

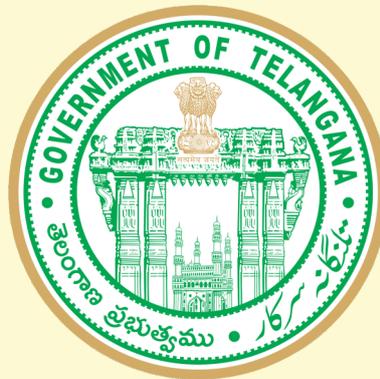


सत्यमेव जयते

**Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended March 2019**



लोकहितार्थ सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Telangana**  
*Report No. 6 of 2020*



**Report of the  
Comptroller and Auditor General of India  
on  
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## Preface

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2019 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India for being laid before the Legislature of the State.

The Report contains significant findings of audit of receipts of major revenue earning Departments of the Government of Telangana.

The instances mentioned in this Report are those which came to notice in the course of test audit during the period 2018-19 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2018-19 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.



# Chapter I

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## Overview

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## 1.1 About this Report

This Report contains significant findings of audit of receipts of major revenue earning Departments of Government of Telangana. Audit has been conducted under the Comptroller and Auditor General’s (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains 33 compliance audit paragraphs with a tax effect of ₹321.98 crore. Compliance audit is an independent assessment of whether a given subject matter (an activity, financial or non-financial transaction, information in respect of an entity or a group of entities) complies in all material respects with applicable laws, rules, regulations, established codes *etc.*, and the general principles governing sound public financial management and the conduct of public officials.

The primary purpose of this Report is to bring to the notice of the State Legislature, significant results of audit. The findings of audit are expected to enable the Executive to take corrective action, to frame appropriate policies as well as to issue directives that will lead to improved financial management of organisations and contribute to better governance.

The audit observations in this Report are based on the results of a test check of the records made available to audit by the concerned Government departments. There may be similar irregularities, errors/omissions in other units of these departments but not covered in the test audit. Departments may, therefore, examine all the units to ensure that the taxes are assessed, levied, collected and accounted for, as per the provisions of the related Acts and Rules.

This Chapter presents an overview of the revenue receipts of the Government of Telangana during the year 2018-19, analyses the trend of receipts over the five-year period 2014-15 to 2018-19, and details the arrears of tax revenue pending collection as of 31 March 2019. Further, Audit approach to examination of revenue receipts of the State is outlined and the response of the State Government to audit findings is also discussed.

## 1.2 Trend of Revenue Receipts

A summary of the revenue realised (tax and non-tax revenue, the State’s share of net proceeds of divisible Union taxes and duties assigned to it, Grants-in-aid received from the Government of India (GoI) during the year 2018-19 and the corresponding figures for the preceding four years) of Government of Telangana is given in **Table-1.1**.

**Table-1.1: Trend of Revenue Receipts**

(₹ in crore)						
Sl. No.	Particulars	2 June 2014 to 31 March 2015	2015-16	2016-17	2017-18	2018-19
<b>1</b>	<b>Revenue raised by the State Government</b>					
	Tax Revenue	29,288.30	39,974.63	48,407.73	56,519.81	64,674.06
	Non-tax Revenue	6,446.82	14,414.36	9,781.70	7,825.40	10,007.42
	<b>Total</b>	<b>35,735.12</b>	<b>54,388.99</b>	<b>58,189.43</b>	<b>64,345.21</b>	<b>74,681.48</b>
<b>2</b>	<b>Receipts from the Government of India</b>					
	Share of net proceeds of divisible Union taxes and duties	8,188.58	12,350.72	14,877.04	16,420.08	18,560.88
	Grants-in-Aid	7,118.10	9,394.12	9,751.90	8,058.80	8,177.79
	<b>Total</b>	<b>15,306.68</b>	<b>21,744.84</b>	<b>24,628.94</b>	<b>24,478.88</b>	<b>26,738.67</b>

Sl. No.	Particulars	2 June 2014 to 31 March 2015	2015-16	2016-17	2017-18	2018-19
3	Total revenue receipts of State Government (1 + 2)	51,041.80	76,133.83	82,818.37	88,824.09	1,01,420.15
4	Percentage of 1 to 3	70	71	70	72	74

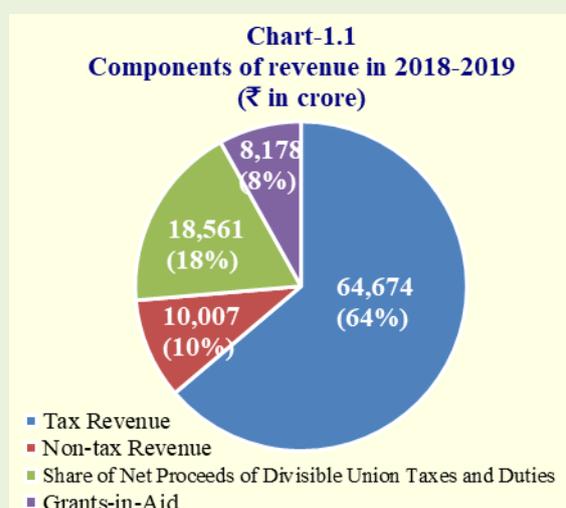
Source: Finance Accounts of Government of Telangana for relevant years

The State's performance in mobilisation of resources is assessed in terms of tax revenue and non-tax revenue excluding the State's share in Central taxes and Grants-in-aid, which are based on the recommendations of the Finance Commission.

As can be seen from the Table above, the tax revenue raised by the State has displayed a healthy increase during the five-year period 2014-19 (increased by 36 per cent in 2015-16; 21 per cent in 2016-17; 17 per cent in 2017-18 and 14 per cent in 2018-19 respectively).

However, the non-tax revenue showed a mixed trend with a dip during 2016-18, before picking up pace during 2018-19. The percentage of tax and non-tax revenue raised by the State Government to the total revenue of the State has been increasing over the last three years from 70 per cent in 2016-17 to 72 per cent in 2017-18 and 74 per cent in 2018-19.

The nature and composition of revenue receipts of the State during the year 2018-19 are shown in **Chart-1.1**.



### 1.2.1 Tax Revenue

Details of tax revenue raised *vis-à-vis* budget projections during the period 2014-15 to 2018-19 are given in **Table-1.2**.

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

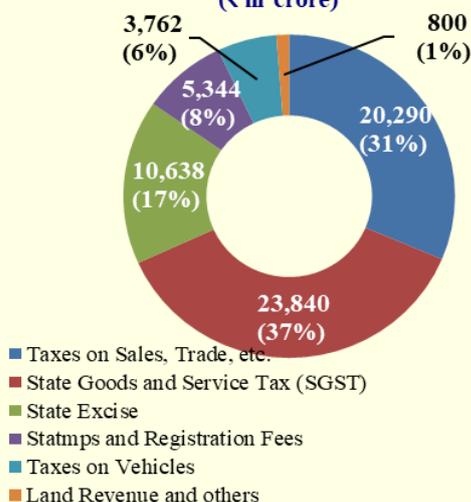
Head of Revenue		Budget Estimates/ Actuals	2 June 2014 to 31 March 2015	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
Taxes on Sales, Trade etc.	Budget Estimates		26,963.30	35,463.39	42,073.53	46,500.00	25,942.00	(-) 44.21
	Actuals		22,120.78	29,846.91	34,234.69	25,106.48	20,290.50	(-) 19.18
State Goods and Service Tax (SGST)	Budget Estimates		-	-	-	-	26,040.00	*
	Actuals		-	-	-	13,072.91	23,840.18	(+) 82.36
State Excise	Budget Estimates		2,823.54	3,916.43	4,543.06	9,000.00	10,600.00	(+) 17.78
	Actuals		2,807.69	3,809.07	5,580.71	9,421.33	10,637.56	(+) 12.91
Stamps and Registration Fees	Budget Estimates		2,583.88	3,700.00	4,292.00	3,000.00	4,700.00	(+) 56.67
	Actuals		2,176.90	3,102.23	3,821.66	4,202.46	5,344.04	(+) 27.16

Head of Revenue	Budget Estimates/ Actuals	2 June 2014 to 31 March 2015	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
Taxes on Vehicles	Budget Estimates	2,226.86	2,500.00	2,900.00	3,000.00	3,950.00	(+) 31.67
	Actuals	1,617.66	2,309.13	3,394.16	3,589.48	3,761.94	(+) 4.80
Land Revenue	Budget Estimates	72.89	13.46	15.61	15.00	4.64	(-) 69.07
	Actuals	9.25	103.71	6.70	4.12	0.42	(-) 89.81
Others <sup>1</sup>	Budget Estimates	10,457.13	901.46	1,045.71	1,104.00	1,015.24	(-) 8.04
	Actuals	556.02	803.58	1,369.81	1,123.03	799.42	(-) 28.82
Total	Budget Estimates	45,127.60	46,494.74	54,869.91	62,619.00	72,251.88	(+) 15.38
	Actuals	29,288.30	39,974.63	48,407.73	56,519.81	64,674.06	(+) 14.43

\*GST implemented from July 1, 2017 and no Budget Estimate given. Hence, comparison does not arise  
**Source:** Budget Estimates and Finance Accounts of Government of Telangana for relevant years

Receipts under Sales tax and SGST have not matched the expectations projected by the State Government in its Budget in any year during the four-year period 2015-19. Same is the case with Land revenue, which exceeded budgetary projections during 2015-16 but lagged behind during the following three years. State Excise revenue exceeded budgetary projections during the last three years and so did Stamps and Registration Fees during the period 2017-18 and 2018-19.

**Chart 1.2: Tax Revenue Components 2018-19**  
 (₹ in crore)



The break-up of tax revenue for the year 2018-19 is shown in **Chart-1.2**.

Tax revenue accounted for 64 per cent (₹64,674.06 crore) of the total revenue (₹1,01,420.15 crore) of the State during the year 2018-19.

There has been a net increase of 14 per cent in tax revenue during the year 2018-19 over the previous year. While the revenue under the heads VAT, Taxes on vehicles, Stamps and Registration Fees and State Excise, had increased, receipts under Land Revenue and Others had decreased.

Increase in tax revenue during 2018-19 over the previous year was mainly due to higher receipts under Input Tax Credit cross utilisation of State Goods and Services Tax (SGST), advance apportionment from IGST etc. (82.36 per cent), increase in receipts from Taxes on Vehicles (4.80 per cent), increased receipts from sale of foreign liquors and spirits and malt liquor under State Excise (12.91 per cent) and higher collection of duty on impressing of documents and sale of stamps under Stamp Duty and Registration

<sup>1</sup> Others include - Other taxes on income & expenditure; estate duty; taxes on immovable property other than agricultural land; taxes on goods and passengers; taxes and duties on electricity; Other taxes and duties on commodities and services.

Fees (27.16 per cent) respectively. Reasons for decrease in revenue under Land Revenue and Others were not furnished by the departments (October 2020).

### 1.2.2 Non-Tax Revenue

Details of non-tax revenue raised during the period 2014-2015 to 2018-19 are indicated in Table-1.3.

**Table-1.3: Details of Non-Tax Revenue raised**

(₹ in crore)

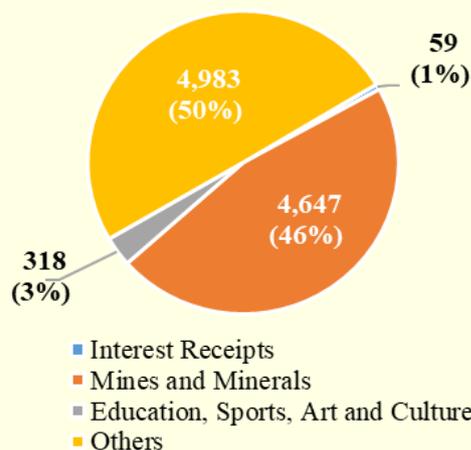
Head of Revenue	Budget Estimates/ Actuals	2 June 2014 to 31 March 2015	2015-16	2016-17	2017-18	2018-19	Percentage of increase (+)/ decrease (-) in 2018-19 over 2017-18
Interest Receipts	Budget Estimates	2,638.20	2,793.95	1,701.01	80.92	186.62	(+)130.62
	Actuals	2,766.01	2,877.54	1,790.82	115.85	59.51	(-) 48.63
Mines and Minerals	Budget Estimates	1,877.52	3,300.00	2,687.87	3,500.00	4,060.03	(+) 16.00
	Actuals	1,719.29	2,212.51	3,148.40	3,592.52	4,646.94	(+) 29.35
Education, Sports, Art and Culture	Budget Estimates	826.72	841.72	400.75	1,150.75	578.72	(-) 49.71
	Actuals	411.57	184.00	768.33	336.05	317.74	(-) 5.45
Others	Budget Estimates	7,899.58	15,477.60	12,752.69	1,869.70	4,148.55	(+)121.88
	Actuals	1,549.95	9,140.31	4,074.15	3,780.98	4,983.23	(+) 31.80
Total	Budget Estimates	13,242.02	22,413.27	17,542.32	6,601.37	8,973.92	(+) 35.94
	Actuals	6,446.82	14,414.36	9,781.70	7,825.40	10,007.42	(+) 27.88

Source: Budget Estimates and Finance Accounts of Government of Telangana for relevant years

The break-up of non-tax revenue for the year 2018-19 is shown in Chart-1.3.

Non-tax revenue increased by 28 per cent during the year 2018-19 over the previous year and accounted for ten per cent (₹10,007.42 crore) of the total revenue (₹1,01,420.15 crore) of the State during the year 2018-19. The increase was mainly due to increase in receipts from Mines and Minerals<sup>2</sup> (29 per cent).

