpur M/s Shri Chaudhary TradersTin- 23316404026	<u>2012-13</u> <u>Dec.-2014</u>	13,83,042 88357157	13% 5%	1,79,795 44,17,858	1,59,111 42,07,484	20,684 <u>2,10,374</u> <u>Total=2.31 lakh</u>	As per audit report purchase and sale are without VAT. Hence, deduction under Section 2(X)(iii) was irregular.	The AA stated that sales shown in the audit report is inclusive of vat. The AA stated that action would be taken after verification. Final action is awaited in audit.
3.	CTO-Narsinghpur M/s Siddheshwar Agency Tin-23706401823	<u>2012-13</u> <u>Dec.-2014</u>	1,26,57,3 44 95,77,657	13% 5%	16,45,455 4,78,883	14,56,155 4,50,391	1,89,300 28,492 <u>Penalty-6,53,376</u> <u>Total=8.71 lakh</u>	As per audit report purchase and sale are without VAT. Hence, deduction under Section 2(X)(iii) was irregular.	The AA stated that sales shown in the audit report is inclusive of vat. The AA stated that action would be taken after verification. Final action is awaited in audit.
4.	DCCT-Div Ujjain M/s Bank note press, Dewas TIN- 23652305395	<u>2012-13</u> <u>January2015</u>	7,29,10,3 95	5%	36,45,519	34,71,924	36,45,519- 34,71,924 <u>Total=1.74 lakh</u>	Deduction under Section 2(X)(iii) against stock transfer to branch office without "F" form was irregular because vat is not included in the value of stock transfer.	The AA stated that action would be taken after verification. Final action is awaited in audit.
5.	CTO-Cir- 14,Indore	<u>2012-13</u> <u>Feb-2015</u>	22,34,422	13%	2,90,474	----	2,90,474 penalty <u>8,71,422</u>	As per audit report purchase and sale are without Vat. Hence,	The AA stated that action would be taken after

	M/s Jaishree Traders Tin-23871600860						<u>Total=11.62 lakh</u>	deduction under Section 2(X)(iii) was irregular.	verification. Final action is awaited in audit.
7.	DCCT Division 1 Gwalior M/s J S W Steels Limited 23315307732 60/12 (VAT) 451	<u>2011-12</u> <u>June 2014</u>	2,71,21,3 8,435	5%	12,37,61,94 3	11,66,66,097	12,37,61,943 <u>-11,66,66,097</u> <u>Total=70.96 lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with VAT instead of Net Sales.	Action will be taken after verification. Final action is awaited in audit.
7.	DCCT Division 1 Gwalior M/s J S W Steels Limited 23315307732 14/13 (VAT) 451	<u>2012-13</u> <u>Feb 2015</u>	1,83,90,8 6,806	5%	9,14,18,267	8,70,65,016	9,14,18,267 <u>-8,70,65,016</u> <u>Total=43.53 lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with VAT instead of Net Sales.	Action will be taken after verification. Final action is awaited in audit.
8.	DCCT Division 1 Bhopal M/s Nokia Private limited 23843604266 22/12 (VAT) 413	<u>2011-12</u> <u>April 2014</u>	4,13,24,9 5,819	13%	52,16,71,27 9	46,16,55,999	6,00,15,280 <u>Penalty-</u> <u>18,00,45,840</u> <u>Total=2400.61</u> <u>lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with VAT instead of Net Sales. Further as audit report column amount of tax included in GTO mentioned NIL. It's clear that tax not included in GTO.	The AA stated that amount VAT is omitted to write in specific column of Audit report while Taxable sale is classified after deduction of VAT. Reply is not tenable due to VAT audit report certified Gross Turn Over sales without VAT.
9.	DC Division -2 Indore M/s Philips India limited 23481100215 64/13 (VAT) 440	<u>2012-13</u> <u>December</u> <u>2014</u>	1,05,24,2 6,316	13%	9,41,82,942	8,33,47,736	1,08,35,206 <u>Penalty-</u> <u>3,25,05,618</u> <u>Total=433.41 lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with	The AA stated that as per audit report Gross turnover determined including output Tax (VAT) which deduction of tax allow as per Act. In audit report cost of goods amount auto populated. Reply is not tenable, as per 41

								VAT instead of Net Sales.	A audited report sale price has been determined after taking the Gross Profit and goods revived from other state in which tax is not included. If tax was included in sale price then gross profit will reduced while gross profit is fixed in audited account. So it's clear that the tax is not included in sale price.
10.	AC CT Division -1 Indore M/s Shree steels 23740500903 CS000000120849 (VAT) 339	<u>2011-12</u> <u>June 2014</u>	17,37,15, 180	5%	83,80,979	79,81,885	3,99,094 <u>Penalty-</u> <u>1,19,72.82</u> <u>Total=15.96 lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with VAT instead of Net Sales.	The AA stated that that VAT audit report prepare only commercial tax department which seems correct and assessment has done according to VAT audit report. Reply is not tenable due to purchase price of goods without VAT.
11.	ACCT Division 2 Indore M/s AMW Motors Limited 23939061836 CS00000177299 (VAT) 488	<u>2012-13</u> <u>Feb- 2015</u>	25,49,81, 603	13%	2,95,75,429	2,61,72,946	34,02,483 <u>Penalty-</u> <u>1,02,07,449</u> <u>Total=136.10 lakh</u>	In VAT audit report cost of goods sold were derived on net purchases without (VAT). And sale value of goods was derived after adding profit to the cost of goods sold so calculated. However auditor wrongly depicted the sale value as with VAT instead of Net Sales.	The AA stated that the case was reopening previously on rectification of error. Reply is not tenable due to AA has not enclosed the supporting documents with reply.
12.	CTO, Shivpuri M/s Vijay Traders Tin-23215704614 Case No. 428/11	<u>2010-11</u> <u>June 2013</u>	11,32,20, 30	13% & 5%	12,97,074	14,65,427	1,68,353 <u>Penalty 5,05.059</u> <u>Total =6.73 lakh</u>	As per audit report purchase and sale are without Vat. Hence, deduction under Section 2(X)(iii) was irregular.	The AA stated that action would be taken after verification. Final action is awaited in audit.
Total							31.37 crore (including penalty 22.60 crore)		

Appendix X
(Referred to in paragraph 3.5)
Application of Incorrect rate of tax

(Amount in ₹)

Sl. No.	Name of the Auditee Unit/Dealer	Assessment Period/Month of assessment	Commodity/Taxable Turnover on which incorrect rate applied (in ₹)	Rate of tax applicable ₹ Applied Rate (in %)	Amount of Short levy of Tax/Penalty (in ₹)	Audit observation	Reply of the Department/ Our comments
1.	CTO Circle XV, Indore M/s Aman Rubber & scrap TIN-23529033456 Case no. CS000000223959	2012-13 Jan 2015	Rubber scrap 8,83,907	13 5	70,712 Penalty 2,12,136 Total= 2.83 lakh	Tax was levied at the rate of 5% of the sale of rubber scrap, whereas it is taxable at the rate of 13%	The AA stated that action would be taken after verification. Final action is awaited in audit.
2.	CTO Khandwa M/s Aradhana agency & Readymade TIN -23942004099 Case no.204/11 VAT	2010-11 Aug 2015	Martin coil and Dettol 27,52,071	13 5	2,20,165 Penalty 6,60,495 Total= 8.81 lakh	Martin coil and Dettol are taxable at the rate of 13% under entry no. II/IV/1	The AA stated that action would be taken after verification Final action is awaited in audit.
3.	C.T.O. Circle-9, Indore M/s Salomi Agencies, Indore TIN No. 23950904065 Case No. CS0000000147407 VAT	2011-12 June 2014	Photocopy machine/ Parts/Accessories 1,09,81,740	13 5	8,78,539 Penalty 26,35,617 Total =35.14 lakh	Tax was levied at the rate of 5% on the sale of photocopy machine whereas it is taxable at the rate of 13%.	The AA stated that it is not a separate photocopy machine as it is used with I.T. for photocopies and therefore it is taxable at the rate of 5%. The reply is not acceptable as photocopy machine is not an I.T. Product.
4.	C.T.O. Circle-Shivpuri M/s Chaudhary & Chaudhary Traders TIN No. 23215702092 Case No. 285/11 VAT	2010-11 June 2013	Batteries 13,34,523	13 5	1.07 lakh	Batteries are taxable under entry no. II/IV/1	The AA stated that action would be taken after verification. Final action is awaited in audit.
5.	CTO, Circle VII Indore M/s VasudeoKishandas, Indore TIN No. 23220700136 Case No. CS00000051327 VAT	2011-12 June 2014	Knives, Gas lighters 57,53,724	13 5	4,60,298 Penalty 13,80,894 Total = 18.41 lakh	Knives, Gas lighters are taxable under entry no. II/IV/1	The AA stated that action would be taken after verification. Final action is awaited in audit.

6.	C.T.O. Circle-Bhind M/s Chambal Tractors TIN No. 23104801071 Case No. CS0000000138073 VAT	<u>2011-12</u> June 2014	Tractor Accessories 6,58,626	<u>13</u> 5	52,690 Penalty <u>1,58,070</u> Total = 2.11 lakh	Tractor accessories are taxable under entry no.II/IV/1 of the act.	The AA stated that action would be taken after verification. Final action is awaited in audit.
7.	CTO-Anuppur M/s Hemco Ind. Tin-23287203468 Case No.42/12	<u>2011-12</u> July 2014	Machinery Parts 8,83,907	<u>13</u> 5	1.71 lakh	AA levied tax @ 5 per cent Instead of 13 per cent	The AA stated that action would be taken after verification. Final action is awaited in audit.
8.	CTO- Waidhan M/s Pragati Associates Tin-23979027882 Case No.4/12	<u>2011-12</u> Mar 2015	Wall/Floor tiles 43,21,299	<u>13</u> 5	3.40 lakh	AA levied tax @ 5 per cent on total sale.	The AA stated that action would be taken after verification. Final action is awaited in audit.
9.	CTO-I Jabalpur M/s Holani spring Ind. Pvt.Ltd. Tin-23115802736 Case No.183418(CST)	<u>2012-13</u> Aug 2014	Leaf spring 48,26,739	<u>2</u> 1	48,267 Penalty <u>1,44,801</u> Total = 1.93 lakh	AA incorrectly levied tax at lower rate as per notification No.16 Dt. 30/3/16(CST) on trailer parts whereas lower rate of tax is for 'all kinds of leaf spring used in all kinds of Motor vehicle'.	The AA stated that action would be taken after verification. Final action is awaited in audit.
10.	C.T.O. Circle-12 Indore M/sSaurastra Chemical TIN NO-23291204158 Case no.CS50297 VAT	<u>2011-12</u> Apr 2014	Soda-Ash 38,78,17,138	<u>13</u> 5	310 lakh	Tax was levied at the rate 5% instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
11.	CTO-Circle-14 Indore M/s K.G.Gold Spring TIN NO.23471404655 Case no.-1689/2013 kendria CS00000000522768	<u>2012-13</u> Feb/2015	Leaf spring 45,13,907	<u>13</u> 5	3,61,112 Penalty <u>10,83,337</u> Total = 14.44 lakh	Tax was levied at the rate 5% instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
12.	CTO-Circle-14 Indore M/s K.G. Gold Spring Pvt. Ltd TIN NO.23471404655 Case no.-1689/2013 CS00000000522768 VAT	<u>2012-13</u> Feb/2015	Leafspring 58,28,455	<u>13</u> 5	4,66,276 Penalty <u>13,98,828</u> Total = 18.65 lakh	Tax was levied at the rate 5% instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
13.	ACCT-Chindwara M/s AishwaryaAutomobile TIN NO. 23026601144 Case no.CS206583 VAT	<u>2012-13</u> Oct 2014	Tractor,Accessories 9,18,623	<u>13</u> 5	73,489 Penalty <u>2,20,467</u> Total = 2.94 lakh	Tax was levied at the rate 5% instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.

14.	CTO-Circle-12 Indore M/S Universal Digital Connect TIN NO.23571204877 Case no.CS122096	<u>2012-13</u> Dec 2014	Tablets/ 8,63,535	<u>13</u> 5	69,083 Penalty <u>2,07,249</u> Total = 2.76 lakh	Tax was levied at the rate 5% instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
15.	CTO,Cir-Betul M/s Indwell Construction, Sarani Tin-23234702496 case No.773/2013 (VAT)	<u>2012-13</u> Mar 2015	Welding electrodes 1,22,26,535	<u>5</u> 0	6.11 lakh	AA did not levy tax on welding electrodes by treating it as consumable goods, whereas it is a transferable goods as per order dated 19.11.2014 passed by Appellate Authority in case of M/s Furnace Const. Co. Ujjain .	The AA stated that action would be taken after verification. Final action is awaited in audit.
16.	CTO,Cir-Betul M/s Indwell Construction, Sarani Tin-23234702496 case No.CS 99612 (VAT)	<u>2011-12</u> Jan 2014	Welding electrodes 92,66,602	<u>5</u> 0	4.63 lakh		The AA stated that action would be taken after verification. Final action is awaited in audit.
17.	CTO,Cir-Betul M/s Indwell Construction, Sarani Tin-23234702496 case No.39/2011 (VAT)	<u>2010-11</u> April 2013	Welding electrodes 22,22,684	<u>5</u> 0	1.11 lakh		The AA stated that action would be taken after verification. Final action is awaited in audit.
18.	CTO Cir-4 Gwalior M/s M.K.Air Products pvt Ltd Tin 23685405159 Case No.CS331568 VAT	<u>2012-13</u> Feb 2015	Oxygen,Argon 76,31,312	<u>13</u> 5	6,10,505 Penalty <u>18,31,515</u> Total= 24.42 lakh	Tax was levied at 5% whereas Argon and Oxygen gases are taxable at the rate of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
19.	CTO Circle-2 Indore M/s Vadilal Chemicals Tin 23070201784 Case No. CS 141117	<u>2011-12</u> June 2014	Argon and Helium Gas 66,87,168	<u>13</u> 5	5.35 lakh	Tax was levied at 5% whereas Argon and Helium gases are taxable at the rate of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
20.	ACCT- Circle IX Indore M/s RV Infrastructure Tin-23530904199 Case No. CS0000000245807	<u>2012-13</u> Feb. 2015	Emulsion 12,85,515	<u>13</u> 5	1,02,841 Penalty <u>3,08,523</u> Total = 4.11 lakh	AA levied tax at the rate of 5 % instead of 13 %.	The AA stated that action would be taken after verification. Final action is awaited in audit.
21.	Asstt. Commissioner, Commercial Tax, Circle- Nimuch M/s Mittal Const. Unit, Mandsaur TIN No. 23383104484 Case No. 149/2012 VAT	<u>2011-12</u> July 2014	Pre Fabricated Steel Building/ P.E. (Poly- Ethylene) Board 5,68,78,846	<u>13</u> 5	48,03,766 Penalty <u>1,44,11,298</u> Total= 192.15 lakh	AA levied tax @ 5 per cent Instead of 13 per cent	The AA stated that action would be taken after verification. Final action is awaited in audit.