**Chart-1.3: Non-tax Revenue Components 2018-2019 (₹ in crore)**



### 1.3 Authority for audit

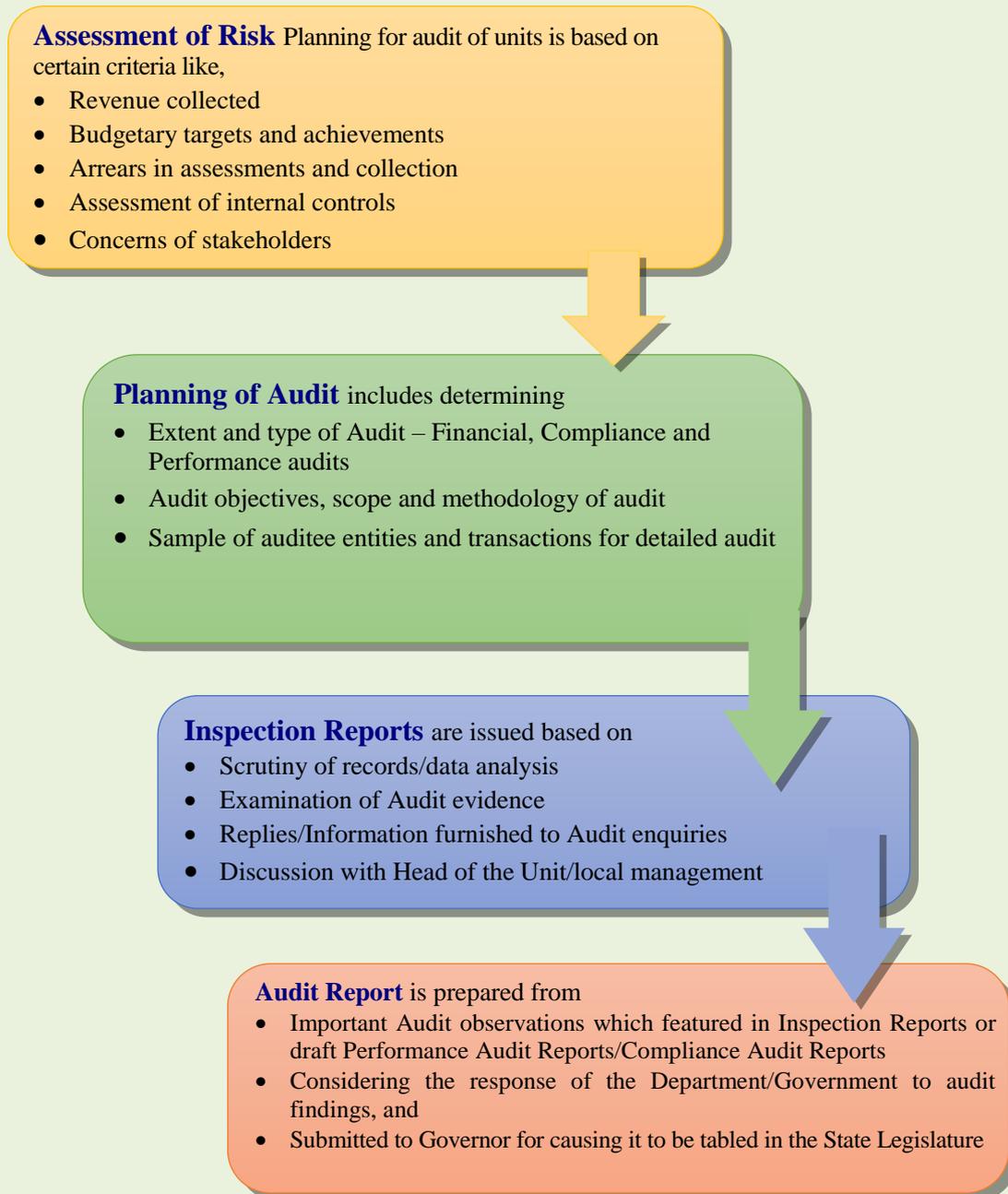
The Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits receipts of the Government under Section 16 of the DPC Act.

<sup>2</sup> Increase in receipt was due to higher receipts towards (i) Mineral concession Fees, Rents and Royalties and other receipts (ii) Sale of land and property, Guarantee Fee and other receipts.

## 1.4 Planning and Conduct of audit

The following flowchart depicts the process of planning and conduct of audit and preparation of Audit Reports:

**Figure-1.1: Planning, conduct of audit and preparation of Audit Reports**



After completion of audit of each unit, an Inspection Report (IR) containing audit findings is issued to the Head of the Unit with a request to furnish replies within one month of receipt of the IR. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations pointed out in these IRs, which require attention at the highest level in Government, are processed for inclusion in the Audit Reports. These Audit Reports are submitted to the Governor of Telangana under Article 151 of the Constitution of India for causing them to be laid on the Table of State Legislature.

During the year 2018-19, audit of 335 units out of total 1,270 auditable units under eight Departments<sup>3</sup> was planned and a total of 332 units were audited.

## 1.5 Analysis of Arrears of Revenue

As of 31 March 2019, the arrears of revenue were ₹13,011.35 crore from some principal heads of revenue like Taxes on Sales, Trade, etc., State Excise, Stamps & Registration Fees, Taxes on Vehicles and Non-ferrous Mining and Metallurgical industries and taxes and duties on Electricity. Of this, ₹5,666.60 crore was outstanding for more than five years as detailed in **Table-1.4**.

**Table-1.4: Arrears of revenue**

(₹in crore)

Head of Revenue	Details of amount outstanding as on 31 March 2019		Reasons
	Total	For more than five years (percent)	
MH 0040 - Tax on Sales, Trade etc.	9,201.76	3,496.70 (38)	Department stated that efforts were being made for collecting the outstanding balances.
MH 0043 - Taxes and Duties on Electricity	2,638.57	1,851.79 (70)	Department stated that arrears of revenue involving ₹190.55 crore is covered by court case in respect of Other Licensees & Generating Companies and that, Demand notices were issued to five companies <sup>4</sup> for an amount involving ₹2,346.18 crore. Specific reasons for short payment by DISCOMs of ₹100.89 crore were not furnished.
MH 0030 - Stamps and Registration Fees	593.44	116.60 (20)	Department stated that parties did not turn up to pay the deficit in spite of repeated notices and efforts were being made to collect the dues under Section 48 of Indian Stamp Act, 1899.
MH 0853 - Non-ferrous Mining and Metallurgical Industries	153.83	91.91 (60)	Department stated that arrears were due to non-working of quarry leases, delay in disposal of revisions, appeals and court cases, most of the cases are old, cases to be referred under RR Act and present addresses of the defaulters are not known, etc. Notices were issued to the defaulters.
MH 0041 – Taxes on Vehicles	382.47	68.50 (18)	Department stated that whereabouts of the registered owner of the vehicles were not known. Notices have been issued for cancellation of Registration Certificates under section 55 of The Motor Vehicles Act, 1988.
MH 0039 – State Excise	41.28	41.10 (100)	Department did not furnish reasons for accumulation of huge arrears.
<b>Total</b>	<b>13,011.35</b>	<b>5,666.60 (44)</b>	

*Source: Information furnished by the Departments*

<sup>3</sup> Commercial Tax, Prohibition and Excise, Land Revenue, Transport, Stamps and Registration Fee, Endowments, Industries and Commerce and Energy.

<sup>4</sup> M/s Singareni Collieries Company Ltd.- ₹21.66 crore, Sanghi Group of Industries - ₹2.70 crore, M/s Sanjay Rural Electric Co-operative Society - ₹0.02 crore, AP Gas Power Corporation Ltd. - ₹138.31 crore, M/s AP Genco - ₹2,183.48 crore.

As can be seen from Table-1.4, recovery of ₹5,666.60 crore was pending for more than five years. This constituted 44 *per cent* of the total revenue realisable, which indicates inaction by the departments concerned to act timely on huge arrears. Land Revenue Department did not furnish the information on arrears of revenue.

**The departments need to review the status of recovery of arrears of revenue on a regular basis and monitor the progress of collection.**

## 1.6 Evasion of tax

The number of cases of tax evasion pending finalisation as on 31 March 2019 was 383 from Commercial Taxes and Registration and Stamps Departments as detailed in **Table-1.5**.

**Table-1.5: Pending finalisation of cases of Evasion of Tax**

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2018	Cases detected during 2018-19	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised			No. of cases pending finalisation as on 31 March 2019	
					No. of Cases	Amount of demand (₹in crore)			
						Tax	Penalty		Total
1	Taxes on Sales, Trade etc.	79	753	832	495	257.28	7.29	264.57	337
2	Stamps and Registration Fees	1,200	62	1,262	1,216	3.99	0.47	4.46	46

*Source: Information furnished by the concerned Departments*

It can be seen from Table-1.5 that out of 2,094 cases of tax evasion, 1,711 cases (82 *per cent*) were finalised, leaving a balance of 383 cases (18 *per cent*) pending finalisation during 2018-19. While a demand of ₹269.03 crore was raised against the tax evaders where the cases have been finalised, recovery particulars and the reasons for non-finalisation of balance cases were not furnished to Audit. Prohibition and Excise, Electricity, Transport, Mines & Geology Departments furnished ‘Nil’ information on Evasion of Tax and Land Revenue Department did not furnish any information.

## 1.7 Arrears in assessments

As per the provisions of the Telangana Value Added Tax (VAT) Act<sup>5</sup>, 2005 (VAT Act), every dealer shall be deemed to have been assessed to tax, based on the return filed by him, if no assessment is made within a period of six years from the date of filing the return. Assessments under the Central Sales Tax (CST) Act are to be completed within four years. The details of assessment cases pending as on 31 March, 2019 relating to Commercial Taxes Department are given in **Table-1.6**.

<sup>5</sup> Consequent on bifurcation of combined State of Andhra Pradesh w.e.f. 2 June 2014, Andhra Pradesh VAT Act, 2005 was adopted by Telangana State vide G.O. Ms. No. 32 Revenue (CT-II) Department, dated 15 October 2014.

**Table-1.6: Arrears in Assessments**

Category of Tax	Opening Balance	New cases due for assessment during 2018-2019	Total assessments due	Cases disposed during 2018-2019	Balance as of 31 March 2019	Percentage of disposal
CST	56,584	12,555	69,139	23,517	45,622	34
VAT	7,456	4,210	11,666	2,936	8,730	25
Luxury Tax	122	55	177	61	116	34
<b>Total</b>	<b>64,162</b>	<b>16,820</b>	<b>80,982</b>	<b>26,514</b>	<b>54,468</b>	<b>33</b>

*Source: Information furnished by the Department*

The disposal of assessments by the Commercial Taxes Department was only 33 per cent of total assessments during 2018-19. With the introduction of GST, the clearance of this backlog of legacy assessments would need to be prioritised and expedited.

Further, the closing balances of previous year relating to arrears in assessment of CST (26,815) VAT (3,481) and luxury tax (9) do not match with the opening balances of current year. The Department could not explain the reason for variation in the two sets of balances (September 2020).

## 1.8 Pendency of refund cases

The details of refund cases as on 31 March 2019 are given in **Table-1.7**.

**Table-1.7**

(₹ in crore)

Particulars	Commercial Taxes		Transport		Stamps and Registration Fee	
	No. of Cases	Amount	No. of Cases	Amount	No. of Cases	Amount
Claims outstanding at the beginning of the year as on 1 April 2018	Nil	Nil	Nil	Nil	1,438	11.95
Claims received during the year	206	186.76	101	0.83	1,725	12.32
Total	206	186.76	101	0.83	3,163	24.27
Refunds made during the year	206	186.76	1	@	2,257	16.71
Cases pending as on 31 March 2019	Nil	Nil	100	0.83	906	7.56

@ ₹ 5,850

*Source: Information furnished by the Departments*

A total of ₹203.47 crore was refunded by Commercial Taxes and Registration and Stamps departments. While these two departments could settle 100 per cent and 71 per cent of the refund cases respectively, Transport Department could settle only one case during 2018-19. It needs to initiate appropriate measures expeditiously for speedy disposal of cases, Registration department also needs to speed up the disposal of cases, since it has about 29 per cent pendency.

There were no cases of refunds in respect of Prohibition and Excise, Mines & Geology and Energy Departments. Details of refunds were not furnished by Land Revenue Department (September 2020).

## 1.9 Response of Departments to audit findings

### 1.9.1 Response to previous Inspection Reports

Heads of Offices and next higher authorities are required to respond to the observations contained in Inspection Reports (IRs) and take appropriate corrective action. Audit observations communicated in IRs are also discussed at periodical intervals in meetings at District/State levels by officers of the Accountant General's office with officers of the concerned Departments.

A review of IRs issued up to December 2018 pertaining to eight departments<sup>6</sup> showed that 10,254 paragraphs relating to 1,191 IRs valuing ₹4,640.15 crore were outstanding at the end of June 2019 (*Appendix 1.1*). Even first replies from the Heads of offices which was to be furnished within one month have not been received in respect of 290 IRs issued during 2018-19.

Lack of action on IRs and audit paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to public exchequer.

#### Recommendation

**Government should ensure prompt and appropriate response to audit observations, as well as take action against those failing to furnish replies to the IRs/paragraphs as per the prescribed time schedules.**

### 1.9.2 Response of Government to audit observations

All Departments are required<sup>7</sup> to send their responses to draft audit paragraphs proposed for inclusion in CAG's Report within six weeks of their receipt. During the year 2019-20, 54 draft compliance audit paragraphs were forwarded to the Special Chief Secretaries/ Principal Secretaries/Secretaries of the Departments<sup>8</sup> concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that these paragraphs were likely to be included in the Audit Report of the CAG of India, which would be placed before the State Legislature and it would be desirable to include their comments/responses to the audit findings.

Despite this, the Departments concerned did not furnish replies to the draft compliance audit paragraphs as on the date of finalisation of this Report. The fact of non-receipt of Government responses was also brought to the notice of the Chief Secretary to the Government in June 2020.

<sup>6</sup> Commercial Tax, Prohibition and Excise, Land Revenue, Transport, Registration & Stamps, Energy, Industries and Commerce and Endowments.

<sup>7</sup> as per paragraph 4.7 of Finance Department's Handbook of Instructions.

<sup>8</sup> Commercial Taxes, State Excise, Registration and Stamps, Transport, Land Revenue and Industries and Commerce (Mines and Minerals).

### **1.9.3 Response of Government to audit paragraphs that featured in earlier Audit Reports**

Administrative Departments are required to submit Explanatory Notes on paragraphs and reviews included in Audit Reports<sup>9</sup>, within three months of their presentation to State Legislature duly indicating action taken or proposed to be taken.

Reports of the CAG on Revenue Sector of the Government of Andhra Pradesh for the years from 2012 to 2014 and Government of Telangana for the years from 2014 to 2017 contained 170 paragraphs (including six Performance Audits). These Audit Reports were placed before the State Legislative Assembly between November 2014 and March 2018. Of these, 118 paragraphs pertain exclusively to Telangana and 52 paragraphs (including three Performance Audits) were common to both Telangana and Andhra Pradesh States. Explanatory notes in respect of 164 paragraphs from eight Departments<sup>10</sup> have not been received (September 2020).

### **1.9.4 Response of Government to recommendations of the Public Accounts Committee**

Administrative Departments are required to submit Action Taken Notes (ATNs) on recommendations of Public Accounts Committee (PAC) within six months<sup>11</sup> from the date of receipt of recommendations.