22.	C.T.O. Circle-Baidhan, Distt.-Singrauli M/s M K Associates,Singrauli TIN No. 23647300658 Case No. 05/2012 VAT	<u>2011-12</u> July 2014	Machinery Parts 2,80,80,947	<u>13</u> 5	22.46 lakh	AA levied tax @ 5 per cent instead of 13 per cent	AA stated that dealer purchased HEMM parts from other states. Spare parts shown in from 49 are HEMM parts, on which tax is leviable @ of 5 %. Reply is not acceptable as in Form 49, description of goods is m/c parts i.e. machinery parts on which tax is leviable @ 13 % under entry No. II/IV/I.
23.	DCCT Khandwa M/s Setal Motors Khandwa TIN- 23732003972	<u>2010-11</u> Sep 2015	Tractor Accessories 22,44,129	<u>13</u> 5	1,79,530 Penalty <u>5,38,590</u> Total = 7.18 lakh	Tractor accessories are taxable under entry no. II/IV/1 of the act.	The AA Khandwa stated that the tax was levied at the rate of five per cent under entry no. II/II/90. As hood, hooks, Bumper are parts of tractor. We do not agree with the reply as the said commodities are tractor accessories and not parts which are taxable as per entry No. II/IV/I.
24.	DCCT Div 2,Bhopal M/s Vishal Nirmal Pvt. Ltd TIN No. 23464302875 Case No147,148/2013	<u>2012-13</u> Feb 2015	Sleeper Plant and Machinery 16,50,950	<u>13</u> 5	1,32,076 Penalty <u>3,96,228</u> Total = 5.28 lakh	It was levied at 5% instead of 13%	The AA stated that action would be taken after verification. Final action is awaited in audit.
25.	DCCT-2 Indore M/s Heinz India Pvt. Ltd. Tin 23261101306 Case No. CS000092227/2012	<u>2011-12</u> <u>June 2014</u>	Glucose-D 1,16,00,0731	<u>13</u> 5	92,80,058 Pena. <u>2,78,40,174</u> Total 371.20 lakh	It was found that Glucose-D was taxable as per residuary entry II/IV/1 @ of 13% instead of 5%	The AA stated that Glucose-D was industrial Input as per entry no. II/II/55(80). We do agree with the reply as Glucose was being sold under the Brand Name 'Glucon-D' which is an over-the-counter consumer product and not an industrial product.
26.	ACCT, Circle-2 Indore M/s Merico Pvt. Ltd. Tin 23811100731 Case No 35/2013	<u>2010-11</u> <u>Sep 2013</u>	Mediker anti lice treatment 92,07,175	<u>13</u> 5	7.37 lakh	It was found that Mediker anti lice was taxable as per residuary entry II/IV/1 @ of 13% instead of 5%.	The AA stated that tax rate should be 5% on Mediker anti lice. We do not agree with the reply as Medikar is an over-the-counter consumer/cosmetic product (shampoo) and taxable @ of 13 %.
27.	DCCT Div-Khandwa M/s Texmo pipes and products Ltd., Tin 23151910492 Case No.CS 00078038 VAT	<u>2011-12</u> <u>June 2014</u>	Pipes 2,35,08,724	<u>5</u> <u>0</u>	11,75,436 Pen <u>35,26,308</u> Total 47.02 lakh	It was found that Pipes was Taxable @ of 5% instead of 0%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
Grand Total			70,92,29,512	Tax Penalty Total	5.53 crore 5.70 crore Say 11.23 crore		

Appendix XI
(Referred to in paragraph 3.6.1)
Allowance of Inadmissible Input Tax Rebate (ITR)

(Amount in ₹)

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
1	CTO, Rewa M/s ShashankInfocomPvt. Ltd TIN-23349029594 Case No.532/13 (VAT)	2012-13 January 2015	4,05,626 4,79,155	0.74 lakh	Excess ITR has been granted by the AA, as input tax on purchase recorded in the audited account is lesser than the ITR given.	The AA stated that ITR has been allowed after verification of purchase invoices. The reply is not acceptable as the ITR should have been granted on the purchases certified in audited accounts.
2	CTO, Guna M/s Ghanshyam Das Rajendra Kumar TIN-23705002301 Case No.05/2012 (VAT)	2011-12 July 2014	11,457 59,669	48,212 Penalty 1,44,636 1.93 lakh	As per notification no. A-5-5-07-1-V (2) Dated 4-1-2008, Soyabean is notified under section 26(A) of VAT Act. Hence ITR is not admissible on Soyabean.	The AA stated that action would be taken after verification. Final action is awaited in audit.
3	CTO, Shivpuri M/s Chhtrapal Traders TIN-23535602103 Case No.45/12 (VAT)	2011-12 Self- Assessed	40,79,079 42,29,342	1,50,263 Penalty 4,50,789 6.01 lakh	In the self-assessment, excess ITR has been claimed by the dealer vis-à-vis purchases shown in trading accounts in his returns.	The AA stated that action would be taken after verification. Final action is awaited in audit.
4	CTO, Circle Sagar M/s MadanmohanLaxminarayan TIN-23217500957 Case No.07/2013 (VAT)	2012-13 Self- Assessed	29,71,537 30,18,240	46,703 Penalty 1,40,109 1.87 lakh	Excess ITR claimed in the returns than the ITR shown in the audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.
5	CTO, Itarsi M/s Agrawal Engineering & Containers TIN-23304301993 Case No. CS0000000151837 (VAT)	2011-12 June 2014	3,98,328 4,44,530	46,202 Penalty 1,38,606 1.85 lakh	Due to wrong calculation proposed by the dealer, excess ITR has been allowed by AA (CTO calculated ITR of ₹ 1,72,970 @ 5% on ₹ 33,08,811 and ₹2,71,560 @ 13% on ₹17,91,750).	The AA stated that action would be taken after verification. Final action is awaited in audit.
6	CTO-I, Chhindwara M/s Shree Traders TIN-23126600992 Case No. 101/13(CS0000000169217) (VAT)	2012-13 Nov 2014	41,62,675 42,29,747	67,072	AA did not made reversal for shortage of petrol and diesel due to evaporation and allowed ITR on this evaporated quantity.	The AA stated that action would be taken after verification. Final action is awaited in audit.
7	CTO, Khandwa M/s Narmada Agro Agency TIN-23972005974 Case No. 835/2011 (VAT)	2010-11 July 2013	88,413 1,51,546	63,133 Penalty 1,89,399 2.53 lakh	ITR was allowed on out of state purchases.	The AA stated that action would be taken after verification. Final action is awaited in audit.

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
8	CTO-3, Gwalior M/s Nidhi (I) Industries TIN-23575304291 Case No. CS000000149832 (VAT)	2011-12 June 2014	6,50,220 7,14,852	64,632 Penalty 1,93,896 2.59 lakh	As per section 14(6)(vi) of the Act, building materials purchased in respect of construction of office/own premises is not eligible for ITR.	The AA stated that action would be taken after verification. Final action is awaited in audit.
9	CTO, Betul M/s Bhajan Shah Contractor TIN-23799014611 Case No. CS000000202056 (VAT)	2012-13 Jan 2015	4,06,183 5,94,294	1,88,111 Penalty 5,64,333 7.52 lakh	ITR has been allowed on excess purchases against the purchases recorded in Audit Report.	The AA stated that action would be taken after verification. Final action is awaited in audit.
10	CTO, Balaghat M/s Anish Enterprises TIN-23346504356 Case No. 129/2012 (VAT)	2011-12 May 2014	Nil 1,43,919	1.44 lakh	ITR was allowed on out of state purchases.	The AA stated that action would be taken after verification. Final action is awaited in audit.
11	ACCT,Sagar-1 M/sMadhya Bharat Agro Products Ltd Tin-23617505587 Case No.-99/2014	2013-14 Feb 2015		6,82,804 Penalty 20,48,412 27.31 lakh	AA allowed ITR on Iron &Steel, treating them as Plant & Machinery, which is not eligible for ITR	The AA stated that action would be taken after verification. Final action is awaited in audit.
12	CTO-Narsinghpur M/s Keshwanand Enterprises Tin-23096403662 Case No.322/12	2011-12 July 2014	5,25,982 14,17,024	7.13 lakh	AA allowed ITR of ₹.1,84,213 @ 13% on purchase of ₹ 14,17,024/Whereas dealer has paid Vat @ 13 % on purchases of ₹.5,25,982/-only'	The AA stated that action would be taken after verification. Final action is awaited in audit.
13	CTO-I, Jabalpur M/s Air Perfection TIN-23435803724 Case No.167454 (VAT)	2011-12 July 2014	88,11,281 95,00,601	87,140 Penalty 2,61,420 Total=3.49 lakh	AA incorrectly allowed ITR on ₹95,00,601 whereas the purchases from registered dealer are of ₹88,11,281only.	The AA stated that action would be taken after verification. Final action is awaited in audit.
14	CTO-I Jabalpur M/s MP Wood Product Tin-23935804031 Case No.194073	2012-13 Dec2014	6,15,718 16,08,908	1,29,115 Penalty3,78,345 Total=5.07 lakh	AA allowed ITR on purchases of timber which was sold outside State, while ITR should have been allowed on sale of timber within Madhya Pradesh.	In reply AA produced a calculation regarding sanction of ITR and stated that less ITR had been Sanctioned. Reply is not acceptable as AA treated sale as gross sale and purchases as net purchases whereas purchases and sale recorded in the account is not inclusive of tax. The rate of profit taken in the calculation is also not as per audited accounts whereas rate of profit taken in observation is as per accounts..
15	CTO-I Jabalpur M/s Standard Timber Tin-23615800812 Case No.19591	2012-13 Mar2015	73,05,479 75,66,415 2(x)(iii)	30,018 Penalty=90,054 Total=1.20 lakh		
16	DCCT,Div-II Bhopal	2012-13	60,48,57,294	21.13 lakh	ITR was allowed @ 13% on	The AA stated that action would be taken after verification

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
	M/s HEG Ltd. Tin-23214100234 Case No.52/13	Feb2015	63,12,04,914		purchase value of ₹ 70,24,22,960 of furnace oil and @ 13% on purchase value of ₹ 95,91,615 of lubricating oil whereas, according to books the purchase value is proved to be ₹ 69,25,84,472 and ₹ 23,08,803 respectively.	Final action is awaited in audit.
17	CTO, Cir-Betul M/s BrijeshkumarShadilya TIN-23824703772 No.412/2011 (VAT)	2010-11 Sept 2013	<u>2,11,320</u> 7,84,138	5,72,818 Penalty 17,18,454 Total= 22.91 lakh	As per audit report VAT paid is ₹ 2,11,320 while ITR allowed by AA is ₹ 7,84,138.	The AA stated that action would be taken after verification. Final action is awaited in audit.
18	CTO, Cir-Betul M/s Radheshyam Agarwal TIN-23404701287 No.CS2771 (VAT)	2010-11 Sept 2013	<u>7,32,615</u> 8,19,877	87,262 Penalty 2,61,786 Total= 3.49 lakh	As per purchase list electrical goods of ₹6,71,249 is purchased from out of State on which ITR should not have been allowed.	The AA stated that action would be taken after verification. Final action is awaited in audit.
19	CTO Cir-4 Gwalior M/s Agarwal Automobiles Tin-23455100657 Case No.780/13	2012-13 Self- Assessment	<u>90,69,575</u> 91,63,356	0.94 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
20	CTO Cir-2 Indore M/s SaiKripa Service Tin 2314023540 Case No.CS309331	2012-13 Feb 2015	<u>2,90,86,734</u> 2,91,39,318	0.53 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
21	CTO Cir-2 Indore M/s Amol Filling Station Tin 23709067288 Case No.CS311159	2012-13 Feb 2015	<u>34,87,565</u> 34,94,444	0.07 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
22	CTO Cir-2 Indore M/s All India Trading Co. Tin 23060200286 Case No.CS237844	2012-13 Feb 2015	<u>3,30,35,007</u> 3,30,64,681	0.30 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
23	CTO Cir-2 Indore M/s Jubilee Fuel Station. Tin 23960203865 Case No.CS270475	2012-13 Feb 2015	<u>3,29,82,106</u> 3,30,35,007	0.53 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
24	CTO-Itarsi M/s Swastik Timber Mart Tin-23154300184 Case No. 443/2013	2012-13 Self- Assessment	NIL 4,05,220	16,00,793 Penalty-48,02,379 <u>Total= 64.03 lakh</u>	AA allowed ITR on purchases of timber which was sold outside State, while ITR should have been allowed on sale of timber within Madhya Pradesh.	The AA stated that action would be taken after verification. Final action is awaited in audit.
25	---- d0 ---- <u>Case No.50/14</u>	2013-14	NIL 6,34,430	9,71,835 Penalty-29,15,505 <u>Total= 38.87 lakh</u>		
26	---- d0 ---- M/s Saraswati Saw Mill Tin-23284300452 Case No. 448/2013	2012-13 Feb- 2015	NIL 7,88,565	20,75,695 Penalty-62,27,085 <u>Total= 83.03 lakh</u>		
27	---- d0 ---- Case No.74/14	2013-14	NIL 8,80,546	16,45,090 Penalty-49,35,270 <u>Total= 65.80 lakh</u>		
28	---- d0 ---- M/s Jyoti Timber Mart Tin-23624302205 Case No. 511/13	2012-13	NIL 3,17,600	11,53,620 Penalty-34,60,860 <u>Total 46.14 lakh</u>		
29	CTO-Anuppur M/s S. R. Trading Tin 23267203188 Case no.34/2013 VAT	2013-14 Self- Assessment	15,70,922 16,19,938	49,016 Penalty-1,47,048 <u>Total 1.96 lakh</u>	ITR of ₹ 16,19,938 is allowed by AA while as per audited accounts, Input Tax is ₹ 1570922.	The AA stated that action would be taken after verification. Final action is awaited in audit.
30	ACCT Div.-Ratlam M/s Patel Automobile Tin-23863400458 Case No.CS147566	2012-13 Jan- 2015	9,49,98,761 9,53,20,356	3.22 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
31	M/s ShahidGirijesh Gupta Petroleum Tin-23982902879 Case No.CS202298	2012-13 Feb- 2015	62,51,694 62,77,295	0.26 lakh		
32	M/s Esquire Automobile Tin-23193400293 Case No.CS147567	2012-13 Feb-2015	3,39,65,908 3,40,44,986	79,078		

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
33	M/s UdayRakshak Fuel Tin-23802902105 Case No.CS154859	2012-13 Feb-2015	<u>2,10,77,132</u> 2,11,11,377	<u>34,245</u> 4.61 lakh		
34	ACCT Div-1Gwalior M/s B.C. Automobiles Tin-23535100904 Case No.CS323277	2012-13 Feb-2015	<u>1,73,17,376</u> 1,75,32,364	2.15 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
35	CTO,Cr-14 Indore M/s UshaRaj Fuels Tin-23141403527 Case No.30/14(T)	2013-14 Feb-2015	<u>3,55,78,907</u> 3,57,60,087	1,81,180	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
36	M/s Kumudini Enterprises Tin-23401401153 Case No.76/13(T)	2012-13 Dec-2014	<u>3,02,40,036</u> 3,02,71,804	<u>31,768</u> 2.13 lakh		
37	ACCT Division-2 Indore M/s KhandelwalHighway services Tin 23811100955 Case no.22/2013 VAT	2012-13 Feb. 2015	<u>4,04,65,681</u> 1,87,92,897	0.8 crore <u>1.3 crore</u> 2.1 crore	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that Case opened in Section 54 and action have been taken. The reply is not acceptable as AA did not produce any evidences in support of reply.
38	ACCT Division-2 Indore M/s Manna LalLachhi Ram & Sons Tin 23961001690 Case no.02/2013 VAT	2012-13 Dec-2014	<u>6,31,61,484</u> 6,32,82,822	1.21 lakh	ITR allowed on value of petrol and diesel evaporated or shown Shortage.	The AA stated that action would be taken after verification. Final action is awaited in audit.
39	CTO,Cercle-1 Jabalpur M/s Unity Construction Tin 23315804372 Case no.121/2012 VAT	2011-12 Nov2014	<u>3,60,564</u> 4,85,857	1.25 lakh	AA allowed more ITR than they actually paid Input Tax at the time of purchases.	The AA stated that action would be taken after verification. Final action is awaited in audit.
40	DCCT,Div-1Gwalior M/s SG Motors Pvt.Ltd. Tin-23115303089 Case No.69/13	2012-13 Jan2015	<u>19,76,40,718</u> 19,83,77,923	7,37,205 Penalty= <u>22,11,615</u> Total=29.49 lakh	AA Allowed ITR on excess purchase against the purchases recorded in audited accounts	Action Would be taken after verification. Final action is awaited in audit.

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
41	CTO Circle -9, Indore M/s Rakesh Medical Agency Tin-23420904211 Case No.95/13	2012-13 Feb2015	1,41,094 2,00,318	59,224 Penalty=1,77,672 Total=2.37 lakh	AA allowed ITR on purchase returns.	Action Would be taken after verification. Final action is awaited in audit.
42	ACCT, Div-II, Indore M/s Khandelwal Highway Services Tin-23811100955 Case No.22/13	2012-13 Feb2015	42124358 20821111	2.1 crore	AA granted excess ITR against the ITR claimed by dealer.	AA stated that action had already been taken on the case under Section 54 of Vat Act. The reply is not acceptable as AA did not produce any evidences in support of reply.
43	ACCT, Div-II, Indore M/s AtulPolychem Tin:23051100209 Case no. 03/13	2012-13 Feb 2015	1498910 10123693	86.25 lakh	ITR of ₹14,98,910 claimed in audited account, while ITR allowed by AA is ₹ 1,01,23,693.	AA stated that the figure shown in audit report reflecting difference between tax paid on purchases and tax collected on sales. The reply is not tenable because the purchases and sales are shown in separate schedules as per schedule 26 VAT collected has been recorded on ₹ 1498910.
44	DCCT Div-II, Jabalpur M/s Ajay Food Products Pvt.Ltd.Katni TIN-2392603143 Case No.21/2013	2012-13 Dec 2014	662650 962650	3 lakh	ITR allowed in assessment order for the year 2011-12 was ₹ 6,62,650 but wrongly carry forwarded in 2012-13 at ₹9,62,650.	The AA stated that action would be taken after verification. Final action is awaited in audit.
45	CTO,Damoh M/s Swapnil Arora TIN-23227603432 Case No. 206/11/Provincial	2011-12 Sep 2013	61521 281250	61521 Penalty 184563 2.46 lakh	The AA incorrectly allowed ITR on black stone metal; whereas, it is not eligible goods for ITR being tax paid goods.	The AA stated that action would be taken after verification. Final action is awaited in audit.
46	CTO-2, Katni M/sArchieneIndustries Mineral Supplier TIN-23766206044 Case No. CS000000063659 (VAT)	2010-11 Sep 2013	83336 119456	35920 Penalty 107760 1.43 lakh	The AA allowed ITR on excess purchase then the purchases recorded in audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.
47	CTO,Damoh M/s Chaudhary Uttam Chand Jain TIN-23397600574 Case No. 31/11(VAT)	2010-11 Sep 2013	830409 871930	41521 Penalty 124563 1.66 lakh	The AA incorrectly allowed ITR by treating gross purchase as net purchase	The AA stated that action would be taken after verification. Final action is awaited in audit.

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
48	ACCT, Div.2, Indore M/s Soni and Sons TIN-23811104447 Case No39/2013	2012-13	5998393 6157320	158927 Penalty 476781 6.36 lakh	Excess grant of ITR due to calculation mistake.	The AA stated that action would be taken after verification. Final action is awaited in audit.
49	CTO-2, Gwalior M/s RaghavendraPetrolPump TIN-23265006332 Case No. CS0000000274562 (VAT)	2012-13 Dec 2014	52245142 53070135	8.25 lakh	ITR was accepted without sale of the commodity i.e. Petrol and diesel in this case. ITR was allowed on evaporation also	The AA stated that according to Section 2(v) of the VAT act 2006, sale price (for petrol & diesel) means amount of valuable consideration received or receivable by oil companies. The reply is not acceptable as ITR granted is not justified according to Section 14(1)(c) of the Act. Further, there is no such comment on the sale price of diesel & petrol in the Section mentioned by the AA.
50	ACCT, Div.2, Indore M/s Gas Point,Indore TIN-23650601396 Case No 5/12(VAT)	2011-12 May 2014	6345128 6399156	54028 Penalty 16084 2.15 lakh	ITR allowed on excess purchases against the purchase recorded in Audited Accounts	The AA stated that ITR was allowed on the basis of bill produced. The reply was not tenable as ITR should have been allowed on purchases as per Audited Accounts.
51	ACCT, Div.2, Indore M/s Gold Star Paints Pvt.Ltd.,Indore TIN-23491105011 Case No 43/2013(VAT)	2012-13 Feb 2015	12033334 13075889	1042555 Penalty 3127665 41.70 lakh	ITR allowed on excess purchases against the purchase recorded in Audited Accounts	The AA stated that action would be taken after verification. Final action is awaited in audit.
			TAX Penalty TOTAL	6.76 crore 3.56 crore 10.32 crore		

Appendix XII

(Referred to in paragraph 3.6.2)

ITR not reversed/short reversed in the cases of goods stock transferred out of State

(Amount in ₹)

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	ITR as per books OR rules/ ITR determined by the AA (₹)	Excess grant of ITR (₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
1	CTO, Balaghat M/s Ribhaa Tiles TIN-23436506974 Case No.79/2012 (VAT)	2011-12 July 2014	6,416 51,273	44,857 Penalty <u>1,34,571</u> <u>1.79 lakh</u>	As per provisions of ITR, input tax rebate only in excess of 4% is admissible for production of tax free goods. Some purchase bills attached with the case are provisional and unsigned. Hence ITR not admissible on that bills.	The AA stated that action would be taken after verification. Final action is awaited in audit.
2	DCCT, Sagar M/s Diamond Cements TIN-23937600956 Case No. 37/13 (VAT)	2012-13 Jan 2015	(ITR Reversal) <u>1,74,64,206</u> 1,64,60,166	10.04 lakh	AA incorrectly calculated the amount of stock transferred and cost of stock sold. Due to this, the ratio of the stock transferred vis-à-vis ratio of stock sold (cost price) was also calculated incorrectly. This resulted in incorrect and short reversal of ITR.	The AA stated that ITR reversal given according to the ratio of Branch transfer and Gross sale. The reply is not acceptable as the ratio should have been calculated after deducting scrap sale (State + CST)), canteen sale and VAT from GTO.
3	DCCT, Sagar M/s Diamond Cements TIN-23937600956 Case No. 56/11 (VAT)	2010-11 Sep 2013	(ITR Reversal) <u>71,40,969</u> 70,44,108	0.97 lakh	AA incorrectly calculated the amount of stock transferred and cost of stock sold. Due to this, the ratio of the stock transferred vis-à-vis ratio of stock sold (cost price) was also calculated incorrectly. This resulted in incorrect and short reversal of ITR.	The AA stated that ITR reversal has been made according to the ratio calculated after deducting scrap sale from GTO. The reply is not acceptable as the ratio should have been calculated after deducting scrap sale (State + CST)), canteen sale and VAT from GTO.
Total				11.46 lakh Pen <u>1.35 lakh</u> 12.81 lakh		

Appendix XIII
(Referred to in paragraph 3.7)
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 (₹)	Rate of tax (%)	Under determination of taxable turnover (₹)	Amount of short realization(₹)	Audit Observation	Reply of Assessing Authority/ Our comments
1.	DCCT Div-II Gwalior M/s Sharda solvent TIN NO.-23965703765 Case no. CS00000000272190(VAT)	2012-13 Jan 2015	40,01,857 15,78,945	1.5%	24,22,912	36,343 Penalty 1,09,031 Total= 1.44 lakh	Sale of old vehicle (as per statement of fixed assets) not included in gross turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
2.	CTO Rewa M/s Bhaiyalal Infrastructures TIN NO-23188900204 Case no. CS000000086499 (VAT)	2011-12 July 2014	5,55,39,512 5,46,64,512	5%	8,36,159	0.42 lakh	Sale value of pay loader machine(as per statement of fixed assets) not included in gross turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
3.	CTO Circle Betul M/s Indwell Construction Limited TIN-23234702496 Case No. 773/13(VAT)	2012-13 March 2015	39,49,266 Nil	5%	39,49,266	1.97 lakh	Non levy of tax on transfer of steel pipes in work contract treating the same as consumption in process.	The AA stated that action would be taken after verification. Final action is awaited in audit.
4.	CTO Circle Betul M/s Ganesh Agro HivarkheraBetul TIN-23544704702 Case No.506/11 (VAT)	2010-11 July 2013	1,41,12,836 1,29,07,510	5%	12,05,326	60,266 Penalty- 1,80,799 Total= 2,41 lakh	VAT was not levied on sale shown in the returns.	The AA stated that action would be taken after verification. Final action is awaited in audit.
5.	CTO Circle 2 Chhindwara M/s Tarmac Construction Co TIN-23876801321 Case No. CS00000000218596 (VAT)	2012-13 Dec 2014	66,18,446 32,10,000	5%	34,08,446	1,70,422 Interest- 48,570 Total= 2.19 lakh	The sale value determined on some items @ 5% while it is taxable @ 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
6.	CTO Circle 2 Chhindwara M/s Rajendra Kumar TIN-23056800802	2012-13 Dec 2014	85,89,069 72,49,038	13% & 5%	13,40,031	1,56,298 Interest- 44,545 Total= 2.01 lakh	The sale value determined in the Assessment Order in respect of 13% and 5%	The AA stated that taxation has been done on the purchases of dealer on previous years so,

	Case No.CS0000000302640 (VAT)						materials is incorrect. So, taxable receipts has been worked out by audit on the basis of material consumed (Opening stock + purchase-closing stock + profit).	closing stock is tax free in view of reply of AA. In view of the reply, the Para has been revised and taxable receipt is again worked out by adding profit to purchase.
7.	CTO Circle 2 Chhindwara M/s Yogesh KrishiSewa Kendra TIN-23976801072 Case No. CS000000156736 (VAT)	<u>2012-13</u> July 2014	<u>6,85,80,687</u> 6,81,74,796	13%	4,05,891	52,766 Interest- <u>11,081</u> Total= 0.64 lakh	Tax was not levied on oil being used in servicing of vehicles.	The AA stated that action would be taken after verification. Final action is awaited in audit.
8.	CTO Circle 2 Chhindwara M/s NiketUdyog Ltd. TIN-23086801804 Case No. CS0000000294126 (VAT)	<u>2012-13</u> Dec 2014	<u>3,87,77,856</u> 3,1812,314	13%	69,65,542	9,05,520 Interest <u>2,58,073</u> Total= 11.66 lakh	Deduction of ₹ 69,65,542 given in respect of 'Delivery Charges' not separately charged in the bills. Hence this deduction is not admissible.	The AA stated that action would be taken after verification. Final action is awaited in audit.
9.	CTO Circle 1 Chhindwara M/s HemkuntConstrnCo.Nagpur TIN-23326602919 Case No. 2/re-open/13/350/12 (VAT)	<u>2011-12</u> June 2014	<u>29,98,611</u> 20,97,402	5% & 13%	9,01,209	55,288 Penalty- <u>1,65,864</u> Total= 2.21 lakh	The sale value determined by the AA in respect of Iron & steel is less than the purchase value of the same. Further, profit is not included in the sale value calculation.	The AA stated that action would be taken after verification. Final action is awaited in audit.
10.	ACCT Div.-II Gwalior M/s Rajmarg Creations TIN-23125005827 Case No. CS0000000094603 (VAT)	<u>2011-12</u> July 2014	<u>13,00,000</u> Nil	5%	13,00,000	65,000 Penalty- <u>1,95,000</u> Total= 2.60 lakh	The Assessing Officer did not levy tax on the sale of Tata Hitachi (earth moving machine) as per statement of fixed assets.	The AA stated that action would be taken after verification. Final action is awaited in audit.
11.	ACCT Circle-IX Indore M/s Asian Paints Agency TIN-23460901182 Case No. CS0000000077616 (VAT)	<u>2011-12</u> July 2014	<u>7,43,94,224</u> 6,69,26,139	5% & 13%	74,68,085	9,70,851 Penalty- <u>29,12,553</u> Total= 38.83 lakh	The deduction allowed by treating Sales inclusive of VAT shown in books, however, in audited accounts, sales was without VAT.	The AA stated that action would be taken after verification. Final action is awaited in audit.
12.	ACCT Circle-IX Indore M/s Ramdin Ultra Tech Pvt Ltd TIN-23160905033 Case No. CS0000000074820 (VAT)	<u>2011-12</u> July 2014	<u>1,90,35,300</u> 1,36,21,416	5% & 13%	54,13,884	1.31 lakh	Incorrect sale value determined by the AA by adding non-composition work with composition work.	The AA stated that action would be taken after verification. Final action is awaited in audit.

13.	CTO Circle Rewa M/s Vijay Kumar Mishra Const. Pvt. Ltd. TIN-23136902802 Case No. CS000000086544 (VAT)	<u>2011-12</u> July 2014	<u>8,05,07,347</u> 7,77,90,559	5% & 13%	27,16,788	2.21 lakh	The Assessing Officer determined sale value (turn over) by adding 10% profit to the cost of materials whereas the Gross Profit (GPR) is 13.83% as per audited account.	The AA stated that the profit on material is 3.10% and profit on labour is 10.73% however in this case 10% profit is added to arrive at sale value. The reply is not tenable because the AA did not produce any evidence in support of reply.
14.	CTO Circle Sagar M/s Sagar Enterprises TIN-23647502612 Case No.193/12 (VAT)	<u>2011-12</u> Self- Assessment	<u>4,04,46,929</u> 4,00,38,035	5% & 13%	4,08,894	47,039 Penalty- <u>1,41,117</u> Total= 1,88 lakh	Turn over shown in the returns submitted by the dealer is less than the sale figures shown in the P&L Account.	The AA stated that action would be taken after verification. Final action is awaited in audit.
15.	DCCT Sagar M/s Rohit Surfactants Pvt Ltd TIN-23157504482 Case No.19/11 (VAT)	<u>2010-11</u> September 2013	5,99,89,10,986+ 1,27,01,130 = <u>6,01,16,12,116</u> 5,99,89,10,986	1.5% 13%	1,25,45,169 1,55,961	2,08 lakh	The Assessing Officer did not levy Tax on the sale of old vehicles and plant & machinery (as per statement of fixed assets).	The AA stated that action would be taken after verification. Final action is awaited in audit.
16.	DCCT Sagar M/s K.P.Solvex Pvt Ltd TIN-23367800556 Case No.11/13 (VAT)	<u>2012-13</u> Dec 2014	1,77,74,43,792+ 91,92,561= <u>1,78,66,36,353</u> 1,77,74,43,792	13%	91,92,561	11.95 lakh	The Assessing Officer did not levy Tax on the sale of old plant and machinery.	The AA stated that action would be taken after verification. Final action is awaited in audit.
17.	ACCT Div- I Indore M/s Nav Bharat Fertilizers TIN No. 23730104324 Case No. CS213616	<u>2012-13</u> 24.09.14	<u>12,21,16,441</u> 12,04,75,726	5	16,40,715	0.82 lakh	The AA has less determined sale against the sale recorded in audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.
18.	CTO Balaghat M/s RaiBahadur Sri Ram co.pvt.ltd TIN – 23416503687 Case No. CS290986	<u>2012-13</u> 22.12.14	<u>4,47,81,817</u> 1,52,74,136	1.5	1,52,74,136	2.29 lakh	AA did not include the sale value (as per statement of fixed assets) of old vehicle in turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
19.	CTO Balaghat M/s Radheshyam Minerals TIN – 23836506948 Case No. 202/12 (VAT)	<u>2011-12</u> 30.07.14	<u>1,59,71,641</u> 97,86,941	5	61,84,700	3,09 lakh	Dealer is a trader of Manganese ore, he received contract receipt of ₹ 59,26,560, which was not included in GTO by the AA.	The AA stated that action would be taken after verification. Final action is awaited in audit.
20.	CTO Circle – 3 Gwalior I/c M/s Express Highway Filling Centre TIN – 23225306569 Case No. CS80382	<u>2011-12</u> 09.06.14	<u>24,53,49,937</u> 24,41,63,437	1.5	11,86,500	17,797 Penalty- <u>53,391</u> Total= <u>0.71 lakh</u>	AA did not include the sale (as per statement of fixed assets) value of old vehicle in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
21.	CTO Circle – 3 Gwalior I/c M/s MGRG Automobiles	<u>2011-12</u> 02.07.14	<u>10,02,53,883</u> 9,72,02,707	1.5	30,51,176	45,768 Penalty <u>1,37,304</u>	AA did not include the sale (as per statement of fixed	The AA stated that action would be taken after verification.