Action Taken Notes on 113 recommendations relating to Audit Reports (Revenue Sector) were due as of September 2020. Of these, 11 recommendations pertain to Telangana State and 102 pertain to combined State of Andhra Pradesh and Telangana.

### **1.9.5 Departmental Audit Committee Meetings**

The Government has to set up Audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2018-19, no Audit Committee meetings were held by departments.

#### **Recommendation**

**Government needs to set up Audit Committees expeditiously to enable discussion of pending IRs and Paragraphs and address the issues of non-compliance with relevant Acts, pointed out in these IRs/Paragraphs.**

### **1.9.6 Constraints in Audit**

The programme of local audit of Tax Revenue/Non-tax Revenue offices is drawn up sufficiently in advance. 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.

<sup>9</sup> as per instructions issued by Finance and Planning Department vide U.O. No.23810-c/200/PAC/93-2 dated 3 November 1993.

<sup>10</sup> Commercial Tax, Prohibition and Excise, Land Revenue, Transport, Registration & Stamps, Energy, Industries and Commerce and Endowments.

<sup>11</sup> as per instructions issued by Finance and Planning Department vide U.O. No. 1576-A/32/PAC/95, dated 17 May 1995.

During the period 2018-19, 89 offices pertaining to six departments<sup>12</sup> did not produce crucial records like Annual Accounts of dealers, Assessment Files, Licence files of A-4 shops and related records, Cash Book, Demand Collection and Balance Register, Challan remittance register and reconciliation statement, etc. Where the records were made available, under assessment/short levy/loss of revenue aggregating ₹671.48 crore in 1,924 cases pertaining to 332 test checked units of seven departments<sup>13</sup> was observed. Departments accepted observations pertaining to 2018-2019 and previous years of ₹102.61 crore in 366 cases<sup>14</sup> and recovered ₹0.54 crore<sup>15</sup> in 73 cases (October 2020).

Non-production of records hinders efficacy of audit and results in inability to verify accuracy of revenue collections and expenditure.

### Recommendation

**Government needs to issue suitable instructions to the Heads of the Departments concerned for timely production of all the relevant records for audit scrutiny.**

### 1.9.7 Analysis of the mechanism for dealing with the issues raised by Audit in Transport Department

The system for addressing the issues highlighted in the IRs/Audit Reports in respect of one department is reviewed in audit every year. During the year 2018-19, action initiated by Transport Department was reviewed to assess the action taken on the cases detected in local audit during 2015-16<sup>16</sup> to 2018-19 and Compliance Audit Paragraphs/ Performance Audit Reports included in the Audit Reports for the years 2013-14 to 2017-18.

The overall performance of the Department in clearance of IRs and action taken on recommendations of Audit is given in **Table 1.8**.

**Table-1.8: Position of Inspection Reports (IRs)**

Year	Opening Balance			Addition during the year			Clearance during the year			Closing Balance		
	IRs	Paras	Money Value (₹in crore)	IRs	Paras	Money Value (₹in crore)	IRs	Paras	Money Value (₹in crore)	IRs	Paras	Money Value (₹in crore)
2015-16	242	1,558	2,289.34	16	148	14.12	49	788	620.27	209	918	1,683.19
2016-17	209	918	1,683.19	8	144	110.07	6	31	0.18	211	1,031	1,793.08
2017-18	211	1,031	1,793.08	8	165	21.83	34	263	103.44	185	933	1,711.47
2018-19	185	933	1,711.47	30	371	30.82	154	491	1,669.07	61	813	73.22

*Source: Records of Office of Accountant General (Audit), Telangana*

The above position indicates the overall performance of the Department in clearance of IRs and paragraphs. As against 242 outstanding IRs with 1,558 paragraphs at the beginning of 2015-16, the number of outstanding IRs decreased to 61 with 813 paragraphs at the end of 2018-19.

<sup>12</sup> Commercial Tax, Prohibition and Excise, Registration & stamps, Land Revenue, Transport, Mines and Geology.

<sup>13</sup> Endowment, Prohibition and Excise, Industries and Commerce, Land Revenue, Registration and Stamps, Commercial Tax and Transport.

<sup>14</sup> Of which 200 cases involving ₹ 55.25 crore were pointed out in earlier years.

<sup>15</sup> Of this, recovery of ₹ 0.46 crore in 66 cases related to previous years.

<sup>16</sup> The Telangana State was formed on 2 June 2014.

Two Performance Audits were conducted during 2013-14 and 2016-17 on subjects<sup>17</sup> pertaining to Transport Department and 11 recommendations were issued. Explanatory Notes were not received from the Government in respect of these Performance Audit Reports as of September 2020. Details of recommendations are given in **Appendix-1.2**.

## **1.10 Significant audit observations**

This Report contains 33 compliance audit paragraphs that emerged from a test check of records of six Departments of Government of Telangana with a tax effect of ₹321.98 crore.

Significant results of audit that feature in this Report are summarised below.

### **1.10.1 Value Added Tax, Central Sales Tax and Goods and Services Tax**

- In 8 offices, 11 dealers were incorrectly allowed Input Tax Credit (ITC) of ₹1.27 crore on account of non-restriction of ITC on goods purchased for other than business use, maintenance of building and incorrect claim by hotels, restaurants etc.

*(Paragraph 2.3.1)*

- In 15 offices, ITC claimed by 28 dealers was not restricted correctly towards SEZ sales/exempt sale and branch transfers/consignment sales resulting in excess allowance of ITC of ₹4.54 crore.

*(Paragraph 2.3.2)*

- In 12 offices, 15 dealers reported excess purchase turnover in their VAT returns than that shown in their Profit and Loss Accounts and the Assessing Authorities did not cross check the accounts and adopted the figures reported in the returns to allow ITC. This resulted in excess allowance of ITC of Rupees four crore.

*(Paragraph 2.3.3)*

- In 15 offices, in respect of 29 dealers, Tax was short levied at the rate of four or five *per cent* instead of 14.5 *per cent* on sale of Schedule-V goods and dealers doing business in restaurant, canteen and bakery. This resulted in short levy of Tax of ₹ 32.78 crore.

*(Paragraph 2.4.1)*

- In 12 offices, in respect of 18 dealers, Tax was short levied at the rate of five *per cent* instead of 14.5 *per cent* on sale of Mobile phones. This resulted in short levy of Tax of ₹43.89 crore.

*(Paragraph 2.4.2)*

- In 11 offices, Tax was short levied at the rate of five *per cent* instead of 14.5 *per cent* for non-submission of 'C' Forms towards inter-State sale of Schedule-V goods in 31 cases. Further, in five cases, no tax was levied treating the commodities as exempt goods, though they were taxable goods. This resulted in non/short levy of tax of ₹9.54 crore.

*(Paragraph 2.5.1)*

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<sup>17</sup> Performance Audit on 'Enforcement activities of Transport Department including implementation of High Security Registration Plates' (AR 2016-17) and 'Public service delivery including functioning of IT services (CFST) in Transport Department (AR 2013-14).

- In eight offices, in 16 cases, the AAs allowed exemption on transactions not supported by proper documents and did not collect tax on sale of intangible goods. This resulted in non-levy of tax of ₹41.32 crore.

(Paragraph 2.5.2)

- In 43 offices, in 95 cases, there were variations in sales turnover between VAT assessments orders/VAT ledgers/CST assessments orders/ CST ledgers and Profit and Loss accounts. Sale turnover as per accounts was more than the sale turnover as assessed in VAT/ CST assessments orders/ VAT/ CST ledgers. This resulted in non/short levy of Tax of ₹73.56 crore.

(Paragraph 2.6)

- AAs of five offices under assessed taxable turnover under works contract in five cases. This resulted in short levy of tax of ₹ 3.54 crore.

(Paragraph 2.7.1.1)

- In five offices, in eight cases, ITC was not restricted under works contract. This resulted in excess allowance of ITC of ₹ 1.32 crore.

(Paragraph 2.7.1.2)

- In 41 offices, in 360 cases, an interest of ₹ 4 .28 crore and penalty of ₹ 6.22 crore were not levied towards belated payment of taxes with delays ranging from one day to 1,224 days beyond the due date of payment.

(Paragraph 2.8.1)

- In 25 offices, in 40 cases, penalty was not levied/ short levied on under-declaration of output tax/ excess claim of ITC for reasons other than due to fraud or wilful neglect. This resulted in non-levy/ short levy of penalty of ₹ 5.13 crore.

(Paragraph 2.8.2)

- In 14 offices, in 19 cases, the dealers had under-declared tax or claimed excess ITC wilfully. The AAs did not levy penalty in six cases and short levied penalty in 13 cases. This resulted in non-levy or short levy of penalty of ₹ 30.72 crore.

(Paragraph 2.8.3)

- In two offices, in two cases, the AAs disallowed ITC due to false tax invoices. However, penalty at 200 *per cent* as specified under the Act was not levied. This resulted in non-levy/ short levy of penalty of ₹ 2.04 crore.

(Paragraph 2.8.4)

- In 13 offices, in 40 cases, the dealers who meet the criteria for mandatory registration as VAT dealer did not register themselves or continued as Turnover Tax (TOT) dealer. Failure to get the assesses registered as VAT dealers resulted in short realization of tax, incorrect allowance of ITC and non-levy of penalty of ₹ 98.14 lakh.

(Paragraph 2.8.5)

- In one office, in one case, the AA did not levy penalty on the dealer who purchased goods by issuing 'C' Forms and utilised the same for exempt sale. This resulted in non-levy of penalty of ₹ 5.27 crore.

(Paragraph 2.9)

- In two offices, in two cases, the dealers utilised notified goods which were purchased against 'C' form, for the purposes other than re-sale or as inputs in manufacturing process. The dealers did not notify this to jurisdictional authorities. The AAs though levied Entry Tax, did not levy penalty for non-notifying the self-consumption of such goods. This resulted in non-levy of penalty of ₹ 5.56 crore.

(Paragraph 2.10)

- In four offices, in 33 cases, the dealers claimed transitional credit in excess of the closing balance of ITC available in their last VAT return of June-2017. This resulted in excess claim of transitional credit of ₹ 1.27 crore.

(Paragraph 2.12.2.2)

### 1.10.2 State Excise Duties

- In one office, excise tax to the tune of ₹2.70 crore was short levied from shops and bar located within the periphery of Greater Hyderabad Municipal Corporation.

(Paragraph 3.3)

### 1.10.3 Stamp Duty and Registration Fee

- Companies secured credit facilities from various financial institutions by creating charge on *paripassu* basis on their properties. In two offices, Registering Authorities collected ₹ 10,000 on each document instead of charging Registration fee at 0.5 *per cent* on the loan amount which resulted in short collection of Registration Fee of ₹ 4.85 crore.

(Paragraph 4.3)

- In 14 offices, District Registrars/ Sub-Registrars short levied duties and fees due to misclassification of transactions which resulted in short levy of duties and fees amounting to ₹ 1.67 crore.

(Paragraph 4.4)

- In 13 offices, District Registrars/ Sub-Registrars adopted lesser rate applicable to Agricultural lands in respect of lands which had already been converted to non-agricultural use. This led to short levy of duties and fee of ₹ 1.27 crore.

(Paragraph 4.5)

### 1.10.4 Motor Vehicle Taxes

- Non-raising of demands led to non-realisation of Quarterly tax of ₹ 8.31 crore and non-levy of penalty of ₹ 4.15 crore from owners of 7,393 transport vehicles in 33 offices.

(Paragraph 5.3)

- In 34 offices, Fitness Certificates (FCs) of 1,52,280 transport vehicles were not renewed resulting in non-realisation of FC fees of ₹ 9.30 crore.

*(Paragraph 5.4)*

- In 13 offices, Registration Certificates of 69,473 vehicles were not renewed after expiry of validity period. This resulted in non-realisation of renewal fee of ₹ 3.28 crore.

*(Paragraph 5.5)*

- In 20 offices, Compounding Fees (CF) for the offences under transport laws was not collected in 1,659 cases, resulting in non-realisation of CF of ₹ 1.52 crore.

*(Paragraph 5.6)*

### **1.10.5 Land Revenue**

- In 19 offices, Revenue Divisional Offices/Tahsildars short levied conversion tax in 45 cases due to adoption of incorrect market value of the land and penalty was not levied on deemed conversion of land which resulted in short levy of conversion tax and non-levy of penalty amounting to ₹1.39 crore.

*(Paragraph 6.3)*

### **1.10.6 Other Tax and Non-Tax Receipts**

- In 15 out of 16 Assistant Director's (AD) offices, Mineral Concession Applications were pending disposal for want of NOC from revenue authorities.

*(Paragraph 7.3.3.1)*

- Delay in approval of Mineral Revenue Assessments by the Deputy Directors ranged between five to 29 months.

*(Paragraph 7.3.3.2)*

- Delay in submission of Demand Collection Balance (DCB) Registers by the Assistant Directors ranged between 26 to 630 days. Further, DCB Registers in respect of coal mining leases held by M/s Singareni Collieries Company Limited for the period from 2011-12 to 2018-19 were not prepared.

*(Paragraph 7.3.3.3)*

- Mineral Revenue Arrears of ₹120.53 crore was due from lease holders. Also, Mineral Revenue Arrears of ₹224.55 crore remained uncollected in cases detected by Vigilance & Enforcement, ₹155.01 crore by Departmental Authorities and ₹94.27 crore referred under Revenue Recovery Act 1864 as of March 2019.

*(Paragraphs 7.3.4.1 & 7.3.4.2)*



# Chapter II

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## **Value Added Tax, Central Sales Tax and Goods & Services Tax**

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## 2.1 Tax Administration

Commercial Taxes Department is one of the key revenue earning departments in the Government of Telangana. The Department administers and collects revenue on goods and services under the Telangana Value Added Tax Act, 2005 (VAT Act), The Central Sales Tax Act, 1956 (CST Act), The Telangana Entertainment Tax Act, 1939, The Telangana Tax on Professions, Trades, Callings and Employment Act, 1987 apart from other minor Acts. After introduction of Goods and Services Tax with effect from 1 July, 2017, the Commercial Taxes Department has been administering and collecting revenue on goods and services under the Telangana Goods and Services Tax Act, 2017 (GST Act).