	Pvt. Ltd. TIN – 23785308007 Case No. CS93154					Total= <u>1.83 lakh</u>	assets) value of old vehicle in GTO.	Final action is awaited in audit.
22.	CTO Circle – 3 Gwalior I/c M/s. Parimitra Electronics Pvt. Ltd. TIN – 23425303452 Case No. 23425303452	2011-12	<u>8,97,38,841</u> 8,86,14,396	13	11,24,445	1,46,177 Penalty <u>4,38,531</u> Total= <u>5.85 lakh</u>	AA did not include the sale value (as per statement of fixed assets) of plant and machinery in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
23.	CTO Circle – 3 Gwalior I/c M/s. MalanpurIntek Pvt. ltd. Unit II TIN – 23795305528 Case No. CS174037	<u>2011-12</u> 18.07.14	<u>2,48,38,592</u> 2,46,58,592	13	1,80,000	23,400 Penalty <u>70,200</u> Total= <u>0.94 lakh</u>	AA did not include the sale value (as per statement of fixed assets) of plant and machinery in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
24.	CTO Circle Nawgaon M/s.Rahmaniya Agency TIN – 2337701099 Case No. 17/2011	<u>2010-11</u> Self- Assessment	<u>1,21,94,320</u> 1,13,60,675	13	8,33,645	0.96 lakh	The dealer has shown less sale in the returns against the sale recorded in audited accounts and deposited less tax accordingly.	The AA stated that action would be taken after verification. Final action is awaited in audit.
25.	ACCT Div- 3 Indore M/s Prestige Fabrication TIN No. 2374900252 Case No. CS65479 VAT	<u>2011-12</u> Apr – 2014	<u>24,98,68,350</u> 24,32,66,528	5	66,01,822	3,30,091 Penalty <u>9,90,273</u> Total= <u>13.20 lakh</u>	The deduction allowed by treating Sales inclusive of VAT shown in books, however, in audited accounts, sales was without VAT.	The AA stated that action would be taken after verification. Final action is awaited in audit.
26.	ACCT Div- 3 Indore M/s Satguru Iron & Steel TIN No. 23300904665 Case No. 112/13 VAT	<u>2012-13</u> Nov – 2014	<u>20,79,89,876</u> 20,64,08,088	13	15,81,788	2,05,633 Penalty <u>6,16,899</u> Total= <u>8.22 lakh</u>	The dealer has shown less sale in the returns against the sale recorded in audited accounts and deposited less tax accordingly.	The AA stated that action would be taken after verification. Final action is awaited in audit.
27.	CTO Hoshangabad M/s Venkatesh&Developer TIN No. 23879053403 Case No. 454/13 VAT	<u>2012-13</u> March – 2015	<u>90,52,882</u> 12,94,314	13 & 5	77,58,568	7,11,706 Penalty <u>21,35,118</u> Total= <u>28.47 lakh</u>	The dealer has shown sale of plot (piece of land), in its trading account, however, it was not shown in opening stock in books of accounts. Thus it was suppression of taxable sale.	The AA stated that action would be taken after verification. Final action is awaited in audit.
28.	CTO Circle Hoshangabad M/s Prachir Infrastructure TIN No. 23099042811 Case No. 448/13 VAT	<u>2012-13</u> March – 2015	<u>5,41,81,327</u> 4,37,01,228	13	1,04,80,099	13,62,413 Penalty <u>40,87,239</u> Total= <u>54.50 lakh</u>	Under determination of turnover due to addition of profit at lower rate while calculating sale value.	The AA stated that action would be taken after verification. Final action is awaited in audit.
29.	CTO Circle Mandasour M/s Gupta Stationery TIN No. 23303102006 Case No. 98/12 VAT	<u>2011-12</u> June – 2014	<u>2,88,95,207</u> 2,56,06,881	13 & 5	32,88,326	4,22,220 Penalty <u>12,66,660</u> Total= <u>16.89 lakh</u>	In audited accounts Purchase and sale was inclusive of VAT, however, AA allowed deduction by adding VAT in	The AA stated that action would be taken after verification. Final action is awaited in audit.

							sales.	
30.	CTO Circle Mandsour M/s Mahabir Plastic TIN No. 23403002526 Case No. 271/12 VAT	<u>2011-12</u> May – 2014	<u>2,11,99,730</u> 1,93,16,004	13 & 5	18,83,726	2.15 lakh	In audited accounts Purchase & sale was inclusive of VAT, but, AA allowed deduction by adding VAT in sales.	The AA stated that action would be taken after verification. Final action is awaited in audit.
31.	CTO Circle -2 <u>Ratlam</u> M/s Balbirsinghathore TIN No. 23773403078 Case No. 461/12VAT	<u>2012-13</u> March 2015	<u>3,78,28,391</u> 3,52,05,339	5	26,22,992	1,31,150 Penalty- <u>3,93,450</u> Total= 5.26 lakh	Royalty expenses not included while calculating turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
32.	AC Div III Indore M/s Modi Marketing TIN No. 23060903924 Case No. 180919/12VAT	<u>2012-13</u> Feb 2015	<u>27,54,12,926</u> 24,71,27,821	13	2,82,85,105	36,77,064 Penalty <u>1,10,31,192</u> Total= 147.08 lakh	As per audited accounts output tax was not included in sales but AA allowed deduction of tax u/s 2X(iii) of VAT Act amounting to ₹ 2,82,85,105 therefore TTO is less determined.	The AA stated that action would be taken after verification. Final action is awaited in audit.
33.	AC Division -1Sagar M/s Jainam Auto link Tin No. 23897505045 Case no. 137/12 VAT	<u>2012-13</u> Dec 14	<u>12,79,46,330</u> 12,75,22,539	13	4,23,791	55,093 Penalty <u>1,65,279</u> Total= 2.20 lakh	Incorrect deduction of ₹4,23,791 given in respect of free service.	The AA stated that action would be taken after verification. Final action is awaited in audit.
34.	CTO Circle-2Indore M/s Balaji,Tractor,House TIN-23920203693 Case No. 830/12(VAT)	<u>2011-12</u> April 2014	<u>6,91,00,685</u> 6,72,24,353	5	1876332	93,816 Penalty <u>2,81,448</u> Total= <u>3.75 lakh</u>	Receipt from warranty claim not included in taxable turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
35.	CTO Circle-14Gwalior M/s New Himalaya Refrigeration Gwalior TIN-23735402270 No.294/2012 (VAT)	<u>2011-12</u> July 2014	<u>1,78,94,315</u> 1,58,89,175	13	20,05,140	2.61 lakh	As per Audit report Job work receipt is ₹96,49,622 is not included in taxable turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
36.	CTO Circle-Betul M/s Radheshyam Agrawal TIN-23404701287 Case No.CS2771 (VAT)	<u>2010-11</u> Sept 2013	<u>96,61,268</u> 88,94,829	4 5 13	68,359 4,810 6,93,270	2,629 229 <u>79,756</u> Total= 0.83 lakh	In assessment order 8% profit is added in purchase amount whereas gross profit is 17.62% as per balance sheet.	The AA stated that action would be taken after verification. Final action is awaited in audit.
37.	CTO Circle 14 Indore M/s Dev Agro Chemical TIN-23531404137 No.560/2012 (VAT)	<u>2011-12</u> June 2014	<u>3,80,04,200</u> 2,91,89,230	5	58,14,970	2,90,748 Penalty <u>8,72,244</u> Total= <u>11.62 lakh</u>	Determination of less turnover vis-à-vis sales shown in audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.
38.	ACCT Div- 2 Gwalior M/s Anurag Dal Mill TIN-23975003177 No.CS171765 (VAT)	<u>2012-13</u> Feb 2015	<u>16,54,95,702</u> 16,41,18,664	5	13,77,038	0.69 lakh	Determination of less turnover vis-à-vis sales shown in audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.
39.	ACCT Div- 2 Gwalior M/s S K Industries	<u>2012-13</u> Feb 2015	<u>1,29,60,209</u> 1,21,47,578	1.5%	8,12,631	12,189 Penalty <u>36,567</u>	AA did not include the sale value (as per statement of	The AA stated that action would be taken after verification.

	TIN-23644802132 No.CS167377 (VAT)					Total= 0.49 lakh	fixed assets) of old vehicle in GTO.	Final action is awaited in audit.
40.	CTO-I Jabalpur M/s VrahatakarPrathmikSah kariSamiti Tin-23145800343	2011-12 Jun2014	<u>88,04,471</u> 59,39,787	5	28,64,684	1.43 lakh	AA under determined the turnover against the turnover recorded in Audit Report	Action would be taken after verification. Final action is awaited in audit.
41.	CTO-Anuppur M/s ShriRam Construction Tin-23077203244 Case No.4/12	2011-12 Jul2014	<u>5,07,22,379</u> 1,21,79,329	5	3,42,12,940	17.11 lakh	AA under determined the turnover against the turnover recorded in Audit Report	Action would be taken after verification. Final action is awaited in audit.
42.	CTO-Anuppur M/s Anil Construction Tin-23137204181 Case No.45/12	2011-12 Jul2014	<u>1,61,06,530</u> 1,47,64,319	5	13,42,211	0.67 lakh	AA incorrectly gave deduction of earth work from GTO and then deducted 40% labour again from GTO. Whereas labourcharge should have been deducted from the balance amount after deducting earthwork.	Action would be taken after verification. Final action is awaited in audit.
43.	ACCT Div-II Indore M/S Rajshree Engineering Pvt.Ltd. Tin-23300601540 Case No.72/13	2012-13 Feb2015	<u>15,72,34,193</u> 15,48,75,228	1.5 & 5	23,58,965	0.84 lakh	AA didn't include the sale value of Vehicle, Computer and software in GTO	AA stated that the dealer has sold the vehicle in respect of which action would be taken after verification, while sale of computer and software as shown in the account is actually depreciation and book value which is only adjustment and not sale. The reply is not tenable as it evident from the Schedule of fixed asset that these commodities have been sold.
44.	DCCT-Chhindwara M/s Safal Foods Tin-23376803827 Case No.166257/13	2013-14 Jan 2015	<u>83,30,520</u> 87,22,490	13	3,91,970	0.51 lakh	AA didn't include the sale value of Storage Drum in GTO.	AA stated that these sales are not related to MP state hence not considered for taxation. The reply is not tenable as the audit report depicts the complete business of dealer in MP state.
45.	CTO Circle-6 Bhopal M/s Bhopal Stone Crusher TIN-23333704311 Case No. 50/13(VAT)	2012-13 February 2015	<u>Nil</u> 2,73,18,637	1.5 13	3,75,000 4,65,715	5,625 <u>60,543</u> Total= 0.66 lakh	Sale of Vehicle (as per statement of fixed assets) and machinery not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
46.	CTO Circle Burhanpur M/s Jain FertiliserShahpur TIN-23611908493	2010-11 September 2013	<u>NIL</u> 4,35,42,096	5	8,62,186	43,109 Penalty- <u>1,29,327</u> Total= <u>1,72,lakh</u>	Amount received from rate difference not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.

	Case No. 16/2011 (VAT)							
47.	DCCT Div-2 Indore M/s Piramal Enterprises TIN-23571100893 Case No. 72/2013 (VAT)	<u>2012-13</u> Feb 2015	Nil 10,78,08,927	5	12,44,04,473	0.6 crore Int- <u>1.8 crore</u> Total= 2.4 crore	AA under determined the turnover against the turnover recorded in Audited accounts by ₹ 12,44,04,473.	The AA reply that gross sale is determined as per audit account. Reply is not acceptable as we audit has reckoned the GTO recorded in the audited accounts and that AA has not determined.
48.	DCCT(LTPU) Indore M/s Navin Infra solution TIN:23911004191 Case No. CS66901 (VAT)	<u>2011-12</u> June 2014	<u>NIL</u> 11,73,31,951	5	54,80,565	Total= 2.74 lakh	AA did not include in GTO the amount of warranty claim received by dealer.	The AA reply that other income was not included as the goods sold was not taxable. The reply is not acceptable as warranty claim is taxable and should be treated as sale.
49.	ACT Div-2 Indore M/s Sameer Industry Tin 23211100994 Case no. 27/2012 (VAT)	<u>2011-12</u> June 2014	<u>2,17,69,786</u> 2,12,59,786	13 0	5,10,000	66,300 Pen <u>1,98,900</u> Total= 2.65 lakh	Sale of Plant & Machinery (as per statement of fixed assets) was not included in gross turnover.	The AA stated that action would be taken after verification. Final action is awaited in audit.
50.	CTO Circle- Burhanpur M/s Chakradhar Construction Tin 23881909557 case no. 18/11 (vat) CS000000001223 18/11 (ET) CS000000001224	<u>2010-11</u> Sep. 2013	<u>1,14,08,016</u> 97,51,143	5 & 13 0	11,33,049	60,867 Penalty <u>1,82,601</u> Total= 2.43 lakh	AA did not work out the GTO by taking percentage of profit as per audited accounts.	The AA stated that in salary and allowance gross profit is added and so in gross purchase 10% gross profit is correct. Reply not tenable as per audit report GP is 22.13%.
51.	ACCT Division –I Gwalior M/s Puri Agency Tin 23915404499 Case no. 105/13	<u>2012-13</u> Feb 2015	7,18,07,816 6,93,69,767	---- ----	24,38,049	2.62 lakh	AA incorrectly allowed excess deduction of sales returns.	The AA stated that action would be taken after verification. Final action is awaited in audit.
52.	CTO Khandwa M/s Raj Kumar Gupta Tin 230720055693 Case no.CS0000000128400 (VAT)	<u>2011-12</u> June 2014	<u>59,90,272</u> 27,86,303	5 & 13	32,03,969	2,02,060 Penalty <u>6,06,180</u> Total= 8.08 lakh	AA worked out the GTO by taking less opening stock.	The AA stated that action would be taken after verification. Final action is awaited in audit.
53.	ACCT Div- 3, Indore M/s Parekh Powers and pumps Ltd,Indore TIN-23090900949 No.60/2012 (VAT)	<u>2011-12</u> April 2014	<u>5,55,28,930</u> 5,53,91,580	13	1,37,350	17,855 Penalty <u>53,565</u> Total= 0.71 lakh	It was found that Input Tax Rebate on purchase return was not deducted.	The AA stated that action would be taken after verification. Final action is awaited in audit.

54.	ACCT Div- 1, Sagar M/s Jainaum Auto Link,Sagar TIN-23897505045 No.103/2012 (VAT)	<u>2011-12</u> July 2014	<u>15,78,10,420</u> 15,70,42,077	13%	7,68,343	99,885 Penalty <u>2,99,665</u> Total= <u>3,99 lakh</u>	It was found that Free replacement amount was deducted in Tax assessment order submitted by trader.	The AA stated that action would be taken after verification. Final action is awaited in audit.	
55.	DCCT ,Khandwa M/s Texmo pipes and product ltd. TIN-23151910492 No.61/2012 (VAT)	<u>2011-12</u> June 2014	<u>1,07,20,43,309</u> 91,75,59,275	5%	15,44,84,034	77,24,202 Penalty <u>2,31,72,606</u> Total= 308.97 lakh	It was found that Tax assessment was less as per actual sales in audited accounts.	The AA stated that action would be taken after verification. Final action is awaited in audit.	
56.	CTO 4, Gwalior M/s New Himalaya Refrigeration Tin-23735402270 Case No. 24/11	<u>2010-11</u> July 2013	<u>2,02,45,203</u> 1,44,72,659	13%	57,72,544	7,50,430 Penalty <u>22,51,290</u> Total= 30,.01lakh	On commodities like Battery, inverters, gas lighters etc. VAT @5 % was levied instead of 13%.	The AA stated that action would be taken after verification. Final action is awaited in audit.	
Total					5,162.96 lakh	Tax Penalty Interest Total	3.12 crore 5.22 crore 1.90 crore 10.24 crore		

Appendix XIV
(Referred to in paragraph 3.8)
Entry Tax not levied/short levied/exempted without declaration Form

(Amount in ₹)

Sl. No.	Name of Audit Unit Dealer	Assessment period month of assessment	Commodity/ TTO (In ₹)	Differential rate of tax (%)	Amount of non/short levy of tax /Penalty/intt. (In ₹)	Observation of Audit	Reply of Assessing Authority/ Our Comments
1.	CTO, Circle-II Satna M/s Piyush & Company TIN No. 2349001455 Case No. 470/13	2012-13 Jan 15	Machinery/ 48,50,000	1	48,500	AA levied ET @ 1 per cent instead of 2 per cent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
2.	CTO, Circle-II, Jabalpur M/s F.L. Smith Pvt. Ltd TIN No. 23316106624 Case No. 24/13	2012-13 Feb 15	Iron & Steel/ 40,61,386	1	40,614 Penalty 1,21,842 Total 1,62,456	AA levied ET @ 1 per cent instead of 2 per cent.	The AA stated that ET at the rate of two per cent has been levied on Iron and Steel (Profile Sheet). The reply of AA is not in consonance with the fact as evident from the purchase list and calculation sheet that ET is levied at the rate of 1% by AA.
3.	CTO Narsinghpur M/s PanaBhandar TIN No. 23936402715 Case No. 54/13	2012-13 Nov 14	TMT Bar/ 34,90,040	3	1,04,701	AA levied ET @ 2per cent instead of 5per cent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
4.	DCCT, Div. Ujjain M/s Bank Note Press. TIN No. 23652305395 Case No. 17/12 ET& 22/13ET	2011-12 2012-13 Jul 14 Jan 15	Machinery 74,77,373 HDPE W Sacks/ 12,77,622 Total 94,60,835	1 4	74,774 51,104 Total 1,25,878	The AA levied ET @ 1 per centon Machinery whereas rate of ET is 2 per centas per entry no. II/IV/I and levied ET @ 1 per cent on HDPEwhereas rate of ET is 5per centas per entry no. II/II/12	The AA stated that action would be taken after verification. Final action is awaited in audit.
5.	CTO, Circle II Jabalpur M/s Khanna Properties & Infrastructure Pvt. Ltd TIN No. 23379051707 Case No. 32/13	2012-13 Feb 2015	Tiles and Machinery/ 1,13,94,147	2	2,27,883 Penalty 6,83,694 Total 9,11,532	AA treated the import purchase of Tiles and Machinery as ET free purchase.	The AA stated that action would be taken after verification. Final action is awaited in audit.
6.	CTO - Hoshangabad M/s Kamal Agrawal TIN - 23664200430 Case No. 307/2012	2011-12 7/ 2014	Road Marking Material/ 14,485,987	1	Tax 1,44,860 Penalty 4,34,580 Total 5,79,440	AA levied ET @ 1 whereas Road Marking Material are taxable at the rate of 2% as per entry No. II/II/26	Action would be taken after verification. Final action is awaited in audit.
7.	CTO-2, Jabalpur M/s KailashDev Build India Pvt.Ltd. Tin-23855807179 Case No.165701	2012-13 2/2015	Steel Bars and Angles/ 13,706,554	5.2 4.1	Tax 2,39,472 Penalty 7,18,416 Total 9,57,888	Steel Bars and Angles are taxable at rate of 5% and 2% respectively, if purchased from outside state	Action would be taken after verification. Final action is awaited in audit.
8.	DCCT, TAW-2 Indore M/s SiddhartFibres Tin-23342205025	2013-14 3/2015	Plant & Machinery/ 22,202,633	2 2	Tax 4,44,053	Purchase of Plant &Machinery not included in GTO.	Action would be taken after verification. Final action is awaited in audit.

	Case No. 87/14						
9.	<u>CTO, Circle III, Indore</u> M/s Indore treasure TIN No. 23860905812 Case No. CS000000066847 ET	<u>2011-12</u> April 14	T.M.T. Bar/ 23203425- Fly Ash/ 717576-	3 4	696103 Penalty <u>2088309</u> Total <u>2784412</u> 28703 Penalty <u>86109</u> Total <u>114812</u>	The AA levied ET @ 2per cent on T.M.T. Bar whereas rate of ET is 5per centas per entry no. II/I/1(b) and levied ET @ 1 per cent on Fly Ashwhereas rate of ET is 5 per centas per notification underSection 4(a)	The AA stated that as per notification no. A-3-11-2011-V(22) dated 01.04.2011, Entry Tax on T.M.T. Bars is reduced to 2 % and tax is leviable as per notification at the rate of 1% on Fly ash. Reply is not tenable because according to said notification Entry Tax on T.M.T. Bar reduced to 2 %, when entered into local area from inside the State of Madhya Pradesh only and as per notification entry tax on Fly ash is reduced to 1 % in case of manufacturers only.
10.	<u>CTO, Circle IX, Indore</u> M/s R V Infrastructure TIN No. 23530904199 Case No. CS000000078247 ET	<u>2011-12</u> July 14	Light Diesel Oil (L.D.O.)/ 3323300-	9	299097 Penalty <u>897291</u> Total 1196388	The AA levied ET @ 1 per cent on Light Diesel Oil (L.D.O.) whereas rate of ET is 10per centas per notification under Section 4(a)	The AA stated that action would be taken after verification. Final action is awaited in audit.
11.	<u>C.T.O., Circle, Shahdol</u> M/s Patel Agency TIN No. 23307204136 Case No. CS000000154176 ET	<u>2011-12</u> July 14	Power Tiller/ Power Reaper/ 24013662-	1	240137 Penalty <u>720411</u> Total 960548	The AA levied ET on Power Tiller/ Power Reaper considering it as Tractor.	The AA stated that assessment is done considering Tax Free purchase as per Schedule-1 entry 1-B (14) of VAT Act 2002. Reply is not tenable as entry 1 (1-A, 1-B) of schedule-1 of VAT Act 2002 refers to Agriculture implements (Reaper) which are manually operated or animal driven. Trader has purchased Power Reaper/Tiller, which are not Manually operated, or animal driven but operated by diesel/electricity and therefore Entry Tax is leviable as per entry no. II/III/I.
12.	<u>C.T.O., Circle-IV, Jabalpur</u> M/s Unnati Enterprises TIN No. 23806105239 Case No. CS000000140496 ET	<u>2011-12</u> Jun 14	Submersible pumps 29665978-	1	296660 Penalty <u>889980</u> Total 1186640	AA treated the import purchase of submersible pumpsas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that since all kinds of submersible pump, mono-block pump are covered under pumping sets, therefore, action will be taken after verification regarding levy of Entry Tax. Final action is awaited in audit.
13.	<u>C.T.O., Circle-VII, Indore</u> M/s Asian Enterprises TIN No. 23130701204 Case No. CS00000064954 ET	<u>2011-12</u> Jun 14	Submersible pumps 23566155-	1	235661 Penalty <u>706983</u> Total 942644	AA treated the import purchase of submersible pumpsas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that action would be taken after verification. Final action is awaited in audit.
14.	<u>C.T.O., Circle-VII, Indore</u> M/s P.S.G. Industrial Institute, Indore	<u>2011-12</u> Jun 14	Submersible pumps 26192351-	1	261924 Penalty <u>785772</u> Total 1047696	AA treated the import purchase of submersible pumpsas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that action would be taken after verification. Final action is awaited in audit.

	TIN No. 23420702645 Case No. CS00000145638 ET						
15.	<u>A.C.C.T. Dn.-II, Sagar</u> M/s Om Construction Co. Ltd. Tikamgarh TIN No. 232227801797 Case No. 345/13 ET	<u>2012-13</u> May. 14	D.I. Pipe/ 6157332 Cement/ 1035142	1	Penalty 71925 215775 Total 287700	AA levied ET on DI pipe and Cement @ 1% whereas ET is levied @ 2% as per entry no. II/II/4 and II/III/1 respectively	The AA stated that Entry Tax on D.I. pipe and Cement is levied @ 2 %, which is clearly mentioned in Assessment Order. Reply is not tenable as E.T. on D.I. pipe and Cement is levied @ 1%.
16.	<u>C.T.O., Circle-VI, Bhopal</u> M/s AlankarJewellers TIN No. 23424104047 Case No. 97/11 ET	<u>2010-11</u> Sep. 13	Precious stone/ 25582595	1	Penalty 255825 767475 Total 1023300	AA treated the import purchase of Precious stoneas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that precious stones studded with gold and silver new ornaments hence, tax free under entry no. 4 of schedule I. Reply is not tenable as precious stone are liable to ET as per schedule II/III/I of the Act.
17.	<u>A.C.C.T. Dn.-II, Indore</u> M/s NavbharatFertilizers TIN No. 23730104324 Case No. CS0000000213620 ET	<u>2012-13</u> Sep. 14	Plant Growth Promoters/ 4377465 Micro nutrients/ 22784483	1	Penalty 271619 814857 Total 1086476	AA treated the import purchase of Plant Growth Promoters and Micro nutrientsas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that action would be taken after verification. Final action is awaited in audit.
18.	<u>C.T.O., Circle-VI, Bhopal</u> M/s Shivam Traders TIN No. 23033702924 Case No. 19/13 ET	<u>2012-13</u> (self- assessment case)	Cement/ 17414388	2	Penalty 86255 258765 Total 345020	AA levied ET of ₹262032 whereas ET is leviable @ 2% of TTO	The AA stated that action would be taken after verification. Final action is awaited in audit.
19.	<u>C.T.O., Circle-VIII, Indore</u> M/s Patidar Trading Corporation TIN No. 23940800911 Case No.CS00000087198 ET	<u>2011-12</u> July 14	Submersible pumps 18166058-	1	181660	AA treated the import purchase of submersible pumpsas ET free purchase whereas ET is leviable @ 1% as per entry no. II/III/I	The AA stated that action would be taken after verification. Final action is awaited in audit.
20.	<u>DCCT, Sagar</u> M/s Jaiprakash Power Ventures Ltd.Bina TIN No. 23977404509 Case No. 34/13/ET	<u>2012-13</u> Feb 15	Coal 16,90,36,951 LDO <u>19,92,16,561</u> LDO 28,50,07,126 Total 65,32,60,638	2 10 9	4,89,53,036	AA treated the import purchase of Coal and LDOas ET free purchase whereas ET is leviable @ 2% and 10% respectively as per notification under Section 4(a)	The AA stated that action would be taken after verification. Final action is awaited in audit.
21.	<u>CTO-Balaghat</u> M/s Shubham Rice Udyog Tin-23316506264 C.No.CS000000225811	<u>2012-13</u> Mar- 2015	<u>Plant &Machinery</u> 1,06,10,608	2	2,12,213	Purchase price of Plant and Machinery not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
22.	<u>CTO-Balaghat</u> M/s Chittorh Singh Chauhan Tin-23876503240 Case No. 33/12	<u>2011-12</u> July-2014	Excavator/ 83,94,997	1	83950	Purchase price of Excavator not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
23.	<u>CTO- Balaghat</u> M/s Aneesh Enterprises Tin-23340504305	<u>2011-12</u> May-2014	PP Fabrics/ 38,34,489	4	1,53,379	The AA levy tax at the rate of 1 per cent on PP Fabrics, whereas entry tax at enhance rate is leviable when it is consumed or used	The AA stated that action would be taken after verification. Final action is awaited in audit.

24.	CTO-Balaghat M/s RadheyshyamMinerals Tin- 23836506948 Case No. 202/12	2011-12 July 14	Material For Work Contract/ 59,26,570	1	59,266	Purchase price of Material purchased for work Contract not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
25.	CTO-Anuppur M/s Shri Ram Construction Co. Tin-23077203244 Case No. 40/12	2011-12 July 14	Material For Work Contract,Mach/ 3,28,65,249 Lub,Tyre/ 7,142,71	1 2	3,28,652 14,285 Total 342937	Purchases of material, Machinery,Lubricant, Tyreetc., not included in GTO	The AA stated that action would be taken after verification. Final action is awaited in audit.
26.	DCCT Div.-II Bhopal M/s Mahaprabhandhak Security Tin-23134202419 Case No.151/13	2012-13 Dec2014	Machinery,Furnitu re 90,05,558 Furnace oil 24,61,164	1 10	90,056 2,46,116 Total 3,36,172	The AA levied ET @ 1 per cent on Machinery and Furniture whereas Rate of ET is 2 per cent on the said goods. AA underdetermined the purchase value of Furnace oil as ₹ 22,79,84,821 and levied ET on the same whereas it is evident from the Purchase list that the purchase value is ₹23,04,45,985	The AA stated that action would be taken after verification. Final action is awaited in audit.
27.	DCCT Div.-II Bhopal M/s DaulatramEngg. Services PvtLtd Tin-23124104697 Case No.158/13	2012-13 Feb2015	Machinery,Testing Equipment 39,02,849 Alluminium Casting, Copper tube,Poly carbonated sheet,Wire Mesh 3,68,87,874 Transformer 11,11,689 Freight not included in GTO by AA 50,31,630	1 1 4 1	39029 368884 44465 50316 Penalty 13,57,125 Total 18,59,819	AA levied ET @1 per cent on Machinery and Furniture, and gave incorrect deduction by treating Aluminum and other as Iron and Steel. Levied ET @ 4 per cent on Transformer and didn't include freight in GTO	The AA stated that action would be taken after verification. Final action is awaited in audit.
28.	DCCT Div.-II Bhopal M/s Sanwariya Agro oils Ltd. Tin-23354104619 Case No.22/12	2011-12 July2014	Coal 1,10,46,959	1	1,10,470	AA levied ET @ 1 per cent on Coal Whereas Coal is taxable @ 2 per cent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
29.	DCCT Div.-II Bhopal M/s Sanwariya Agro oils Ltd. Tin-23354104619 Case No.22/12	2012-13 Feb2015	Machinery,Coal 1,23,30,295 Iron &steel 14,31,076 PEB 14,60,265 Machinery Parts 19,61,186	1 2 2 1	123303 28622 29205 19612 Penalty 2,32,317 Total 4,33,059	AA levied ET @ 1 per cent on Coal Whereas Coal is taxable @ 2 per cent. The dealer tried to hide the purchase of iron & steel, PEB and didn't mention the name of consumable goods in purchase list.	The AA stated that action would be taken after verification. Final action is awaited in audit.