The Department is headed by the Principal Secretary of Revenue at Government level. The organisational set-up is depicted in the organogram given below:

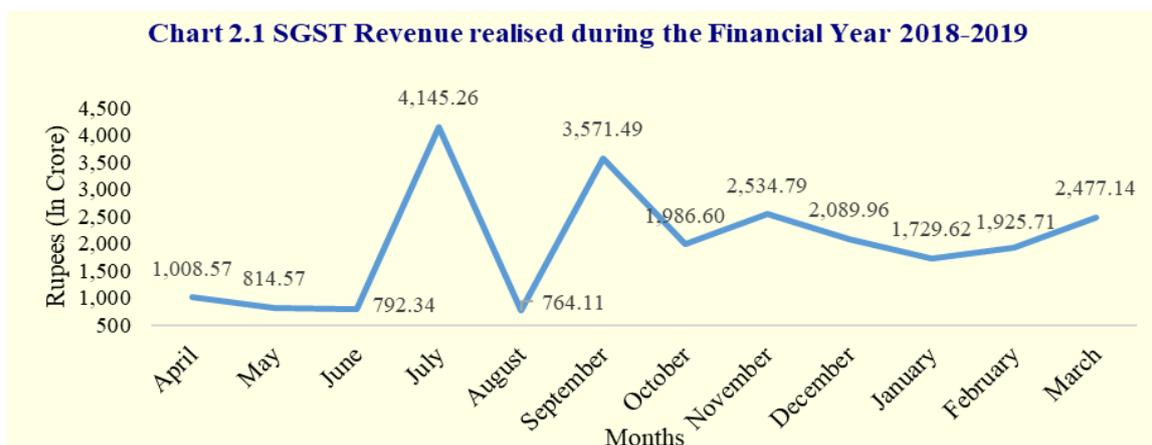
Sales Tax revenue (VAT and SGST) forms the largest source of revenue for the State and accounts for 43.51 *per cent* of the total revenue of the State. It has been increasing from year-to-year since the formation of Telangana State in June 2014. However, it has fallen short of budget estimates during the five-year period 2014-15 to 2018-19. During the year 2018-19, the total revenue from Sales Tax (VAT and SGST) was ₹44,130.68 crore.

Revenue from SGST increased from ₹13,072.91 crore during 2017-18 to ₹23,840.18 crore in 2018-19 at a growth rate of 62.36 *per cent*.

**Figure-2.1: Organogram**



There was a wide variation in SGST receipts across the months during 2018-19 with July and September 2018 accounting for 17 *per cent* and 15 *per cent* respectively, of the total receipts of SGST for the year, as can be seen from the Chart given below.



## 2.2 Results of Audit

Audit of State Commercial Taxes Department was conducted through a test check of the assessment files, refund records and other related records in 73 out of 112 offices (65.18 per cent) during 2018-19, to gain assurance that the taxes were assessed, levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. These offices were selected on the basis of revenue collected. Audit brought out instances of deviations/non-compliance with the relevant Acts/Codes/Manuals leading to under assessment of Value Added Tax (VAT) in 1,084 cases involving an amount of ₹538.93 crore, due to various reasons, as detailed in **Table 2.1**.

**Table-2.1: Categories of Audit observations on revenue receipts**

(₹ in crore)			
Sl. No.	Categories	No. of audit observations	Amount
1	Short levy of Tax on works contracts	26	22.13
2	Non-levy or short levy of interest and penalty	191	50.63
3	Excess claim or allowance of Input Tax Credit	112	12.18
4	Non-levy or short levy of Tax under VAT Act	290	215.44
5	Non-levy or short levy of Tax under Central Sales Tax (CST) Act	261	166.81
6	Sales Tax deferment	7	25.44
7	Observations under Goods and Services Tax Act (GST Act) (Refunds and Transitional claims)	5	1.99
8	Other irregularities	192	44.31
	<b>Total</b>	<b>1084</b>	<b>538.93</b>

The Department accepted audit findings involving tax effect of ₹75.02 crore in respect of 278 cases and recovered an amount of ₹37.53 lakh in 28 cases during the year 2018-19. In reply to the observations discussed in the Chapter, the test checked Assessing Authorities (AA) stated that files were submitted to higher authorities for revision; show-cause notices were being issued; action was under process; matter would be examined; penalty and interest would be levied, *etc.*

There are six broad categories of audit observations under VAT Act or CST Act and one audit observation under GST Act. There may be similar irregularities, errors or omissions in other units under the Department but not covered in the test audit. The Department may, therefore, examine all the units to ensure that taxes are levied as per provisions of the Acts and Rules.

### 2.2.1 Non-observance/ non-compliance with provisions of Telangana VAT Act and Rules read with Government notifications

The VAT Act, the Telangana Value Added Tax Rules, 2005 (VAT Rules) made thereunder, CST Act and the Central Sales Tax (Registration and Turnover) Rules, 1957 (CST Rules) provide for:

- Allowance of Input Tax Credit on purchases made at the prescribed rate for each type of commodity
- Levy and collection of output Tax by adopting rates of Tax prescribed by the Act
- Levy and collection of Tax on interstate sales turnover
- Levy of penalty and interest on belated payment of Tax
- Levy of Tax on the correctly assessed Taxable turnover
- Levy of Tax on works contract turnover

The Telangana Goods and Services Tax Act, 2017 (TGST Act) provides for levy of tax on intra-State supply of goods and services (*except alcohol for human consumption and five specified petroleum products*<sup>1</sup>). TGST Act also provides for claim of refunds and transitional credits.

The AAs, while finalising the assessments of the dealers did not observe some of the aforesaid provisions involving ₹278.62 crore. Specific instances are discussed in the following paragraphs. Similar omissions are pointed out in audit every year. However, such irregularities not only persist; but also remain undetected till the next audit is conducted. There is a need for improvement of internal control system so that recurrence of such omissions are avoided, or detected timely and rectified.

## 2.3 Input Tax Credit

### 2.3.1 Allowance of Input Tax Credit on ineligible items

#### **Input Tax Credit amounting to ₹1.27 crore was allowed on ineligible items**

According to VAT Act<sup>2</sup>, Input Tax Credit<sup>3</sup> (ITC) is allowed to a VAT dealer for the Tax charged in respect of all Taxable goods purchased if such goods are for use in the business of the dealer.

However, ITC cannot be claimed by a dealer where:

- (i) goods purchased are used in the construction or maintenance of any building including factory or office buildings, unless the dealer is a works contractor and who has not opted for Composition scheme<sup>4</sup>.
- (ii) a dealer, being a hotel having a status less than three star and restaurants/ caterers/ other eating establishments whose annual total turnover of sale or supply of food/ drinks is less than ₹1.50 crore<sup>5</sup>.

<sup>1</sup> Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

<sup>2</sup> Section 13 (1) of VAT Act.

<sup>3</sup> ITC is the Tax that a business pays on a purchase and that it can be used to reduce its Tax liability when it makes a sale. In other words, businesses can reduce their Tax liability by claiming credit to the extent of VAT/GST paid on purchases.

<sup>4</sup> Rules 20(2) (d) and 20(2) (i) of VAT Rules. Under Composition scheme, dealers are liable to pay Tax at fixed rate instead of the rate applicable to their goods as per schedule. Such composition dealers are not eligible to claim ITC (Input Tax Credit) on their purchases.

<sup>5</sup> Sections 4(9) (b) and 4(9) (d) of VAT Act.

(iii) a dealer whose registration is cancelled on closure of business<sup>6</sup>.

Audit test checked (between July 2017 and July 2018) the VAT assessments and VAT records for the period from 2011-12 to 2017-18. In 11 cases pertaining to eight Circles<sup>7</sup>, ITC claimed by eight dealers, who were involved in operating hotels (less than three star status)/ restaurants *etc.*, was not restricted during assessment. Further, in three cases, ITC was not restricted on goods used for maintenance of building, goods purchased for other than business use and on closure of the firms. This resulted in incorrect allowance of ITC of ₹1.27 crore as detailed in **Table 2.2**.

**Table 2.2**  
**Incorrect allowance of ITC**

Authority	Subject	No. of Divisions/ Circles	No. of Cases	Incorrect allowance of ITC (₹ in crore)
As per Section 13(5)(h) of the Telangana VAT Act, 2005, no Input Tax Credit is allowed on the supply of goods on which VAT dealer pays Tax under clause (b) and (d) of sub section (9) of section 4 of the Act.	Incorrect claim of ITC by dealers running Hotel business	Six Circles <sup>8</sup>	8	0.57
Under section 13(4) of the Act read with Rule 20(2) of Telangana VAT Rules, 2005, a VAT dealer shall not be entitled for ITC in respect of purchase of items used for maintenance of factory buildings and goods purchased for other than business use.	ITC claimed on ineligible items	Two Circles <sup>9</sup>	2	0.55
As per Section 13 of VAT Act read with Rule 14(4) of Telangana VAT Rules, 2005, the dealer whose registration is cancelled, shall pay back ITC availed on goods available as closing stock.	ITC not restricted on goods in closing stock at the time of cancellation of registration	One Circle <sup>10</sup>	1	0.15
<b>Total</b>			<b>11</b>	<b>1.27</b>

Assistant Commissioner (AC) State Tax (ST), Madhapur replied that the relevant file was submitted to Joint Commissioner (JC)(ST) for revision and seven AAs<sup>11</sup> replied that the matter would be examined. Assistant Commissioner (ST), Nizamabad-II replied that the dealer was eligible for ITC, as the turnover was more than ₹1.50 crore. However, this is not acceptable as the dealer was not a Star Hotel.

The matter was referred to the Department (March/May 2019) and to the Government (October 2019). Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>6</sup> Rule 14(4) of VAT Rules.

<sup>7</sup> ACs (ST) - Madhapur, MG Road, Nampally, Punjagutta, Ramgopalpet, RP Road, Tarnaka, and Nizamabad-II.

<sup>8</sup> ACs (ST), MG Road, Madhapur, Nampally, Nizamabad-II, Punjagutta and RP Road.

<sup>9</sup> ACs (ST) - Ramgopalpet and Tarnaka.

<sup>10</sup> ACs (ST) - MG Road.

<sup>11</sup> ACs (ST) - MG Road, Nampally, Punjagutta, Ramgopalpet, RP Road, Tarnaka and Nizamabad-II (10 cases).

### 2.3.2 Excess claim of ITC due to incorrect restriction

#### Excess allowance of ITC amounting to ₹4.54 crore due to incorrect method of restriction

As per VAT Act:

1. ITC is not allowed<sup>12</sup> on purchase of Taxable goods corresponding to sale of exempt goods and exempted sales.
2. Where a VAT dealer makes consignment sale/branch transfers of goods, ITC<sup>13</sup> will be:
  - (i) allowed in full upto 9.5 per cent portion of 14.5 per cent purchases,
  - (ii) on the balance five per cent portion of 14.5 per cent, purchases shall be restricted by applying formula<sup>14</sup> and
  - (iii) on one per cent and five per cent, purchases shall be restricted by applying formula<sup>15</sup>.
3. Where a VAT dealer makes Taxable sales, exempt sales and also exempt transactions by using common inputs, ITC is allowed proportionately<sup>16</sup>.

Audit test checked (between August 2017 and August 2018) VAT assessments and VAT records for the period from 2010-11 to 2016-17. In 28 cases pertaining to two Divisions and 13 Circles<sup>17</sup>, ITC was not restricted correctly towards SEZ sales/ exempt sale and branch transfers/consignment sales, resulting in excess allowance of ITC of ₹ 4.54 crore.

In reply to Audit, three AAs<sup>18</sup> stated (May 2019) that the files were submitted to JC (ST) for further necessary action. JC(ST) Punjagutta replied (February 2018) that sale of Taxable goods in the course of inter-State trading are Zero rated sales and eligible for ITC under Section 8A. Reply is not acceptable, as sale of goods to Special Economic Zone units, which were earlier included in Section 8 and Schedule II of the Act, were deleted vide Amendment Act No. 28 of 2008. JC (ST) Begumpet replied that the dealer had filed Appeal in Sales Tax Appellate Tribunal. Audit was assured by the remaining ten AAs<sup>19</sup> that the matter would be examined.

The matter was referred to the Department (March/April 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>12</sup> Section 13(5) of VAT Act read with Rule 20(7) of VAT Rules.

<sup>13</sup> Section 13(6) of VAT Act read with Rule 20(8) of VAT Rules.

<sup>14</sup>  $A*B/C$ , where A is the input tax for common inputs for each Tax rate, B is the Taxable turnover and C is the total turnover.

<sup>15</sup>  $A*B/C$ , where A is the input tax for common inputs for each Tax rate, B is the Taxable turnover and C is the total turnover.

<sup>16</sup> Section 13(5) & (6) of VAT Act read with Rule 20(9) of VAT Rules.

<sup>17</sup> JC (ST) - Begumpet and Punjagutta; ACs (ST)s - Hyderguda, Narayanaguda, Miryalaguda, Nacharam, General Bazar, Ramgopalpet, Jubilee Hills, Maharajgunj, Balanagar, M.G.Road, Rajendranagar, Gandhinagar and Vengalrao Nagar.

<sup>18</sup> ACs (ST) - Jubilee Hills, General Bazar and Vengalrao Nagar (3 cases).

<sup>19</sup> ACs (ST) - Hyderguda, Narayanaguda, Miryalaguda, Nacharam, Ramgopalpet, Maharajgunj, Balanagar, M.G.Road, Rajendranagar and Gandhinagar (22 cases).

### 2.3.3 Excess allowance of ITC due to incorrect determination of purchase turnover

#### Excess allowance of ITC amounting to Rupees four crore due to incorrect determination of purchase turnover

According to VAT Act<sup>20</sup>, ITC is allowed to a VAT dealer for the Tax charged in respect of Taxable goods purchased by that dealer if such goods are for use in the business.

Rule 25(10) of the VAT Rules requires VAT dealers to furnish for every financial year to the prescribed Authority, statements of Manufacturing/Trading, Profit and Loss (P&L) accounts, Balance Sheet and Annual Report duly certified by a Chartered Accountant on or before 31 December subsequent to the financial year to which the statements relate. As per para 5.12 (a) of the VAT Audit Manual 2012, Audit Officer has to reconcile the figures given by the dealer on VAT returns with certified annual accounts.

Audit test checked (between July 2017 and August 2018) the VAT assessments and VAT records for the period from 2011-12 to 2015-16 and observed that in the case of 15 dealers pertaining to 12 Circles<sup>21</sup>, purchase turnover reported in VAT returns was in excess of that shown in the Profit and Loss Accounts. The AAs did not cross-check the accounts and adopted the figures reported in the returns to allow ITC, resulting in excess allowance of ITC of Rupees four crore.

Three Circles<sup>22</sup> replied that assessment files were sent to JC (ST) for further action; the remaining circles<sup>23</sup> assured that the matter would be examined.

The matter was referred to the Department (May 2019) and to the Government (September 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.4 Short or Non-levy of Value Added Tax

### 2.4.1 Short levy of Tax due to adoption of incorrect rate of Tax

#### Application of incorrect rates resulted in short levy of Tax aggregating ₹32.78 crore

According to VAT Act<sup>24</sup>, every dealer shall pay Tax on sale of Taxable goods at the rates specified in Schedules III, IV and VI of the Act. Goods which are not covered under the above mentioned Schedules fall under Schedule V and are liable to be Taxed at the rate of 14.5 *per cent*. Further, every dealer whose annual turnover is ₹1.50 crore and above in respect of sale or supply of goods, being food and drinks served in restaurants, sweet-stalls, clubs, eating houses or by caterers *etc.* are to be Taxed at the rate specified for Schedule V<sup>25</sup>.

<sup>20</sup> Section 13 (1) of VAT Act.

<sup>21</sup> ACs (ST) - Agapura, Hyderguda, Hydernagar, Jadcherla, Jeedimetla, Ladbazar, Madhapur, Marredpally, MG Road, Miryalaguda, Nacharam and Rajendranagar.

<sup>22</sup> ACs (ST) - Agapura, Jeedimetla and Madhapur.

<sup>23</sup> ACs (ST) - Hyderguda, Hydernagar, Jadcherla, Ladbazar, Marredpally, MG Road, Miryalaguda, Nacharam and Rajendranagar.

<sup>24</sup> Section 4 (3) of VAT Act.

<sup>25</sup> Section 4 (9) (c) of VAT Act.

Audit test checked (between March 2017 and November 2018) the VAT assessments and VAT records for the period from 2010-11 to 2017-18 and observed in the case of 29 dealers pertaining to 15 Circle Offices<sup>26</sup>, that in respect of three dealers who owned restaurant, bar and restaurant, canteen and bakery shops, whose annual total turnover was more than ₹1.50 crore, Tax was levied at the rate of five *per cent* only. Further in respect of 26 dealers, Tax was levied at the rate of four/ five *per cent* only though they were dealing in Schedule-V goods *viz.*, Leather footwear, Fabricated steel structures, Explosives, Doors & windows, Water purifiers, Empty gas cylinders, Phenyl, *etc.* This resulted in short levy of Tax of ₹ 32.78 crore on a turnover of ₹ 345.04 crore.

Four AAs<sup>27</sup> replied that files were submitted to JC (ST) for revision; show-cause notices were issued to the dealers by four AAs<sup>28</sup> and the remaining seven AAs<sup>29</sup> replied that the matter would be examined.

The matter was referred to the Department (March/April 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.4.2 Short levy of VAT

**Incorrect levy of Tax at five *per cent* instead of at 14.5 *per cent* on mobile phones resulted in short levy of Tax amounting to ₹ 43.89 crore**

According to VAT Act<sup>30</sup> every VAT dealer shall pay Tax at the rate of 14.5 per cent on the sale of goods falling under Schedule V. Government orders issued in March 2013<sup>31</sup> placed “Mobile Phones” under Schedule V. Prior to that, and post July 2016, these were under Schedule IV with tax rate of five *per cent*. Thus, sale of Mobile Phones during the intermediary period from 1 April 2013 to 27 July 2016<sup>32</sup> was to be taxed at 14.5 *per cent*.

Audit test checked (between August 2017 and November 2018) the VAT assessments and VAT records for the period from 2013-14 to 2016-17 and observed that in the case of 18 dealers pertaining to 12 Circles<sup>33</sup>, the AAs levied Tax on sale of Mobile phones at the rate of five *per cent* instead of at 14.5 *per cent*. This resulted in short-levy of Tax of ₹43.89 crore at differential rate of 9.5 *per cent* on a turnover of ₹ 461.96 crore.

Assistant Commissioner (ST), Srinagar Colony replied that files were submitted to JC (ST) for revision. ACs (ST), Mahabubnagar and Vidyanagar replied that showcause

<sup>26</sup> ACs (ST) - Agapura, Balanagar, Bhongir, Charminar, Hyderguda, IDA Gandhinagar, Jeedimetla, Malakpet, Malkajgiri, Nacharam, Narayanguda, RP Road, Rajendranagar, Tarnaka and Vengalrao Nagar.

<sup>27</sup> ACs (ST) - Jeedimetla, R P Road, Vengalrao Nagar and Charminar (9 cases).

<sup>28</sup> ACs (ST) - Agapura, Bhongir, IDA Gandhinagar and Malkajgiri (11 cases).

<sup>29</sup> ACs (ST) - Balanagar, Hyderguda, Malakpet, Nacharam, Naryanaguda-MJ Market, Rajendranagar and Tarnaka (12 cases).

<sup>30</sup> Section 4(3) of VAT Act.

<sup>31</sup> i) G.O.Ms.No.1615 Revenue (Commercial Taxes-II) Department, dated 31 August 2005 under Schedule IV at the rate of five *per cent*.

ii) G.O.Ms.No.140 Revenue (Commercial Taxes-II) Department, dated 19 March 2013 under Schedule V at the rate of 14.5 *per cent* and

iii) G.O.Ms.No.186 Revenue (Commercial Taxes-II) Department, dated 28 July 2016 under Schedule IV at the rate of five *per cent*.

<sup>32</sup> Mobile Phones were brought under Schedule IV in July 2016 liable to be Taxed at five *per cent*.

<sup>33</sup> ACs (ST) - Basheerbagh, Bowenpally, Hyderguda, Karimnagar-II, Madhapur, Mahabubnagar, MJ Market, Nampally, Narayanaguda- MJ Market, Srinagar Colony, Tarnaka and Vidyanagar.

notices have been issued to the dealers and the remaining nine AAs<sup>34</sup> replied that the matter would be examined.

The matter was referred to the Department (March/April 2019) and to the Government (September 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 2.4.3 Non-levy of Purchase Tax

#### **Non-adherence to the provisions of the Act resulted in non-levy of Purchase Tax of ₹84.43 lakh**

As per section 4 (4) of VAT Act, every VAT dealer, who in the course of his business, purchases any taxable goods, shall be liable to pay tax at the rate of five percent on the purchase price of such goods subject to the following conditions:

- (a) Purchase of taxable goods from a person or a dealer not Registered as a VAT dealer;
- (b) Purchase of taxable goods from a VAT dealer in circumstances under which no tax is payable by the selling VAT dealer;
- (c) After such purchase, the goods are used as inputs for goods which are exempt from tax under the Act.

Audit test checked (between October 2017 and February 2018) the VAT assessments and VAT records for the period from 2011-12 to 2015-16. In respect of three dealers pertaining to three offices<sup>35</sup>, the AAs did not levy purchase tax on two dealers who purchased taxable goods from unregistered dealers and used those goods as inputs for exempt sale. In another case, a SEZ dealer, purchased goods from VAT dealers without paying any tax and after purchase these goods were used as inputs for exempt sale but purchase tax was not levied. Non-adherence to the above provisions resulted in non-levy of purchase tax of ₹84.43 lakh.

In reply, AC (ST), Punjagutta stated that purchase tax is not leviable because the goods manufactured by the dealer were not exempt goods as enumerated in sub-item (i) of Section 4(4). The contention of the Department is not correct, as clause (i) of Section 4(4) states that after purchase, goods should be used as input for manufacture of the goods which are exempt from tax under the Act. Hence, it covers exempt goods as well as exempt sales<sup>36</sup> as opposed to Department's contention that it covers only exempt goods. In respect of one case, Deputy Commissioner (ST) Punjagutta replied that the matter would be examined. In another case, Asst. Commissioner (ST), Nizamabad-I replied that file has been submitted to JC (ST) for revision.

The matter was referred to the Department (April 2019) and to the Government (August 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>34</sup> ACs (ST) - Basheerbagh, Bowenpally, Hyderguda, Karimnagar-II, Madhapur, MJ Market, Nampally, Narayanaguda - MJ Market and Tarnaka.

<sup>35</sup> Deputy Commissioner (ST) - Punjagutta.  
ACs (ST) - Nizamabad-I and Punjagutta.

<sup>36</sup> Exempt goods are the goods enumerated in Schedule-I of the Act whereas exempt sales means though goods are taxable, tax is not leviable due to nature of transaction *i.e.* sale of taxable goods to SEZ units is exempt sales.

## 2.5 Inter-State sales

### 2.5.1 Non or Short levy of Tax on the turnover not covered by statutory forms

**Inter-State sales turnover not supported by statutory forms resulted in non/short levy of Tax of ₹9.54 crore**

According to CST Act and CST Rules,<sup>37</sup> the rate of Tax on inter-State sales not covered by 'C Forms' shall be at the rate applicable to the sale or purchase of such goods inside that State and under the Sales Tax laws of that State.

Audit test checked (between September 2017 and October 2018) the CST assessments and CST records for the period from 2012-13 to 2016-17. Of the 36 dealers pertaining to JC (ST), Abids and ten Circles<sup>38</sup>, it was found that in respect of 31 dealers, the AAs levied Tax at lesser rate of five *per cent* instead of 14.5 *per cent* for non-submission of 'C' Forms towards inter-State sale of Schedule-V goods. In the case of five dealers, no Tax was levied treating the commodities as exempt goods, although they were Taxable goods<sup>39</sup>. This resulted in short levy of Tax of ₹9.54 crore on the turnover of ₹112.16 crore.

In reply to audit, two AAs<sup>40</sup> stated that files have been submitted to JC (ST) for revision. Two AAs<sup>41</sup> replied that show cause notices have been issued to the dealers. The remaining AAs<sup>42</sup> stated that the matter would be examined.

The matter was referred to the Department (April/May 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 2.5.2 Non or Short levy of Tax due to non-availability of required documents and sale of intangible goods

**Sales turnover not supported by required documents and sale of intangible goods resulted in non or short levy of Tax of ₹41.32 crore**

According to CST Act and CST Rules<sup>43</sup>, if a dealer fails to submit necessary statutory forms in support of exports, branch transfers, transit sales etc., they are treated as interstate sales not covered by 'C' forms and Tax is levied at respective State rates applicable to such goods<sup>44</sup>. Further, the Hon'ble Supreme Court upheld<sup>45</sup> (March 2009)

<sup>37</sup> Section 8 of CST Act read with Rule 12 of CST Rules.

<sup>38</sup> ACs (ST) - Charminar, Bhongir, Nampally, Keesara, Bowenpally, Vidyanagar, Nacharam, Jeedimetla, Vengalrao Nagar and Punjagutta.

<sup>39</sup> The Tax leviable on these commodities was 5-14.5 *per cent*.

<sup>40</sup> ACs (ST) - Keesara and Jeedimetla (5 cases).

<sup>41</sup> ACs (ST) - Bowenpally and Vengalrao Nagar (7 cases).

<sup>42</sup> JC (ST) - Abids & ACs (ST) - Charminar, Bhongir, Nampally, Vidyanagar, Nacharam, and Punjagutta (24 cases).

<sup>43</sup> Sections 5, 6, 6A and 8 of CST Act read with Rule 12 of CST Rules.

<sup>44</sup> Section 8(2) of CST Act.

<sup>45</sup> Civil Appeal No. 4970 of 2008.

the judgement made by Hon'ble Allahabad High Court<sup>46</sup> for submission of 'F' Form declarations in respect of job work transactions to claim exemption.

As per Entry no. 2(vi) of Schedule IV of VAT Act, credits of Duty Entitlement Pass Book (DEPB) was chargeable to VAT at the rate of five *per cent* under Section 4(3) of the Act.

Audit test checked (between July 2017 and August 2018) the CST assessments and CST records for the period from 2010-11 to 2016-17. Out of 14 dealers pertaining to eight Circles,<sup>47</sup> it was found that in 11 cases, the AAs allowed exemption though the transactions were not supported by proper H-forms, Foreign buyer purchase orders, Shipping bills, Bill of lading, High sea sale agreement *etc.* Further, in three other cases, Tax (at five *per cent*) on sale of intangible goods (credit of Duty Entitlement Pass Book (DEPB)) was not collected by AC (ST) Medak. In two cases, Tax was not levied on inter-State job-works not supported by 'F' Forms. This resulted in non or short levy of Tax of ₹41.32 crore on the turnover of ₹443.50 crore.

AC (ST), Malkajgiri replied that notice was issued to the dealer and the remaining AAs<sup>48</sup> assured that the matter would be examined.

The matter was referred to the Department (July 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## **2.6 Non or Short levy of Tax due to incorrect determination of Taxable Turnover**

### **Variation in sales turnover between Profit and Loss accounts and assessment orders/ VAT ledgers led to non or short levy of Tax of ₹73.56 crore**

As per Section 21(4) of VAT Act, the competent authority may, based on any information available or on any other basis, conduct a detailed scrutiny of the accounts of any VAT dealer and where any assessment, as a result of such scrutiny, becomes necessary, such assessment shall be made within a period of six years from the end of the period for which assessment is to be made. As per Rule 25(10) of VAT Rules, all the VAT dealers are required to furnish for every financial year to the prescribed authority, the statements of manufacturing or trading, Profit and Loss accounts, balance sheet and annual report duly certified by Chartered Accountant on or before 31 December subsequent to the financial year to which the statements relate. As per para 5.12 of the VAT Audit Manual, 2012, audit officer has to reconcile the figures given by the dealer on VAT returns with certified annual accounts.

As per Sections 5, 6, 6A and 8 of the CST Act, read with Rule 12 of CST Rules, if the dealer fails to submit necessary statutory forms in support of exports, branch transfers, transit sales etc., the relevant transactions are to be treated as inter-State sales not covered

<sup>46</sup> M/s Ambica Steels Ltd. vs State of Uttar Pradesh (2008) 12 VST 216 (ALL HC DB).

<sup>47</sup> ACs (ST) - Karimnagar - II, Medak, Malkajgiri, Nacharam, Nampally, Nizamabad, R P Road and Srinagar Colony.

<sup>48</sup> AC (ST) - Karimnagar - II, Medak, Nacharam, Nampally, Nizamabad, R P Road and Srinagar Colony (12 cases).

by 'C' forms and Tax levied under Section 8(2) of the Act at the rates applicable to sale of such goods inside the appropriate State.

Audit test checked (between February 2017 and November 2018) the VAT/CST assessments and VAT/CST records for the period from 2011-12 to 2016-17. It was found that in 95 cases pertaining to three Divisions and 40 Circles,<sup>49</sup> there were variations in sales turnover between VAT assessments orders/VAT ledgers/CST assessments orders/CST ledgers and Profit and Loss accounts. Sale turnover as per accounts was more than the sale turnover as assessed in VAT/ CST assessments orders/ VAT/ CST ledgers. This resulted in non or short levy of Tax of ₹73.56 crore on the turnover of ₹743.07 crore as detailed in **Table 2.3**.