30.	DCCT Div.-II Bhopal M/s Satya Sai Agro oils Ltd. Tin-23874406585 Case No.128/13	2012-13 Feb 2015	Plant& Machinery , Computer 13,57,69,206	1	13,57,692	AA levied ET @ 1 per cent whereas is taxable @ 2 per cent	The AA stated that action would be taken after verification. Final action is awaited in audit.
31.	CTO-Waidhan M/s National Building Construction Corp. Ltd. Tin-23377302116 Case No.133/12	2011-12 June2014	MS Pipe 5,54,86,539	1	5,54,865	AA levied ET @ 1 per cent whereas is taxable @ 2 per cent	The AA stated that action would be taken after verification. Final action is awaited in audit.
32.	CTO-Waidhan M/s Anand Traders Tin-23167301504 Case No.119/12	2011-12 June2014	Iron and Glass Scrap 93,46,125 Tyre and tube 5,92,250	1 2	93461 <u>11845</u> Total 1,05,306	AA levied ET @ 1 per cent on iron and glass scrap whereas it is taxable @ 2percent. Not included the purchase of Tyre in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
33.	CTO-Waidhan M/s Pragati and Associates Tin-23979027882 Case No.4/12	2011-12 Mar2014	Wall/Floor tiles 43,95,000	1	43,950	AA levied ET @ 1 per cent instead of 2 per cent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
34.	ACCT,Div II Indore (Smt. RakhiKasera) M/s VoraWres industries Ind.Ltd. Tin-23841100502 Case No. 40/12	2011-12 June2014	Diesel 10,82,740	26	2,81,512	AA levied ET @ 1 per cent on Diesel being purchased for Boiler whereas it is taxable @ of 27 per cent under section 4-A of the Act.	The AA stated that the dealer has purchased Divyol 505 which is different from Diesel and doesn't cover under section 4-A. The reply is not tenable as it is evident from the Audit report and Other details submitted by the dealer that the purchased commodity is diesel and it is taxable @ 27 per cent as per Noti. No. 14 Dated 14/7/07 issued under section 4-A
35.	DCCT,Div-I Bhopal M/sAnik Industries Tin-23464105286 Case No. 90/12	2011-12 July2014	Skimmed Milk Powder 88135211	1	881352	AA levied ET @ 1 per cent on SMP whereas it is taxable @ 2 per cent as per entry No.II/II/31	AA stated that the said entry is related to Food and Food supplement and as SMP is used by the dealer in production of other goods. It is also mentioned as a raw material in Registration of dealer. The reply is not tenable as the AA has himself mentioned in Assessment order that SMP is not recorded as raw material in the registration of the dealer. Hence it is taxable @ 2 per cent under entry no.II/II/31 of the Act.
36.	CTO-Damoh M/sDilipRai Contractor Tin23857603328 Case No.274/13	2012-13 Jan 2015	Cement,Timber,Fa b. Iron, Red stone Self-loading Concrete Mixer (AjexFiori) 79,55,418 Gitti,Bricks Pipe ,royalty,JCB etc.	2 1	1,59,108 <u>79524</u> Total 238632 <u>(-)</u> 1,64,828, <u>(=) 73,804</u>	AA levied ET @ 1percent on ₹1,64,68,861/- whereas some commodities are taxable @ 2 per cent.	The AA stated that action would be taken after verification. Final action is awaited in audit.

			79,52,128				
37.	<u>DCCT, Div-11 Indore</u> M/s Turkihya Metal Pvt. Ltd. Tin-23110501104 Case No.3/14	<u>2012-13</u> Feb2015	Iron & steel 4266381	2	Penalty 85388 Total 255984 341312	The AA incorrectly gave deduction of sale price instead of purchase price of goods sold on declaration.	AA stated that the purchase value and stock transferred value of goods sent on 'F' was same. Reply is not tenable as the observation is not regarding the goods sent on 'F' form but on the goods sold on declaration issued under notification.
38.	<u>DCCT-Chhindwara</u> M/sEMC Ltd. Tin-23116603277 CaseNo. 191905	<u>2012-13</u> Feb2015	Safety item, Templates 19323258	1	193233	AA levied ET @ 1 per cent instead of 2 percent.	No reply given in this matter.
39.	<u>DCCT-Chhindwara</u> M/s Safal foods Tin-23376803827 Case No.166257	<u>2012-13</u> Jan2015	Repair & maintenance of Machinery, Factory Building and Other assets. 4561318	2	91226	AA did not include purchases in GTO.	AA stated that the said purchase belongs to Maharashtra state. Reply is not tenable as the Audited account picturise the complete business in Madhya Pradesh State according to whichsale of goods manufactured in MP and purchases related to manufacturing are proved to be of Madhya Pradesh state.
40.	<u>DCCT,Div-II Bhopal</u> M/s HEG Ltd. Tin-23214100234 Case No.52/13	<u>2012-13</u> Feb2015	Tools 1,08,36,321	1	108363	AA levied tax @ 1 per cent instead of 2 percent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
41.	<u>ACCT, Div.III, Indore</u> M/sDarshanTraders Indore TIN No.235170801066 112/11-12,ET	<u>2011-12</u> 06/2014	Skimmed Milk Powder/7793626	1	Penalty 77936 Total 233808 311744	The AA levied tax at the rate of 1% instead of 2%.	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
42.	<u>CTO-Betul</u> M/S Raja Stone-House TIN NO.23654702459 323/2012--ET.	<u>2010-11</u> 06/2014	Ceramic tiles, Vitrifiedtiles,Floor tiles/6891995	1,2	Penalty 68920 Total 227826 296746	AA levied tax at the rate of 1% on the purchase of tiles whereas it is taxable at the rate of 2% as per entry no. II/II/15	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
43.	<u>ACCT Div.-3,Indore.</u> M/S PanchsheelOrganic, Indore. TIN NO. 23870700409 C.no. CS00000000279186 ET	<u>2012-13</u> 12/2014	Steel and Lab testing Equipment/ 5501561	1	Penalty 55015 Total 165045 220060	AA levied ET at the rate of 1% on Iron, steel and lab testing equipment instead of 2%.	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
44.	<u>CTO-MORENA</u> M/S Shivani Agency Sheopur TIN NO.23975605159 Case NO.954/2011 ET	<u>2010-11</u> 09/2013	Matches/5958149	1	Penalty 59581 Total 178744 238325	AA treated the import purchase of matches as ET free purchase.	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
45.	<u>CTO-MORENA</u> M/S Roshan Gas Service Morena TIN NO.23085501228	<u>2011-12</u> 06/2014	L.P.G.(H)/L.P.G.(C)/1799222(17092 60+110589)	6.47 &1	110589 899 Total 117495	AA did not consider the transport charges on LPG for ET	The AA stated that the action would be taken after verification.

	Case NO. CS126694 ET						
46.	<u>ACCT-RATLAM</u> M/S Rajendra Seles Agency TIN NO.23953503859 Case NO.CS152229 ET	<u>2012-13</u> 11/2014	Submersible Pump & Mono Block /89618147	1	896181 Penalty <u>2688543</u> Total 3584724	AA did not levy tax on purchase price of pumps	The AA stated that the dealer has purchased the complete pump set which is tax free as per entry I/26 of the Act. Reply is not acceptable as submersible pumps were purchased, which is different from pumping sets therefore it is taxable. As per decision CCT MP in the case of M/s Perfect Pump Pvt. Ujjain(2005) 7 STJ 217.
47.	<u>CTO-4 GWALIOR</u> M/S Ravj Kant Bansal,Gwl. TIN NO. 23145402061 Case No.CS0000000175868 ET	<u>2011-12</u> 07/2014	Iron &Steel / 1934440	3	58033 Penalty <u>174099</u> Total 232132	AA levied ET at the rate of 2% on import purchase of steel bar.	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
48.	<u>CTO-CIRCLE-14 INDORE</u> M/S Jai Steel Indore TIN NO. 2323881400598 Case no. CS0000000069442 ET	<u>2011-12</u> 05/2014	M.S.BAR/ 32429435	3	972883 Penalty <u>2918649</u> Total 3891532	AA levied tax at the rate of 2% instead of 5%.	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
49.	<u>ACCT Chhindwara</u> M/s Krishnaping Alloys Pvt. Ltd, Chhindwara Tin-23456803007	<u>2011-12</u> July 14	Explosives/ 4660542	1	46605 Penalty <u>139815</u> Total 186420	AA levied tax at the rate of 1% instead of 2%.	The AA stated that the Action would be taken after verification.
50.	<u>DCCT Div-Ujjain</u> M/s Ultratech Cement Ltd Tin 23762701822 Case No.34/2013 ET	<u>2012-13</u> <u>Dec 2014</u>	Limestone/ 43122547	9	3881029	AA incorrectly grant the exception of excess purchase of limestone against the purchase recorded in Audit Report	The AA stated that the Action would be taken after verification. Final action is awaited in audit.
51.	<u>ACCT-I Sagar</u> M/s Essel Vidyut Vitran (Sagar) Pvt. Ltd. TIN No. 23659066908 Case No. 87/2014	<u>2013-14</u> April-15	Plant & Mach., Computers, office equip., Fur.&Fix. / 92760174, 3359648, 244478, 974961	<u>2, 1,</u> <u>2, 2</u> ---	1855203 33596 4889 Penalty <u>19499</u> Total 1913187	Purchase price of Plant & Machinery and computer not included in GTO.	The AA stated that action would be taken after verification. Final action is awaited in audit.
52.	<u>CTO Balaghat</u> M/s Chaitanya Prasad TIN No. 23826501279 Case No. CS00000010752	<u>2012-13</u> March 2015	Plant & Machinery/ 6640241	<u>2</u> -	130831	AA did not include the total purchase value of plant & machinery.	The AA stated that action would be taken after verification. Final action is awaited in audit.
53.	<u>CTO, Circle.-8 Indore</u> M/s Patidar Enterprises TIN No. 2343950440 Case No. CS000000319952	<u>2012-13</u> Feb. 2015	Submersible Pump / 10002423	<u>1</u> -	100024 Penalty <u>300072</u> Total 400096	Non levy of ET on Submersible Pump.	The AA stated that action would be taken after verification. Final action is awaited in audit.
54.	<u>ACCT, Div.-II Sagar</u> M/s Eastern Refractories Ltd. TIN No. 23107800699 Case No. 40/12	<u>2011-12</u> May 2014	Furnace Oil / 24620534	<u>10</u> -	2462053	AA did not levy tax on import purchase of Furnace oil	The AA stated that action would be taken after verification. Final action is awaited in audit.

55.	CTO, Circle.-9 Indore M/s Reinforced Earth India Pvt. Ltd. TIN No. 23570904856 Case No. 456/13	2012-13 Nov. 2014	Less taxable amount taken in ET assessment/ 1,00,14,050	<u>1</u> -	Penalty 1,00,141 Total <u>3,00,423</u> 4,00,564	AA assessed ET on purchase value of ₹4,64,73,481 whereas the purchase value is proved to be ₹ 5,64,87,531 as per Form 49.	The AA stated that ET is not leviable for shifting of old machineries on Form-49. Reply is not tenable as ET is leviable on the goods entered into the local for use and consumption.
56.	ACCT, Div.-I Gwalior M/s Puri Agencies TIN No. 23915404499 Case No. CS000000188476	2012-13 Feb. 2015	Motor Parts / 2,57,61,510	<u>2</u> 1	Penalty 2,57,615 Total <u>7,72,845</u> 10,30,460	AA levied ET @ 1 per cent instead of 2 percent.	The AA stated that action would be taken after verification. Final action is awaited in audit.
57.	DCCT, Div.-II Indore M/s SKM Steels Ltd. TIN No. 23120903503 Case No. 06/13	2012-13 Sep. 2014	Plant & Machinery / 6165324	<u>2</u> 1	61654	ET was levied at the rate of 1% instead of 2%.	The AA stated that action would be taken after verification. Final action is awaited in audit.
58.	CTO Damoh M/s Jakhotia Plastics Pvt. Ltd. TIN No. 23817603932 Case No. 219/12	2011-12 July 2014	Less SSO TTO taken in ET assessment/ 34518329	<u>1</u> -	345183	AA assessed ET on purchase value of ₹7,47,55,008 whereas the purchase value is proved to be ₹ 10,92,73,337 as per Form 49	The AA stated that action would be taken after verification. Final action is awaited in audit.
59.	ACCT, Div. 21, Indore M/s Standard Conducts Private Ltd. TIN-23530502619 Case No CS000000012391/13 (ET)	2011-12 June 2014	Iron& Steel/ 163102734	2	2319339	The AA incorrectly granted exemption of ET to the dealer on the purchase value of goods sold to unit exempted under ET Exemption Scheme 2004, although the dealer did not submit the prescribed declaration form	The AA stated that the dealer has sold the goods to the exempted unit and that the exemption certificate issued to unit exempted under the scheme is enclosed in the case. The reply is not acceptable as the purchase of schedule II goods sold to exempted unit are exempted from Entry tax, if supported by declaration form specified in the notification.
			10,277.40 lakh		TAX 7.26 crore PENALTY 2.01 crore TOTAL 9.27 crore		

Appendix XV
(Referred to in paragraph 3.9)
Penalty not imposed

(Amount in ₹)

Sl. No.	Name of Unit/ Name of Dealer	Assessment period/ Assessment month	Month of assessment u/s 21	Tax, Interest & Penalty imposed	Penalty Leviable (3 times of Tax) Difference Amount	Audit observation	Reply of AA/ Our Comments
1.	CTO-Waidhan M/s Gajraj Chemicals Tin-23187304985 Case No.276/12	2011-12 July 2014	Dec 2014	Tax-21879045 Int-13455613 Penalty-2000 u/s 18(4)(c) Penalty-10000 u/s 39(5)	65637135 52169519 {65637135- (13455613+2000+1000)}	In spite of the fact that the dealer has been under assessed and omission leading to assessment is attributable to the dealer, the AA didn't impose penalty as per provision of Section 21 of the Act.	The AA stated that taxation has been done as per Section 21 and Rule 31(2)(3) to the best of judgement after considering the surrounding circumstances. The reply of CTO-Waidhan is not acceptable because the said rule and sub-rule does not hold good to the case as the dealer has neither submitted any accounts/presented himself nor raised any objection. So the penalty under Section 21(2) is leviable on the dealer.
2.	CTO-Damoh M/s Md. Iqbal Tin-23377603398 Case No.2/14	2011-12 Self-assessed	Feb 2015	Tax-393287 Int-141583	1179861 1038278 (1179861-141583)	In spite of the fact that the dealer has availed the benefit of 'C' form supported interstate sale on Fake 'C' form the AA didn't impose penalty as per provisions of Section 21 of the Act.	The AA stated that action would be taken after verification. Final action is awaited in audit.
3.	CTO-Dhar M/s Indore Steel Furniture Tin-23181603422 Case No.670/11	2010-11 -	Nov 2014	Tax-172760 Int-23084 Pen-1000	518280 494196 {518280-(23084+1000)}	In spite of the fact that omission leading to assessment is attributable to the dealer, the AA didn't impose penalty as per provisions of Section 21 of the Act.	The AA stated that the dealer has not concealed the sale but has classified the sale at lower rate. The Reply of AA is not tenable as the dealer, in spite of having composition facility, charged VAT on sale bills. This is against the Rule.
4.	ACCT Div-II, Indore M/s Vaishno Devi Paper Products Tin-2336000537 Case No.02/2012	2009-10 Self-assessed	Dec 2013	Tax-76354 Int-53560 Pen-26780	229062 148722 [229062-(53560+26780)]	In spite of the fact that the dealer was self-assessed and took the benefit of E-I & C form supported transaction without these forms the AA didn't imposed penalty as per provisions of Section 21 of the Act.	The AA stated that, as the intention of dealer was not wrong interest was imposed, instead of penalty. The reply is not tenable as the dealer was self-assessed and took the benefit of E-I & C form supported transaction without these forms and deposited only ` 1965 as a tax. The case was reopened and additional tax has been imposed on him. As the omission leading to assessment is attributable to the dealer So the penalty was leviable on the dealer.
Total					5.39 crore		