**Table 2.3**

**Variation in Turnover between P&L Account and VAT/CST assessments/VATIS Ledger**

(₹ in crore)

Sl. No.	Category	Turnover as per P&L A/c	Turnover as per AO/VATIS Ledger	Difference in turnover	Short levy of Tax
1.	CST	1760.38	1251.63	508.75	63.54
2.	VAT/VATIS ledger	1134.56	900.24	234.32	10.02
	<b>Total</b>	<b>2894.94</b>	<b>2151.87</b>	<b>743.07</b>	<b>73.56</b>

In reply to audit, nine AAs<sup>50</sup> in respect of 24 cases stated that files have been submitted to JC (ST) for necessary action or revision. Three AAs<sup>51</sup> in respect of three cases replied that show-cause notices have been issued to the dealers. In respect of one case AC (ST), IDA Gandhinagar replied that revision orders are to be issued. In one case AC(ST), Begumpet replied that the dealer has paid Tax at the rate of 1.25 *per cent* on the sale value at Sub-registrar's office and at the time of assessment paid Tax at the rate of 1.25 *per cent* on the advances appearing in their ledgers. The reply is not acceptable as the turnover assessed was less than the turnover as per P&L A/c. In another case, the JC (ST), Karimnagar replied that since the dealer has not claimed ITC on furniture at the time of purchase, no Tax was payable at the time of sale of such furniture as per Rule 20(2). The reply is not acceptable because furniture is not mentioned under Rule 20(2). Hence, as per Section 4(3) of VAT Act, Tax shall be leviable on sale of goods even if no ITC was claimed at the time of purchase. Remaining AAs<sup>52</sup> replied that the matter would be examined.

<sup>49</sup> JCs (ST) - Abids, Karimnagar and Secunderabad.

ACs (ST) - Adilabad, Agapura, Balanagar, Basheerbagh, Begumpet, Bhongir, Bodhan, Bowenpally, Charminar, Gadwal, General Bazar, Gowliguda, Hissamgunj, Hyderguda, Hydernagar, IDA Gandhinagar, Jeedimetla, Jubilee Hills, Karimnagar-II, Keesara, Madhapur, Mahabubnagar, Medak, Mehdipatnam, M.G.Road, MJ Market, Musheerabad, Nacharam, Nalgonda, Nampally, Narayanguda-MJ Market, Nizamabad-II, Nizamabad-III, Ramgopalpet, RP Road, Sangareddy, Srinagar Colony, Tarnaka, Vidyanagar and Vengalrao Nagar.

<sup>50</sup> ACs (ST) - Agapura, Jeedimetla, Jubilee Hills, Madhapur, Musheerabad, Nacharam, Nizamabad-II, RP Road and Srinagar Colony.

<sup>51</sup> ACs (ST) - Bowenpally, IDA Gandhinagar and Mahabubnagar.

<sup>52</sup> JCs (ST) - Abids and Secunderabad.

ACs (ST) - Adilabad, Balanagar, Basheerbagh, Begumpet, Bhongir, Bodhan, Charminar, Gadwal, General Bazar, Gowliguda, Hissamgunj, Hyderguda, Hydernagar, Karimnagar-II, Keesara, Medak, Mehdipatnam, M.G.Road, MJ Market, Nalgonda, Nampally, Narayanguda-MJ Market, Nizamabad-II, Nizamabad-III, Ramgopalpet, RP Road, Sangareddy, Srinagar Colony, Tarnaka, Vidyanagar and Vengalrao Nagar.

The matter was referred to the Department (February, May, June & July 2019) and to the Government (January 2020); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.7 VAT on Works Contracts

### 2.7.1 Payment of VAT under non-composition method

#### 2.7.1.1 Short levy of Tax on works contracts due to under-assessment of turnover

**Under-assessment of Taxable turnover under works contract resulted in short levy of Tax of ₹3.54 crore.**

According to VAT Act,<sup>53</sup> every dealer executing works contract shall pay Tax on the value of goods incorporated in the work at the rates applicable to the goods. Main contractor is exempted from Tax on the turnover which has been assessed in the hands of sub-contractors. Further, if the dealer does not maintain detailed accounts, Tax shall be levied at 14.5 per cent on the total consideration after allowing specified deduction from gross receipts.

Audit test checked (between November 2017 and August 2018) the VAT assessments and VAT records for the period from 2013-14 to 2015-16. In respect of five dealers pertaining to one Division and four Circle Offices,<sup>54</sup> it was found that:

- AC (ST) Balanagar allowed exemption to a main contractor on a turnover of ₹67.20 crore on the ground that the same was assessed in the hands of sub-contractor but turnover of ₹44.31 crore only was assessed in the hands of sub-contractor resulting in excess allowance of exemption on a turnover of ₹22.89 crore.
- Three AAs<sup>55</sup> have adopted turnover less than that shown in the Profit and Loss Account in three cases;
- In one case, AA<sup>56</sup> incorrectly exempted a work treating the same as 'labour work' though there was material incorporated in the work.

All the five dealers did not maintain detailed accounts to determine the value of goods incorporated in the works. Hence, Tax at the rate of 14.5 per cent on the Taxable turnover was chargeable. All the above omissions resulted in under assessment of Taxable turnover to an extent of ₹24.42 crore and consequent short levy of Tax of ₹3.54 crore.

Three AAs<sup>57</sup> replied that files were submitted to JC (ST) for revision and the other AAs<sup>58</sup> assured that the matter would be examined.

The matter was referred to the Department (May 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>53</sup> Section 4(7) (a) of VAT Act.

<sup>54</sup> JC (ST) - Begumpet, ACs (ST) - Balanagar, Jeedimetla, Ramgopalpet and Jubilee Hills.

<sup>55</sup> JC (ST) - Begumpet, ACs (ST) - Jeedimetla and Ramgopalpet.

<sup>56</sup> AC (ST) - Jubilee hills.

<sup>57</sup> ACs (ST) - Balanagar, Jeedimetla and Jubilee hills (three cases).

<sup>58</sup> JC (ST) - Begumpet and AC (ST) - Ramgopalpet (two cases).

### 2.7.1.2 Short levy of Tax due to incorrect allowance of ITC in works contracts

#### **Incorrect restriction of ITC resulted in excess allowance of ITC of ₹1.32 crore**

As per VAT Act,<sup>59</sup> ITC allowed in respect of a dealer executing Works Contracts is limited to 75 per cent of the related input Tax.

Audit test checked (between October 2017 and August 2018) the VAT assessments and VAT records for the period from 2011-12 to 2016-17. In five offices,<sup>60</sup> it was found that ITC was not restricted in respect of eight dealers who were engaged in works contracts related to printing. This resulted in excess allowance of ITC of ₹1.32 crore.

Two AAs<sup>61</sup> replied that files were submitted to JC (ST) for further necessary action. AC(ST) Narayanaguda replied that the dealer is not a works contractor, which is not acceptable, as the dealer is involved in printing activities and is adjusting his Output Tax through Form VAT 501A applicable to works contractor. The remaining two AAs<sup>62</sup> stated that the matter would be examined and report submitted in due course.

The matter was referred to the Department (April/May 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.7.2 Payment of VAT under composition method

### 2.7.2.1 Short levy of Tax on works contract under Composition Scheme

#### **Incorrect allowance of certain deductions on works contract under composition scheme resulted in short levy of Tax of ₹10.24 lakh**

According to VAT Act,<sup>63</sup> a works contractor can opt to pay Tax by way of composition at the rate of five per cent on the total consideration on works executed whereby Tax is payable on gross receipts without any deductions.

Audit test checked (between November and December 2017) the VAT assessments and VAT records for the period from 2012-13 to 2013-14. In respect of two dealers pertaining to AC (ST), Panjagutta, it was found that certain deductions viz. labour charges, payments made to sub-contractors etc. were incorrectly allowed as deductions from gross receipts in respect of two dealers. This resulted in short levy of Tax of ₹10.24 lakh.

AC (ST), Panjagutta assured that the matter would be examined.

The matter was referred to the Department (June 2019) and to the Government (September 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>59</sup> Section 4(7) (a) read with Section 13(7) of VAT Act.

<sup>60</sup> AC(ST)s - Hyderguda, Musheerabad, Narayanaguda, R.P.Road and Nizamabad-II.

<sup>61</sup> ACs (ST) - Musheerabad and RP Road (5 cases).

<sup>62</sup> ACs (ST) - Nizamabad-II and RP Road (2 cases).

<sup>63</sup> Section 4(7)(b) of VAT Act as amended w.e.f 15 September 2011.

## 2.8 Levy of penalties and interest under VAT

### 2.8.1 Non-levy of penalty and interest on belated payment of Tax

#### Penalty of ₹6.22 crore and interest of ₹4.28 crore on delayed payment of Tax by dealers was not levied

Every VAT dealer shall pay the Tax declared as due in Form VAT- 200 not later than 20 days after the end of the Tax period<sup>64</sup>. A dealer who fails to pay the Tax by the last day of the month in which it is due, shall pay the Tax along with a penalty of 10 *per cent* of the amount of Tax due<sup>65</sup>. If Tax or penalty due is not paid within the prescribed time, the dealer is liable to pay in addition to the amount of such Tax or Penalty, interest at the rate of 1.25 *per cent* per month for the period of delay<sup>66</sup>.

Audit test checked (between May 2017 and November 2018) the VAT assessments and VAT records for the period from March 2011 to June 2017. In respect of 360 dealers pertaining to 41 offices<sup>67</sup>, it was noticed that Tax was paid belatedly with delay ranging from one to 1,224 days as detailed in **Table 2.4**:

**Table 2.4: Age-wise analysis of delayed payments**

Sl. No.	Delay in number of days ( month/ year)	Number of dealers
1	1 to 180 days (up to 6 months)	201
2	181 days to 365 days (more than 6 months and up to one year)	94
3	366 days to 730 days (more than one year and up to two years)	29
4	Above 730 days (above two years)	36
	<b>Total</b>	<b>360</b>

The AAs did not levy penalty and interest. This resulted in non-levy of penalty of ₹6.22 crore and interest of ₹4.28 crore.

Five AAs<sup>68</sup> stated that show-cause notices have been issued to the dealers and the remaining AAs<sup>69</sup> assured that the matter would be examined.

The matter was referred to the Department (June 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>64</sup> As per Rule 24(1) of VAT Rules, every month is considered as a Tax period.

<sup>65</sup> Section 51(1) of VAT Act.

<sup>66</sup> Section 22 (2) of VAT Act.

<sup>67</sup> JCs (ST) - Abids, Begumpet, Charminar, Nizamabad and Karimnagar.

ACs (ST) - Balanagar, Basheerbagh, Beetbazar, Bodhan, Bowenpally, Charminar, Fathenagar, Gadwal, General Bazar, Gowliguda, Hissamgunj, Hydernagar, Jeedimetla, Khairatabad, Madhapur, Malakpet, Maredpally, Medak, M.G. Road, Miryalaguda, M.J. Market, Narayanguda- M.J. Market, Musheerabad, Nacharam, Nalgonda, Nampally, Narayanguda, Nirmal, Nizamabad – III, Rajendranagar, Ramgopalpet, Ranigunj, S.D. Road, Srinagarcolony, Tarnaka and Warangal.

<sup>68</sup> ACs (ST) - Balanagar, Bowenpally, Jeedimetla, Musheerabad and Khairatabad (67 dealers).

<sup>69</sup> JCs (ST) – Abids, Begumpet, Charminar, Nizamabad and Karimnagar (293 dealers).

ACs (ST) – Basheerbagh, Beetbazar, Bodhan, Charminar, Fathenagar, Gadwal, General Bazar, Gowliguda, Hissamgunj, Hydernagar, Madhapur, Malakpet, Maredpally, Medak, M.G. Road, Miryalaguda, M.J. Market, Nacharam, Nalgonda, Nampally, Narayanguda, Narayanguda- M.J. Market, Nirmal, Nizamabad – III, Rajendranagar, Ramgopalpet, Ranigunj, S.D. Road, Srinagarcolony, Tarnaka and Warangal.

## 2.8.2 Non or short-levy of penalties on under-declaration of Taxes

### Non/short levy of penalties of ₹5.13 crore on under-declared Taxes

Under Section 53(1) of VAT Act, a dealer who has under-declared Tax, is liable for penalty. If the under-declared Tax is less than 10 *per cent* of the Tax, the penalty shall be imposed at 10 *per cent* of such under-declared Tax; if it is more than 10 *per cent* of the Tax due, a penalty shall be imposed at 25 *per cent* of such under-declared Tax.

Further, as per Rule 25(8)(a) & (b) of VAT Rules, for the purpose of Section 53 -

- (a) the Tax under-declared in respect of input Tax means the excess of input Tax claimed over and above the input Tax actually entitled to be claimed; and
- (b) the Tax under-declared in respect of output Tax means the difference between output Tax actually chargeable and the output Tax declared in the returns.

Audit test checked (between September 2017 and November 2018) the VAT assessments and VAT records for the period from 2010-11 to 2017-18. In respect of 40 dealers pertaining to one Division and 24 Circles,<sup>70</sup> it was found that the dealers under-declared output Tax and/ or claimed excess Input Tax Credit of ₹36.83 crore. However, the AAs did not levy penalty in 27 cases and short levied penalty in the remaining 13 cases. This resulted in loss of revenue of ₹5.13 crore to the State Government as detailed in the **Table 2.5:**

**Table 2.5: Short / Non-levy of penalty**

(₹ in crore)

Subject	No. of cases	Short levy of penalty	Non-levy of penalty
Excess claim of ITC	5	0.11	0.07
Under-declaration of output Tax	30	0.23	1.80
Excess claim of ITC as well as under-declaration of output Tax	5	0.03	2.89
<b>Total</b>	<b>40</b>	<b>0.37</b>	<b>4.76</b>

In reply to Audit, four AAs<sup>71</sup> stated in respect of five cases that the files have been submitted to JC (ST) for revision. In respect of two cases, the AAs<sup>72</sup> replied that penalty notices have been issued. AC (ST) Saroornagar replied in respect of two cases that penalty order would be issued. In respect of remaining 31 cases, the AAs<sup>73</sup> replied that the matter would be examined.