Appendix XVI
(Referred to in paragraph 3.11)
Short levy of tax/ irregular grant of exemption/concession under Central Sales Tax Act

Part (i)

(Amount in ₹)

Sl. No.	Name of Auditee/Dealer	Period/month of assessment	Turnover on which concessional rate is applicable Turnover Determined (₹)	Rate applicable Rate Applied	Amount of short realisation	Audit observation	Reply of AA/Our Comments
1	ACCT Div-III, Indore M/s Wipro Ltd. Tin-23871300063 Case No.-5/2012	2011-12 July 2014	94596 771352	13 2	74,443	AA incorrectly allowed concessional rate on State sale supported by State C form	Action would be taken after verification. Final action is awaited in audit.
2	DCCT, Div-II Indore M/s Maan Aluminium Ltd. Tin-23471101338 Case No. 56/2014	2012-13 Feb 2015	377561462 605551125	5 2	63,76,641	AA incorrectly allowed concessional rate on stock transfer not supported by F form considered as interstate sale by AA	AA stated that taxation has been done by assuming the sale as inclusive of tax. The reply is not tenable as central sale has been enhanced due to non-receipt of F form on stock transfer, while taxation has been done on the basis of Form 'C' supported sale.
3	DCCT, Div-II Indore M/s Gaytri Project Ltd. Tin-23422106332 Case No. 121/13	2012-13 Feb 2015	246442125 289822087	13 2	47,71,795	AA allowed concessional rate on excess turnover.	AA stated that concessional rate has been applied on the production of prescribed E-I, Form 'C'. The reply is not tenable because the AA enhanced the turnover as there is huge difference in purchase and sale. It is evident that sale of ₹ 43379962 is not supported by Form 'C'
4	DCCT(TAW) Indore M/s United Steel Co. Tin-23771604989 Case No. 15/13	2012-13 Feb 2015	28510360	2	3,00,000	AA had incorrectly calculated the tax @2% of turnover ₹ 270207, whereas is correctly calculated to be ₹ 0207.	AA stated that it is due to typing mistake.
Total					115.23 lakh		

Part (ii)-

(Amount in ₹)

Sl. No.	Name of the Auditee Unit/Dealer	C-Form Nos. No. Of C-Forms	Assessment Period/ Month of assessment	Declaration amount as per C Form (Rs.)	C-form issued to other party Amount as per TINXSYS	Leviable tax as per applicable Rate (%) of objected C form Amount	Amount of levy of tax and Penalty (Rs.)	Audit observation	Reply of the Department/ Our Comments
1	CTO Morena, M/s Kaila Devi Rolar floor Mill Morena Tin 23085603757 (CST)	<u>16 P 115735</u> 1	2011-12/6/2014	13250828	..	(5-2) 3% of 13250828	1590096 (397524+1192572)	In verification, it was found that the 'C' form was issued to other dealer.	The AA stated that action would be taken after verification. Final action is awaited in audit.
2	Assistant Commissioner Commercial Tax Dn-2 Gwalior M/s Madhusudhan Traders Datia Tin 23794901329 case no. 90351 (CST)	<u>MH-11/A3329218</u> 1	2011-12/6/2014	7213368	.. --	(5-2) 3% of 7213368	865604 (216401+649203)		
3	Dy. Commissioner, Tax Audit Wing Gwalior M/s ShriNathji edible oil products Morena Tin 23935503428 case no-	<u>AS/2010/13712</u> 43 1	2012-13/1/2015	3943605	1971803	(5-2) 3% of 1971802	236616 (59154+177462)		

4	CTO circle 12 Indore M/s Uttam Distributor Network Pvt Ltd Indore Tin 23811205230 Case no CS00000000130372	<u>MH-12/145656</u> 1	2011-12 6/2014	2734602	..	(5-2) 3% of 2734602	328152 (82038+ 246114)	The 'C' form was unsigned and the value shown on it was incorrect as compared to the returns (CST return Form V).	The AA stated that action would be taken after verification. Final action is awaited in audit.
5	ACCT Ratlam M/s Malwa oxygen and Industrial Gases Pvt. Ltd. TIN 23493401292 Cases No. 149843/13	<u>MH-13/607405</u> 1	2012-13 12/2014	10056784	2154159	(13- 2)11%of 10056784	4424984 (1106246+ 3318738)	In verification, it was found that the 'C' form was issued to other dealer.	The AA stated that action would be taken after verification. Final action is awaited in audit.
		No. of C-Forms 5	Total	37199187	4125962	35227384	74.45 lakh (1861363+ 5584089)		
Grand Total Appendix XI {Part (i) + Part (ii) }							₹ 1.9 0 crore (1.15 crore + 0.75 crore)		

AppendixXVII

(Referred to in paragraph 3.12)

Tax not levied on sales incorrectly treated as tax free/tax paid

(Amount in ₹)

Sl. No.	Name of auditee unit/ Dealer	Period/ month of assessment	Month of audit/ month of issue of IR	Commodity Taxable Amount	Rate of Tax (in per cent)	TAX (in ₹)	Observation of Audit	Reply of Assessing Authority
1	CTO-I Jabalpur M/s Amir Singh and Sons Tin-23705800035 Case No.84555/12	2011-12 Jun2014	Aug2015 Sep 2015	Lubricant 18,00,744	13	2,34,097	AA incorrectly treated the goods as tax paid goods.	Action would be taken after verification. Final action is awaited in audit.
2	CTO- Balaghat M/s Aneesh Enterprises Tin-23346504356 Case No.129/12	2011-12 May2014	Sep2015 Oct2015	Jute 19,93,425	5	99,671	AA incorrectly treated the goods as tax free goods.	Action would be taken after verification. Final action is awaited in audit.
3	CTO-15-Indore M/s Netwin Agro& Biotech Pvt. Ltd. Tin-23569000957 Case No.148408/12 148409/12	2011-12 Jun2014	May2015 Jun2015	Sprinkler pipe, lateral 61,35,594 (VAT + CST)	5	3,06,779 Penalty= 9,20,338 Total= 12,27,117	AA incorrectly treated the goods as tax free goods.	Action would be taken after verification. Final action is awaited in audit.
4	CTO- Betul M/s Vaishnav Traders Tin-23574705219 Case No.1734/11 1876/12 (Self-assessment)	2010-11 2011-12 Self- Assessed	Sep2015 Nov2015	Sprinkler pipe, lateral 43,39,727	5	2,16,986 Penalty= 6,50,958 Total= 8,67,944	AA incorrectly treated the goods as tax free goods.	Action would be taken after verification. Final action is awaited in audit.
5	CTO-Balaghat M/sshrimahamaya Fuels Tin-23959025556 Case No.10300002319044/12	2012-13 Sep2014	Sep2015 Oct2015	Petrol 1,08,29,487 Diesel 1,35,95,213	27 23	29,23,961 31,26,899 Total=60,50,860	AA incorrectly treated the goods as tax paid goods.	AA stated that proceedings on application given u/s 54(rectification of mistakes) by the dealer is pending. Action would be taken after verification. Final action is awaited in audit.
TOTAL				386.94 lakh		TAX 69.08 lakh PENALTY 15.71lakh TOTAL 84.79 lakh		

Appendix XVIII

(Referred to in first bullet of paragraph 4.2.12)

Loss of revenue due to non-installation of separate meters for dutiable and non-dutiable consumption of electricity

(Amount in ₹)

Sl. No.	Name of consumer	Period	Total units	Dutiable units	Dutiable per cent	Non dutiable Units	Non dutiable per cent	Duty Payable	Duty paid	Balance duty
1	Garrison Engineer, No. 1, Mhow	Apr-11 to July-15	36855693	26935835	73	9919858	27	27249295	19910115	7339180
2	Divisional Superintendent, Mhow	Apr-11 to July-15	8588208	5075947	60	3512261	40	7113038	4208070	2904968
3	Divisional Superintendent, WR, Indore	Apr-11 to July-15	3533810	883088	25	2650722	75	3014580	753057	2261523
4	Sr. Divisional Electrical Engg. (WCR), Jabalpur	March-14 to June-15	8500279	850028	10	7650251	90	7136859	713686	6423173
5	Sr. divisional Electrical Engg. (G) CR, Bhopal (Bina Station) for Offices and Qutrs.	Apr-12 to Dec-15	1595846	564190	35	1031656	65	1374019	485888	888131
6	Divisional Electrical Engg. (DEE) G Central Railway, Bhopal (Bina Station)	Apr-12 to Dec-15	9927926	4963966	50	4963960	50	8363692	4181849	4181843
7	DEG (G) CR Bhopal (Bina river)	Apr-12 to Dec-15	1634931	817463	50	817468	50	1340856	670430	670426
8	Divisional Suptd. Central Railway, Katni	Apr-12 to Nov-15	19085432	4771363	25	14314069	75	15736763	3906311	11830452
9	Divisional Suptd. SE Railway, Mandla	Apr-12 to Nov-15	4971249	2982623	60	1988626	40	4265707	2552405	1713302
10	Divisional Suptd. Western Railway, 1st point, Ratlam	Sept-11 to March-15	23991300	9009271	37.5	14982029	62.5	19569017	7345898	12223119
11	Divisional Suptd. Western Railway Station, Ujjain	Apr-11 to March-15	4241562	1055422	25	3186140	75	3470682	862911	2607771
12	DRM (WR) Kota Shamgarh Station	Apr-11 to Feb-15	1047795	576132	55	471663	45	841962	472922	369040
13	DRM (WR) Kota Ratlam, Neemuch Station	Apr-11 to Feb-15	1094042	328213	30	765829	70	878340	270279	608061
14	The Sr. DEE Railway Station, Harda	Jan-12 to Oct-15	2314051	1589803	69	714254	31	1971852	1354594	617258
15	Divisional Supt. (CR)	May-12 to	8919219	4307871	47 percent	4611348	53 percent	7545782	3649745	3896037

Sl. No.	Name of consumer	Period	Total units	Dutiable units	Dutiable per cent	Non dutiable Units	Non dutiable per cent	Duty Payable	Duty paid	Balance duty
	Gwalior Railway Station	Aug-15			upto April-15 and thereafter 60 percent		upto April-15 and thereafter 40 percent			
16	DEE Maint. (CR) Battery Charger, Gwalior	May-12 to Jun-15	6496955	3671476	62 percent from August-12	2250072	38 percent from August-12	5317702	3009844	2307858
17	The DRM, CR BPL Bara Tawa	Jan-12 to Oct-15	3643762	731053	20	2915020	80	2969804	595597	2374207
Total			146442060	69113744		76745226		118159950 Say 11.81 crore	54943601 Say 5.49 crore	63216349 Say 6.32 crore

Appendix XIX

(Referred to in Second bullet of paragraph 4.2.12)

Loss of revenue due to non-installation of separate meters for dutiable and non-dutiable consumption of electricity

(Amount in ₹)

Sl. No.	Name of consumer	Period	Total units	Dutiable units	Dutiable fixed units	Non dutiable Units	Payable of duty	Duty paid	Balance duty
1	Garrison Engineer, MES, Mhow	Apr-11 to March-15	52599348	16573596	345284 units per month	36025752	39123441	12340303	26783138
2	Superintendent, M.Y. Hospital, Indore	Apr-11 to March-15	7147917	48000	1000 units per month	7099917	6061758	40645	6021113
3	Garrison Engineer, MES West, Jabalpur	Apr-11 to Jun-15	36038158	6281160	123160 units per month	29756998	23408635	4076124	19332511
4	Garrison Engineer, MES West, Jabalpur	Apr-11 to Jun-15	54833144	20803512	407912 units per month	34029632	36595482	13890067	22705415
5	Station Commandant CRPF, Neemuch	Apr-11 to Feb-15	15667500	391283	8504 units per month	15011663	12010801	303879	11706922
6	Joint Director, Medical College, Jabalpur	Apr-11 to June -15	10192179	8446602	34227 units per month	1745577	8723156	1490159	7232997
7	Sr. Divisional Electricity Engineer, Habibganj	Apr-11 to Feb-14	4543289	708820	20252 units per month	3834469	3533567	550937	2982630
Total			181021535 Say 18.10 crore	53252973 Say 5.33 crore		127504008 Say 12.75 crore	129456840 Say 12.95 crore	32692114 Say 3.27 crore	96764726 Say 9.68 crore

Appendix XX
(Referred to in paragraph 5.4)
Exempted Stamp Duty and Registration Fees not recovered

(Amount in ₹)

Details of Stamp Duty and Registration Fees for Mining Leases of M/s Abhijeet Cement Ltd., Nagpur (ACL)							
Sl. No.	<u>Name of the Village</u> Area	Leviable Stamp Duty	Leviable Cess	Registration Fees	Total Exemption	Interest (at the rate of 18 per cent)	Total recoverable
1	<u>Baghreta</u> 190.326 Hectare (According to the letter no. 76 dated 24 June 2009 of Sub-Registrar, Morena)	75,93,750	3,79,688	56,95,343			
2	<u>Sahadpura, Itora</u> 186.79 Hectare (According to the letter no. 77 dated 24 June 2009 of Sub-Registrar, Morena)	3,03,75,000	15,18,750	2,27,81,280			
3	<u>Baghreta, Maheva, Saipura, Bheelpura</u> 268.520 Hectare (According to the letter no. 78 dated 24 June 2009 of Sub-Registrar, Morena)	1,51,87,500	7,59,375	1,13,90,655			
Total		5,31,56,250	26,57,813	3,98,67,278			
Levied Stamp Duty, Cess and registration Fees		6,00,000	30,000	4,72,590			
Difference		5,25,56,250 Say 5.26 crore	26,27,813 Say 26.28 lakh	3,93,94,688 Say 3.94 crore			

Appendix XXI

(Referred to in paragraph 5.5.1)

Stamp Duty & Registration Fees not realised/short realised (Mining leases/ Quarry leases)

(Amount in ₹)

Mining Leases											
Sl. No.	Name of unit, period of audit	Name of lessee	Lease period	Name of Mineral and rate	Quantity of mineral to be excavated per annum	Annual royalty	Stamp duty and Registration fees				
							Leviable	Levied	Short Levied	Total amount recoverable	
1.	DMO Chhatarpur 04/14-03/15	Bhagyawanti Granites & Stone Private Ltd.	1.12.2013 to 30.11.2033	Granite / 800 per cu.m.	3000 cum.	24,00,000	(3*24,00,000 = 72,00,000 *5/100) =3,60,000 2,70,000	<u>81,060</u> 60,800	<u>2,78,940</u> 2,09,200	4,88,140	
2.		Maple Mines & Minerals	(for 20 years)				(3*24,00,000 = 72,00,000 *5/100) =3,60,000 2,70,000	<u>81,060</u> 60,800	<u>2,78,940</u> 2,09,200	4,88,140	
3.	DMO Chhindwara 04/14-03/15	M/s Murlidhar Minerals	10.05.2014 to 09.05.2033 (for 20 years)	Dolomite / 63 per tonne	1,73,931 tonne	1,09,57,653	(3*1,09,57,653= 3,28,72,959*5/100) =16,43,648 12,32,736	<u>1,95,500</u> 1,43,655	<u>14,48,148</u> 10,89,081	25,37,229	
Total								<u>23,63,648</u> 17,72,736	<u>3,57,620</u> 2,65,255	<u>20,06,028</u> 15,07,481	35,13,509 say 35.13 lakh