The matter was referred to the Department (March/May 2019) and to the Government (July 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>70</sup> JC (ST) - Abids, ACs (ST) - Bhongir, Begumpet, Bowenpally, General Bazar, Hissamgunj, Hydernagar, Hyderguda, Jubilee Hills, Madhapur, Mehdipatnam, Maredpally, M.G. Road, Musheerabad, Nalgonda, Nacharam, Nampally, Narayanguda, Rajendra Nagar, Ranigunj, RP Road, Taranaka, Saroornagar, Special Commodities and SD Road.

<sup>71</sup> ACs (ST) - Begumpet, General Bazar, Hissamgunj and Jubilee Hills.

<sup>72</sup> ACs (ST) - Hissamgunj and Musheerabad.

<sup>73</sup> JCs (ST) - Abids, ACs (ST) - Bhongir, Bowenpally, Hydernagar, Hyderguda, Madhapur, Mehdipatnam, Maredpally, M.G. Road, Nalgonda, Nacharam, Nampally, Narayanguda, Rajendra Nagar, Ranigunj, RP Road, Taranaka, Special Commodities and SD Road.

### 2.8.3 Non or short levy of penalty on wilful under-declaration of Tax

#### Wilful under declaration of Tax or excess claim of ITC resulted in non or short levy of penalty of ₹30.72 crore

As per Section 53(3) of VAT Act, where it is established that a dealer committed fraud or wilful neglect while declaring Tax, he shall be liable to pay penalty equal to the Tax under declared.

Audit test checked (between January 2017 and July 2018) the VAT assessments and VAT records for the period from 2011-12 to 2016-17. In 19 cases pertaining to 14 Circles<sup>74</sup>, it was found that dealers wilfully<sup>75</sup> under declared Tax/claimed excess Input Tax Credit of ₹30.89 crore. The AAs short levied penalty in 13 cases and in six cases, no penalty was levied. This resulted in non-levy/short levy of penalty of ₹ 30.72 crore.

In reply to Audit, AAs<sup>76</sup> stated that in respect of two cases, penalty notices were issued. In three cases AC (ST), Madhapur replied that assessment files were submitted to JC (ST). In one case AC (ST), Agapura replied that assessment file would be submitted to JC (ST). AC (ST) Charminar replied that assessment orders could not be served to the dealer in respect of one case. In respect of remaining 12 cases, the AAs<sup>77</sup> replied that the matter would be examined.

The matter was referred to the Department (April 2019) and to the Government (July 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 2.8.4 Non or short levy of penalty for using false Tax invoice

#### Penalty of ₹2.04 crore was not levied or short levied on dealers for using false Tax invoice

According to Section 55(2) of VAT Act, any VAT dealer, who issues a false Tax invoice or knowingly receives a false Tax invoice, is liable to pay a penalty of 200 *per cent* of Tax shown on the false invoice.

Audit test checked (between July 2017 and November 2017) the VAT assessments and VAT records for the period from 2012-13 to 2015-16. In two cases pertaining to two Circles<sup>78</sup>, the AAs disallowed ITC based on false Tax invoices. However, the AAs did not levy penalty at 200 *per cent* as per Section 55(2) of VAT Act. In respect of AC(ST), Medak penalty was not levied and in respect of AC (ST), Suryapet penalty was levied under Section 53(1)(ii) at 25 *per cent* only. This resulted in non/short levy of penalty of ₹2.04 crore.

<sup>74</sup> ACs (ST) - Agapura, Beet Bazar, Bhongir, Charminar, Gowliguda, Gadwal, Madhapur, Malkajgiri, Musheerabad, Nacharam, Nizamabad - III, Rajendra Nagar, Saroornagar and Special Commodities.

<sup>75</sup> Wilful acts are discovered during verification at site or of Books of Accounts of the dealer which show that the dealer had suppressed his Taxable turnover.

<sup>76</sup> ACs (ST) - Musheerabad and Saroornagar.

<sup>77</sup> ACs (ST) - Beet Bazar, Bhongir, Gowliguda, Gadwal, Malkajgiri, Nacharam, Nizamabad - III, Rajendra Nagar, and Special Commodities.

<sup>78</sup> ACs (ST) - Medak and Suryapet.

AC (ST), Medak assured that the matter would be examined. AC (ST), Suryapet replied that penalty was collected. However, as verified from the copies of challans furnished, penalty was collected at 25 per cent only instead of 200 per cent on disallowed ITC.

The matter was referred to the Department (May 2019) and to the Government (September 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### **2.8.5 Short realisation of Tax and non-levy of penalty for failure to register as a VAT dealer**

**Failure to register as VAT dealers despite Taxable turnover exceeding the threshold limit resulted in short-realisation of Tax of ₹22.83 lakh and non-levy of penalty of ₹75.31 lakh**

As per VAT Act, the dealers who meet the following criteria are required to be registered as VAT dealers.

- (a) Taxable turnover in the preceding twelve months exceeds ₹50 lakh<sup>79</sup> (Section 17(3));
- (b) Engaged in supply or sale of goods being food, drinks served in restaurants, sweet stalls etc., with an annual turnover of more than ₹7.5 lakh and on which Tax is to be paid at the rate of five percent of the Taxable turnover (Section 17(5)(h) read with Section 4(9)(d));
- (c) Registered or liable to be registered under the CST Act, 1956, or any dealer making purchases or sales in the course of inter-State trade or commerce or dispatches any goods to a place outside the state other than by way of sale - irrespective of their Taxable turnover (Section 17(5)(b));
- (d) Executing any works contract exceeding ₹7.5 lakh for the Government or local authority or dealers opting to pay Tax by way of composition on works contract (Section 17 (5) (g)).

As per Rule 11(1) of the VAT Rules, the assessing authority may *suo moto*, register a dealer, who is liable to apply for registration as VAT dealer but has failed to do so.

Further, as per Section 49(2) of VAT Act, any dealer who fails to apply for registration before the end of the month subsequent to the month in which the obligation arose (as per section 17), shall be liable to pay a penalty of 25 per cent of the amount of Tax due prior to the date of the registration by the Registering Authority. There shall be no eligibility for Input Tax Credit for sales made prior to the date from which the registration is affected.

Audit test checked (between May 2017 and November 2018) the VAT assessments and VAT/ TOT records for the period from 2011-12 to 2017-18. In 40 cases pertaining to 13 Circles<sup>80</sup>, it was observed that the dealers who met the criteria for mandatory registration as VAT dealer under VAT Act, 2005 did not register themselves. Failure to

<sup>79</sup> With effect from 1 May 2009.

<sup>80</sup> Ashoknagar, Basheerbagh, Jubileehills, Keesara, Khairatabad, Khammam-III, MJ Market, Madhapur, Malkajgiri, Nacharam, Nizamabad-I, Nizamabad-II and Suryapet.

get the assessees registered as VAT dealers resulted in short realization of Tax of ₹20.75 lakh and incorrect allowance of ITC ₹2.08 lakh besides a penalty of ₹75.31 lakh as detailed in **Table 2.6:**

**Table-2.6: Details of short levy of Tax and penalty**

			(₹in lakh)
Subject	No. of cases	Short levy of Tax or incorrect allowance of ITC	Penalty
Turnover above the threshold limit of ₹50 lakh	13	15.52	75.31
Inter-State purchases	1	3.15	
Bakeries with turnover above ₹7.5 lakh and below ₹1.5 crore	2	2.08	
Un-registered VAT dealers (builders, contractors, etc.)	23	-	
Incorrect allowance of ITC	1	2.08	
<b>Total</b>	<b>40</b>	<b>22.83</b>	<b>75.31</b>

In response, AAs stated in respect of 22 cases that the penalty orders were issued but did not furnish any supporting evidence. In respect of remaining 18 cases, the AAs replied that the matter would be examined.

The matter was referred to the Department (February/May 2019) and to the Government (June 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## **2.9 Non-levy of penalty on Inter-State purchase of goods**

**Purchase of goods from outside the State by issuing 'C' Forms and using them for other than re-sale/in manufacturing process resulted in non-levy of penalty of ₹5.27 crore**

All the goods purchased against Form- 'C' shall be either resold or used as inputs in manufacturing process. A penalty not exceeding 1.5 times the Tax is to be imposed if the dealer violates the above provision.<sup>81</sup>

Audit test checked (February 2018) the VAT assessment and VAT/ Entry Tax records for the period from 2014-15 to 2015-16. In one case pertaining to JC (ST) Punjagutta Division, it was found that a dealer dealing in construction and sale of apartments, villas, etc. entered into an agreement with land owners for development of land into apartments. As per agreement, 42.44 per cent of total built-up area was to be transferred to land owners and the same was exempt from levy of VAT. The dealer had purchased goods worth ₹73.93 crore from outside the State by issuing 'C' Forms and utilised the same into construction. As 42.44 per cent of such purchases were used in construction of owner's share, the same were not put to re-sale, hence the dealer was not entitled to purchase them against Form-'C'. A maximum penalty of ₹5.27 crore could have been imposed for misuse of Form-'C'.

The AA assured that the matter would be examined.

<sup>81</sup> Under Section 10(d) of CST Act.

The matter was referred to the Department (April 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.10 Non-levy of penalty on self-consumption of Notified Goods

### Penalty of ₹5.56 crore for using notified goods for self-consumption was not levied

According to Section 3(2) of The Telangana Tax on Entry of Goods into Local Areas Act, 2001, any dealer importing notified goods from other States into any local area<sup>82</sup> for the purpose of re-sale or for use of the goods as inputs for manufacture of other goods in the State or inter-State trade is exempt from payment of Tax. If the dealer utilises the goods otherwise than by way of re-sale or as inputs he shall notify the AA of the self consumption of such goods and pay Tax, failing which, he is liable to pay Tax alongwith Penalty equivalent to the amount of Tax under Section 3(3) of the Act *ibid*.

Audit test checked (between June and August 2018) the Entry Tax assessment records for the period from 2011-12 to 2016-17. In two cases pertaining to one Division and one Circle<sup>83</sup>, dealers had utilised notified goods for purposes other than re-sale or as inputs for manufacture of goods for resale. On detection of this, the AAs had levied only the Entry Tax of ₹5.56 crore. They did not levy penalty of ₹5.56 crore as per the provisions.

The AAs assured that the matter would be examined.

The matter was referred to the Department (April, June 2019) and to the Government (October 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.11 Non collection of Profession Tax

### Profession Tax of ₹10.18 lakh was not collected from dealers

Under Section 4 of The Telangana Tax on Professions, Trades, Callings and Employment Act, 1987, every person engaged in any profession in the State shall be liable to pay a Tax as specified in the first Schedule of the Act. The administration of the Act was entrusted to the Commercial Taxes Department. An amount of ₹2,500 and ₹1,250 per annum is to be collected from VAT and Turnover Tax dealers respectively.

Audit test checked (between July 2018 and August 2018) the Profession Tax records for the period from 2015-16 to 2017-18. In respect of AC (ST), Bodhan Circle, it was found that the AA did not collect Profession Tax amounting to ₹10.18 lakh from 582 dealers.

The AA assured that the matter would be examined.

The matter was referred to the Department (June 2019) and to the Government (August 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>82</sup> “Local area” means the area of jurisdiction of a local authority i.e. Municipal Corporations/Municipalities/Cantonment Boards/Panchayats etc.

<sup>83</sup> JC (ST) - Adilabad & AC (ST) - Nacharam.

## 2.12 Goods and Services Tax (GST)

Goods and Services Tax (GST) was implemented with effect from 01 July 2017. GST is being levied on intra-State supply of goods or services (*except alcohol for human consumption and five specified petroleum products*<sup>84</sup>) separately but concurrently by the Union (CGST) and the States (SGST)/ Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-State supply of goods or services (including imports). Parliament has exclusive power to levy IGST.

State Government is empowered to regulate the provisions of TVAT Act, whereas, provisions relating to GST are regulated by Centre and State on the recommendation of the Goods and Services Tax Council (GSTC), which was constituted with representation from Centre and all the States to recommend on matters related to GST. The State Government notified (June 2017) the Telangana Goods and Services Tax (TGST) Act, 2017 and the Telangana Goods and Services Tax Rules, 2017 wherever various taxes were subsumed.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services under GST. It provides front-end IT services to taxpayers like registration, payment of tax and filing of returns. Back-end IT services include registration approval, taxpayer detail viewer, refund processing, MIS reports *etc.* GSTN developed the back-end IT services for States that did not have the requisite IT support systems. These States, including Telangana State, are referred to as Model – II States. Model-I States are those that have developed the back-end systems on their own.

With automation of the collection of GST having taken place, it is essential for Audit to have access to GST data to transition from sample checks to a comprehensive check of all transactions. Accountant General (Audit) has written to Commissioner of State Taxes, Telangana to provide access to GST data (May 2018 and November 2018). However, access to data is yet to be provided (September 2020). State Government stated that a clarification had been sought from GST Council regarding guidelines and procedures to be followed in providing access to the data to maintain uniformity with other States.

The reply is not acceptable as Section 18 of the CAG's (Duties, Powers Conditions of Service) (DPC) Act, 1971 provides the CAG with the mandate to access any record, accounts and other documents that are relevant to his inquiry. Further, as per Section 16 of DPC Act, it shall be the duty of the CAG to audit all receipts which are payable into the Consolidated Fund of India and each State. Thus, not having access to the data pertaining to all GST transactions is violation of the provisions of CAG's DPC Act and has come in the way of comprehensively auditing the GST receipts of 2018-19.

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<sup>84</sup> Petroleum products: crude, high speed diesel, petrol, aviation turbine fuel and natural gas.

## 2.12.1 GST Refunds

### 2.12.1.1 Excess allowance of GST Refund

#### **Non verification of Returns filed by assessee resulted in excess refund of ₹ 28.13 lakh**

According to TGST Rules<sup>85</sup> read with the Integrated Goods and Services Tax Act, 2017<sup>86</sup> (IGST Act), a registered Tax payer can claim refund of ITC in the case of zero-rated supply of goods<sup>87</sup> or services or both without payment of Tax at the end of any Tax period. Key concepts:

- i) 'Turnover of zero-rated supply of goods' means the value of zero-rated supply of goods made during the relevant period without payment of Tax.
- ii) 'Net ITC' means input Tax credit availed on inputs and input services during the relevant period (*i.e.* ITC Availed (-) ITC reversed).
- iii) 'Adjusted Total Turnover' means the sum total of the value of the turnover excluding the value of exempt supplies other than zero-rated supplies.
- iv) 'Relevant period' means the period for which the claim has been filed.

Audit test checked (July 2019) the GST refund records (Forms GSTR 3B and RFD 01) for the period 2017-18. In the case of two dealers pertaining to AC(ST), Begumpet Circle, it was noticed that the Net ITC and Adjusted Total Turnover reported (RFD 01) were not in agreement with the respective monthly returns (GSTR 3B)<sup>88</sup> filed by the assessee. The AA, while authorizing the claims, did not verify the Returns, which resulted in excess refund of ₹28.13 lakh.