Quarry leases										
Sl. No.	Name of unit, period of audit	Name of lessee	Lease period	Name of Mineral and rate	Quantity of mineral to be excavated per annum	Annual royalty	Stamp duty and Registration fees			
							Leviable	Levied	Short Levied	Total amount recoverable
1.	DMO Dindori 4/11-3/15	Shri Bhuvan Singh Rathore	17.12.2013 to 16.12.2023(10 years)	Stone crusher/ 44 per cum.	18824 Cum.	8,28,256	(1.5*828256= 1242384 *5/100) = <u>62,119</u> 46,590	<u>19,880</u> 14,957	<u>42,239</u> 31,633	73,872
2.	DMO Singrauli 4/14-3/15	M/s Janta Construction	13.03.2015 to 12.03.2025(10 years)	Stone crusher/ 100 per cum.	6550 Cum.	6,55,000	(2% of Market value= 2/100*3326400) = <u>66528</u> 49896	<u>13100</u> 9830	<u>53428</u> 40066	93,494
3.	DMO Harda	MP State Mining Corp. Ltd (14 Quarry leases)	22.09.2010 to 21.09.2020(10 years)	Sand / 53 per cum.	5345250 Cum.	28,32,98,250	(283298250*1.5= 424947375*5/100) = <u>21247369</u> 15935527	<u>00</u> 00	<u>21247369</u> 15935527	3,71,82,896
4.	DMO Umaria	MP State Mining Corp. Ltd (3 Quarry leases)	05.06.2004 to 04.06.2024(20 years)	Sand / 100 per cum.	289600 Cum.	2,89,60,000	(2% of Annual Royalty= 2/100*28960000) = <u>579200</u> 434400	<u>00</u> 00	<u>579200</u> 434400	10,13,600
Total							<u>2,19,55,216</u> <u>1,64,66,413</u>	<u>32,980</u> <u>24,787</u>	<u>2,19,22,236</u> <u>1,64,41,626</u>	3,83,63,862 say 383.64 lakh
Grand Total							<u>24318864</u> <u>18239149</u>	<u>390600</u> <u>290042</u>	<u>23928264</u> <u>17949107</u>	4,18,77,371 say 4.19 crore

Appendix XXII

(Referred to in paragraph 5.5.2)

Stamp Duty & Registration Fees not realised/short realised (Trade Quarries)

(Amount in ₹)

Trade Quarry leases										
Sl. No.	Name of unit, period of audit	Name of lessee/sub-lessee	Lease period	Name of Mineral and rate	Quantity to be quarried in First year / second Year	Contract money First Year / Second Year	Stamp duty and Registration fees			
							Leviable	Levied	Short Levied	Total amount recoverable
1.	DMO Harda 04/14-03/15	MP State Mining Corp. Ltd /Kuber Kamna Marble Pvt. Ltd.	15.03.13 to 14.03.15	Sand / 150 per cum.	7,53,000 cum. / 8,28,300 cum.	11,29,50,000 / 12,42,45,000 Total : 23,71,95,000	<u>1,18,59,750</u> 88,94,813	<u>100</u> 00	<u>1,18,59,650</u> 88,94,813	2,07,54,463
2.		MP State Mining Corp. Ltd /Digiana Electro telecom Ltd.	15.03.13 to 14.03.13	Sand / 150 per cum.	7,01,000 cum./ 7,71,100 cum.	10,51,50,000/ 11,56,65,000 Total : 22,08,15,000	<u>1,10,40,750</u> 82,80,563	<u>100</u> 00	<u>1,10,40,650</u> 82,80,563	1,93,21,213
3.		MP State Mining Corp. Ltd /M/s. Shiva Corporation	29.09.13 to 28.09.15	Sand / 150 per cum.	13,26,000 cum./ 14,58,600 cum.	19,89,00,000/ 21,87,90,000 Total : 41,76,90,000	<u>2,08,84,500</u> 1,56,63,375	<u>100</u> 00	<u>2,08,84,400</u> 1,56,63,375	3,65,47,775
Total							<u>4,37,85,000</u> 3,28,38,751	<u>300</u> 00	<u>4,37,84,700</u> 3,28,38,751	7,66,23,451 say 7.66 crore

Appendix XXIII
(Referred to in paragraph 8.5)
Process expenses not recovered

(Amount in ₹)

Sl. No.	Name of Office and Period of audit	Period of year for calculation	RRC amount recovered	Non recovery of process expenses	Recovered process expenses	Balance to be recovered
1	Tehsildar Sonkatchh 04/15 to 6/16	10/14 to 06/16	37757584	1132728	0	1132728
2	Tehsildar Pansemal 04/15 to 6/16	07-08 to 09/14	20341341	610240	338564	271676
3	Tehsildar Niwari 04/15 to 6/16	10/13 to 06/16	31320739	939622	0	939622
4	Tehsildar Pathriya 04/15 to 6/16	2013-14	8484475	254534	76920	177614
5	Tehsildar Shivpuri 04/15 to 6/16	12-13 to 09/13	24409633	732289	0	732289
6	Tehsildar Neemuch 04/15 to 6/16	10/14 to 06/16	38265000	1147950	251286	896664
7	Tehsildar Mandsaur 10/11 to 09/14	12-13 to 09/14	14218000	426540	37091	389449
8	Tehsil Guna 10/12 to 09/14	12-13 to 09/14	43691832	1310755	0	1310755
9	Tehsil Shujalpur 10/09 to 09/14	10/14 to 04/16	9421270	282633	0	282633
10	Tehsil Suwasara 10/09 to 09/14	2009/10-2013/14	6555000	196650	0	196650
11	Tehsil Panna 10/09 to 09/14	2010/11-2014/15	5711761	171352	0	171352
12	Tehsil Gulana 10/09 to 09/14	2010/11-2013/14	13172101	395163	0	395163
13	Collector Raisen 10/05 to 09/14	2009/10-2013/14	77747810	2332434	0	2332434
14	Tehsil Bhanpura 04/02 to 03/15	2010/11-2014/15	7887000	236610	0	236610
15	Tehsil Mohan Bododiya	2009/10-2014/15	7837587	235128	0	235128

	10/09 to 09/14					
16	Collector Ratlam 10/11 to 09/14	2014-15	5572818	167184	0	167184
17	Tahsil Betul 10/14 to 09/15	2014-15	2034789	61044	0	61044
18	Collector Agar Malwa 08/13 to 09/15	8/13-09/15	9786000	293580	0	293580
19	Tahsil Ashok Nagar 10/14 to 09/15	2014-15	19311648	579349	0	579349
20	Tahsil Dewas 04/12 to 03/15	2012-14	8515500	255465	0	255465
21	Collector Dindori 10/06 to 09/14	2014-15	10204000	306120	0	306120
Total			40.23 crore	1.21 crore	7.04 lakh	1.14 crore

Appendix XXIV
(Referred to in paragraph 8.6)
Under assessment of diversion rent and premium

(Amount in ₹)

Sl. No.	Name of Office	Case No./Diversion year	Name of Place	Market Value (MV)	Leviable Diversion Rent/Leviable Premium	Levied Diversion Rent/Levied Premium	Short levy Diversion Rent	Short levy Premium
1.	Tahsil Alirajpur	<u>A-2/206</u> 2013-14	Ram singhki Chauki	200743 Residential	<u>1920</u> 9600	<u>4920</u> 4686	0	4914
2.		<u>A-2/207</u> 2013-14	Palasada	4800000 Residential	<u>401</u> 2007	<u>527</u> 188	0	1819
3.		<u>A-2/15</u> 2013-14	Borkhad	14697000 Residential	<u>2939</u> 14697	<u>437</u> 624	2502	14073
4.		<u>A-2/204</u> 2013-14	Kachhwa	487918 Residential	<u>976</u> 4879	<u>294</u> 105	682	4774
5.		<u>A-2/202</u> 2013-14	Balpur	112442 Residential	<u>225</u> 1124	<u>110</u> 39	115	1085
6.		<u>A-2/195</u> 2013-14	Lakhankot	252756 Residential	<u>506</u> 2527	<u>158</u> 225	348	2302
7.		<u>A-2/92</u> 2013-14	Borkhad	650510 Residential	<u>1301</u> 6505	<u>196</u> 279	1105	6226
8.		<u>A-2/95</u> 2013-14	Aambua	487900 Residential	<u>976</u> 4879	<u>294</u> 106	682	4773
9.		<u>A-2/208</u> 2013-14	Garat	195153 Residential	<u>390</u> 1951	<u>196</u> 70	194	1881
10.		<u>A-2/209</u> 2013-14	Kathiwara	836431 Residential	<u>1672</u> 8364	<u>439</u> 157	1233	8207
11.		<u>A-2/211</u> 2013-14	Borkhad	1170960 Residential	<u>2342</u> 11709	<u>353</u> 504	1989	11205
12.		<u>A-2/212</u> 2013-14	Aambua	325255 Residential	<u>651</u> 3252	<u>196</u> 70	455	3182
13.		<u>A-2/213</u> 2013-14	Aambua	487918 Residential	<u>976</u> 4879	<u>294</u> 105	682	4774
14.	Collectorate Chhindwara	<u>529/A-2/</u> <u>2014-15</u>	Lehgadua	3,96,14,900 Commercial	<u>158459</u> 792298	<u>23645</u> 118224	134814	674074
15.	Tahsil Dabra	<u>148/A-2</u> <u>2014-15</u>	Bujurg	3818000 Com	<u>15272</u> 76360	<u>7912</u> 39560	7360	36800
16.		<u>139/A-2</u> <u>2014-15</u>	Tekanpur	966966 Residential	<u>1934</u> 9670	<u>830</u> 4150	1104	5520
17.		<u>137/A-2</u> <u>2014-15</u>	Pathapanihar	331500 Commercial	<u>1326</u> 6630	<u>263</u> 1312	1063	5318
18.		<u>151/A-2</u> <u>2014-15</u>	Chhapra	1254600 Commercial	<u>5018</u> 25092	<u>3346</u> 16728	1672	8364
19.	Collectorate Ratlam	<u>10/A-2</u> 2013-14	Kharakhedi	Commercial	0 46500	0 23250	0	23250
20.		<u>08/A-2</u> 2013-14	Chandni Chauk	Commercial	<u>57243</u> 0	<u>5725</u> 0	51518	0
21.		<u>23/A-2</u> 2013-14		Commercial	<u>40673</u> 25200	<u>4200</u> 21000	36473	4200

22.		<u>21/A-2</u> 2013-14		Commercial	<u>17560</u> 72000	<u>13766</u> 68862	3794	3138
23.		<u>14/A-2</u> 2013-14		Commercial	<u>30279</u> 60300	<u>16221</u> 30150	14058	30150
24.	Tahsil Piparia	<u>36/A-2</u> 2014-15	Piparia	41808000 Residential	<u>83618</u> 418080	<u>81396</u> 406980	2222	11100
25.		<u>36/A-2</u> 2014-15	Piparia	30252000 Residential	<u>60504</u> <u>302520</u>	<u>58284</u> 291420	2220	11100
26.		<u>89/A-2</u> 2014-15	Piparia	23313000 Commercial	<u>93252</u> <u>466260</u>	<u>10867</u> 54336	82385	411924
27.		<u>99/ A-2</u> 2014-15	Piparia	6553200 Residential	<u>131064</u> <u>655320</u>	<u>64284</u> 321420	66780	333900
28.		<u>34/ A-2</u> 2014-15	Piparia	43134000 Residential	<u>95868</u> <u>479340</u>	<u>54184</u> 208420	41684	270920
29.	Tahsil Kurwai	<u>23/A-2</u> 2013-14	Hinota	826920 Commercial	<u>2888</u> 14438	<u>5016</u> 12540	0	1898
30.		<u>28/A-2</u> 2013-14	Keshopur	212550 Commercial	<u>850</u> 4251	<u>1500</u> 3750	0	501
31.		<u>25/ A-2</u> 2013-14	Kurwai	5994975 Residential	<u>11990</u> 59949	<u>6688</u> 25080	5302	34869
Total							462436	1936421
Grand Total							23,98,677	

GLOSSARY

GLOSSARY OF ABBREVIATIONS	
AA	Assessing Authority
AC	Assistant Commissioner
ACCT	Assistant Commissioner Commercial Tax
ACM	Audit committee meeting
ACTO	Assistant Commercial Tax Officer
ADEO	Assistant District Excise Officer
AEB	Anti Evasion Bureau
AEC	Assistant Excise Commissioners
AO	Accounts Officer
ARTO	Additional Regional Transport Office
ASLR	Assistant Superintendent Land Record
ATR	Action Taken Report
BL	Bulk litre
CCT	Commissioner of Commercial Tax
CMVR	Central Motor Vehicles Rules
CSLR	Commissioner, Settlement and Land Records
CST	Central Sales Tax
CTD	Commercial Tax Department
CTO	Commercial Tax Officer
DC	Deputy Commissioner
DCCT	Deputy Commissioner Commercial Tax
DEC	Deputy Excise Commissioners
DEO	District Excise Officer
DGM	Deputy General Manager
DIGR	Deputy Inspector General Registration
DMO	District Mining Office
DR	District Registrar
DTO	District Transport Office
ED	Electricity Duty
EDC	Energy Development Cess
ET	entry tax
ENA	Extra Neutral Alcohol
EVC	Excise Verification Certificate
FCI	Food Corporation of India
GR	Gross Receipt
GTO	Gross Turnover
IGR	Inspector General, Registration
IAC	Internal Audit Cell
IR	Inspection Report
ITR	Input Tax Rebate
JIGR	Joint Inspector General, Registration

JTC	Joint Transport Commissioner
LPG	Liquefied Petroleum Gas
LRC	Land Revenue Code
MV Act	Motor Vehicles Act
MoU	Memorandum Of Understanding
MPLA	M.P Lokdhan (<i>ShodhyaRashiyon Ki Vasuli</i>) <i>Adhiniyam</i>
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
MTPA	Million Tonnes Per Annum
NMDC	National Mineral Development Corporation
NVDA	Narmada Valley Development Authority
NVDP	Narmada Valley Development Project
PA	Performance Audit
PAC	Public Accounts Committee
PL	Proof Litre
POA	Power of Attorney
PRC	Principal Revenue Commissioner
RBC	Revenue Book Circular
RRC	Revenue Recovery Certificate
RSA	Revenue Sector Audit
RTOs	Regional Transport Offices
SD	Stamp Duty
SDO	Sub Divisional Officers
SDR	Senior District Registrar
SLR	Superintendent Land Record
SR	Sub Registrar
TA	Taxation Authority
TAW	Tax Audit Wing
TC	Transport Commissioner
TDS	Tax Deducted at Source
TIN	Tax Identification Number
TMT	Thermo Mechanical Treatment
TTO	Taxable Turnover
VAT	Value Added Tax
VATIS	Value Added Tax Information System
VSAT	Very Small Aperture Terminal

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