AC (ST), Begumpet assured that the matter would be examined (July 2019).

The matter was referred to the Department (October 2019) and to the Government (November 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 2.12.2 GST Transitional credit claims

### 2.12.2.1 Incorrect claim of transitional credit

#### **Incorrect claim of transitional credit of ₹6.06 lakh without filing or filing of returns after due date**

As per Section 140(1) of the Telangana GST Act, 2017, a registered person, other than a person opting to pay tax under Section 10, was entitled to carry forward and claim un-availed amount of Input Tax Credit of the pre-GST regime in the GST regime provided that he has filed all the returns due under the pre-GST laws for the period of six months immediately preceding the appointed date or within the time period as may be extended by the Commissioner, by way of filing a Return (TRAN-1). The amount of credit specified in the application in FORM GST TRAN-1 shall be credited to the

<sup>85</sup> Rule 89 (4) of TGST Rules.

<sup>86</sup> Section 16 (3) of IGST Act.

<sup>87</sup> Export of goods or services or both to a Special Economic Zone developer or unit.

<sup>88</sup> Returns filed by the assessee in form GSTR-3B for the period from October 2017 to March 2018.

electronic credit ledger of the applicant maintained in FORM GST PMT 2 on the common portal.

The claims to be preferred in TRAN-1 Returns were to be examined by the Department against the above requirements. Department gave instructions to the AAs to verify only top 30 cases where transitional credit was claimed on stock.

Audit test checked (between April and May 2019) the transitional credit claims and VAT records for the period 2017-18. In the case of five dealers pertaining to three Circles<sup>89</sup>, it was noticed that dealers had incorrectly claimed transitional credit as they did not file VAT returns for the period of six months immediately preceding the appointed day. This resulted in incorrect claim of transitional credit of ₹6.06 lakh. As the Department gave instructions to the AAs to verify only top 30 cases where transitional credit was claimed on stock, the possibility of remaining cases of erroneous transitional credit claims being detected is remote.

The AAs have assured that the matter would be examined.

The matter was referred to the Department (October 2019) and to the Government (December 2019); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

#### ***2.12.2.2 Excess claim of transitional credit***

##### **Excess claim of transitional credit of ₹1.27 crore than the credit shown in the monthly VAT returns**

According to TGST Act,<sup>90</sup> a registered person is entitled to take in his electronic credit ledger (in form TRAN-I) the credit of VAT carried forward in the return (VAT return) relating to the period ending with the day immediately preceding the appointed day<sup>91</sup>. Department gave instructions to the AAs to verify only top 30 cases where transitional credit was claimed on stock.

Audit test checked (between April and June 2019) the transitional credit claims and VAT records for the period 2017-18. In the case of 33 dealers pertaining to four Circles,<sup>92</sup> it was noticed that dealers had claimed SGST transitional credit (in form TRAN-I) in excess of the credit shown in their VAT returns (June 2017) resulting in excess claim of transitional credit of ₹1.27 crore by the dealers. As the Department gave instructions to the AAs to verify only top 30 cases where transitional credit was claimed on stock, the possibility of remaining cases of erroneous transitional credit claims being detected is remote.

The AAs assured that the matter would be examined.

The matter was referred to the Department (October 2019) and to the Government (January 2020); Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>89</sup> ACs (ST) - Gadwal, Jadcherla and Sanathnagar.

<sup>90</sup> Section 140(1) of TGST Act.

<sup>91</sup> 'Appointed day' means the day GST Act was introduced i.e., 01 July 2017. Hence, the credit available in the VAT return as on 30 June 2017 shall be carried forward to Tran-I.

<sup>92</sup> ACs (ST) - Begumbazar, Ladbazar, Warangal Urban and Jadcharla.

# Chapter III

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## **State Excise Duties**

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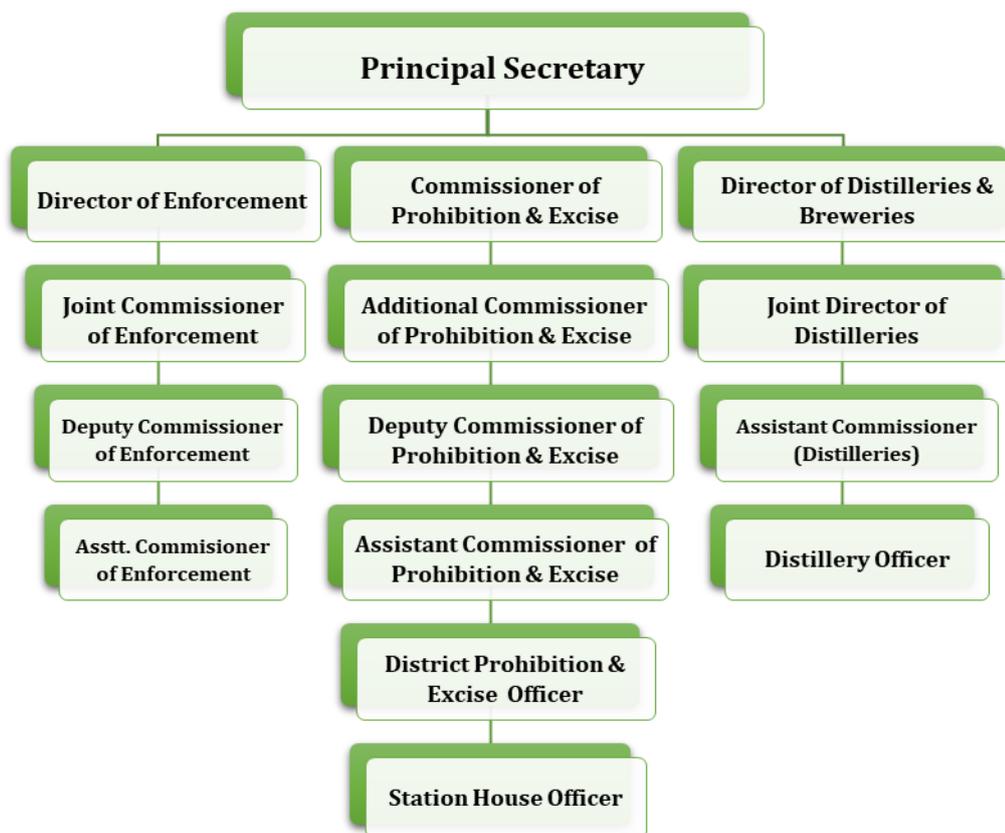


### 3.1 Tax Administration

Prohibition and Excise (P&E) Department is governed by ‘The Telangana Excise Act, 1968’, ‘The Telangana Prohibition Act, 1995’<sup>1</sup> and ‘The Narcotic Drugs and Psychotropic Substances Act, 1985’ (Central Act) and makes policies pertaining to Prohibition & Excise in the State of Telangana. The Department ensures that Excise Revenue is protected and collected according to the relevant Acts and Rules. It also creates awareness among the people of Telangana on the evil effects of consumption of alcoholic products and also illicit distillation of liquor and encourages establishment of Drug De-Addiction Centers.

The Principal Secretary to Government, Revenue Department is the administrative head of the department at the Government level. The organizational set up of the Department for administration of tax is depicted in the organogram given below:

**Figure-3.1: Organogram**



State Excise revenue forms the third largest source of revenue for the State and accounts for 10.49 *per cent* of the total revenue of the State. It has been increasing from year-to-year since the formation of Telangana State in June 2014 and has exceeded the budget estimates during the three-year period 2016-17 to 2018-19. During the year 2018-19, the total revenue from Excise was ₹10,637.56 crore<sup>2</sup>. The monthly break-up of Excise revenue during the year is given below.

<sup>1</sup> Government of Telangana vide G.O.Ms.No.45, Law(F) dated 1 June 2016 adopted the said Act of combined State of Andhra Pradesh.

<sup>2</sup> Source: Finance Accounts of Government of Telangana for 2018-19.

**Chart 3.1 State Excise revenue realised for the Financial Year 2018-2019**



### 3.2 Results of Audit

Audit of State Excise receipts was conducted through a test check of the relevant records in 39 out of 94 Excise units (41.49 per cent) in the State during 2018-19, to gain assurance that the Taxes are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. These 39 units were selected based on revenue collected. Audit noticed instances of deviations/non-compliance with the provisions of the Acts and Rules in 87 cases involving an amount of ₹23.38 crore, due to various reasons, as detailed below in **Table 3.1:**

**Table-3.1 Categories of Audit Observations on Excise tax receipts**

(₹in crore)

Sl. No.	Category of Audit observations	No. of deviations	Amount
1	Non-levy or short levy of Excise Tax and interest thereon	38	7.30
2	Non-levy of interest	8	0.99
3	Loss of revenue due to non-registration of lease deeds	11	1.97
4	Non-levy or short levy or non-fixation of toddy rentals	4	0.14
5	Non-levy or short levy of compounding fee	6	0.11
6	Non-levy or short levy of penalty	12	0.74
7	Other irregularities	8	12.13
	<b>Total</b>	<b>87</b>	<b>23.38</b>

There are seven broad categories of audit observations under State Excise as detailed above. Since audit findings are based on a test check, the Department needs to examine all the units to ensure that the taxes are levied as per the provisions of the Act and Rules<sup>3</sup>.

<sup>3</sup> The Telangana Excise Act, 1968 read with (1) The Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules, 2012; (2) The Telangana Excise (Grant of Licence of Selling by Bar and Conditions of Licence) Rules, 2005; (3) The Telangana Excise (Grant of Licence of Selling by In-House and Conditions of Licence) Rules, 2005 read with Government Orders and (4) The Telangana Excise (Levy of Interest on Government Dues) Rules, 1982.

Significant cases involving non-compliance with the provisions of the Acts and Rules by the District Prohibition and Excise Officers (DPEOs) that resulted in short levy or non-levy of taxes of ₹ 3.65 crore in 19 cases are discussed in the subsequent paragraphs.

### 3.3 Short levy and collection of Excise Tax for Liquor Shops/ Bars

**Excise tax to the tune of ₹2.70 crore was short levied from shops and bar located within the periphery of Greater Hyderabad Municipal Corporation.**

As per Section 28 of The Telangana Excise Act, 1968 read with Rule 16<sup>4</sup> of Telangana Excise Rules, 2012, Rule 10<sup>5</sup> of Telangana Excise Rules, 2005 and Government Orders<sup>6</sup>, excise tax is leviable on retail liquor shops (A4 Shops) and bars (2B bars)<sup>7</sup> at the rate of ₹1.10 crore and ₹40.00 lakh respectively for the period 2017-19. The orders further stipulate that excise tax for shops/bars situated within the municipal limits will also apply to shops/bars situated within five kilometers (km) of municipal corporation areas.

Audit test checked (January 2019) the records of the District Prohibition & Excise Officer (DPEO), Shamshabad and found that the DPEO had issued licences for two A4 shops and one 2B bar in Gandipet village which is adjacent to Khanapur village which is in the periphery of Greater Hyderabad Municipal Corporation.<sup>8</sup>

As these shops and bar were located within the periphery of Greater Hyderabad Municipal Corporation, excise tax should have been levied on par with shops/bars located in Municipal Corporation area. However, the Department levied excise tax of ₹2.10 crore instead of ₹4.80 crore which resulted in short levy of excise tax of ₹2.70 crore.

The matter was referred to Department in August 2019 and to the Government in September 2019; Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 3.4 Non-levy of interest on belated payment of Excise Tax for Liquor Shops/Permit Rooms/Bars

**Excise Tax was paid after due date with delays and interest on belated payment of ₹ 65.62 lakh was not levied by the concerned DPEOs.**

The licence holders of retail liquor shops, permit rooms and bars are required to pay Excise Tax on or before the dates prescribed in the Telangana Excise Rules<sup>9</sup>. Payment of

<sup>4</sup> Grant of Licence of Selling by Shop and Conditions of Licence Rules, 2012.

<sup>5</sup> Grant of Licence of Selling by Bar and Conditions of Licence Rules, 2005.

<sup>6</sup> G.O. Ms.No.200 and 201 of Revenue (Excise-II) Department, dated 12 September 2017 -A4 shops.

G.O. Ms. No.222 Revenue (Excise-II) Department, dated 27 September 2017 – 2B Bars.

<sup>7</sup> Licences to establish a liquor shop and to run a bar are issued in Form A4 and Form 2B respectively.

<sup>8</sup> G.O.Ms. No. 407 of MA&UD(Elec-II) Department dated 31 August 2013.

<sup>9</sup> Rule 12 and Rule 25 (2) of The Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules, 2012 and Rule 10 of The Telangana Excise (Grant of Licence of Selling by Bar and Conditions of Licence) Rules, 2005.

Excise Tax after the due dates is treated as 'arrears of revenue' and interest at the rate of 18 per cent per annum is leviable on such arrears of revenue<sup>10</sup>.

Audit test checked (between April 2018 and January 2019) the records of the offices of 10 DPEOs<sup>11</sup> and observed that 685 licensees paid the Excise Tax belatedly with delays ranging from 1 to 889 days. The DPEOs concerned did not levy interest on belated payments made to an extent of ₹65.62 lakh.

In reply to Audit, five DPEOs<sup>12</sup> stated that action would be taken to collect the interest, four DPEOs<sup>13</sup> stated that the matter would be examined and DPEO, Jogulamba Gadwal replied that A4 Shops pointed out by Audit were transferred to the jurisdiction of other DPEOs and awaiting their reply.

The matter was referred to the Department in June 2019 and to the Government in September 2019; Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 3.5 Short or non-collection of Compounding Fee

**Compounding Fee amounting to ₹10.89 lakh was not collected/ short collected in several offences.**

As per the Telangana Excise Rules,<sup>14</sup> every licensee has to follow licence rules while conducting liquor business. The Commissioner of Prohibition and Excise issued instructions<sup>15</sup> to collect compounding fee for offences such as non-maintenance/ non-production of accounts, violation of business hours and sale of liquor to persons below 21 years of age, etc.

Audit scrutinised (between September 2018 and January 2019) station house records of five DPEOs<sup>16</sup> and observed that 43 excise offences,<sup>17</sup> which were compoundable in nature, were booked by the excise officers. However, in respect of 39 cases, the DPEOs concerned did not collect the compounding fee and in respect of 4 cases,<sup>18</sup> compounding fee was short collected from the licensees. This resulted in short or non-collection of compounding fee of ₹10.89 lakh.

DPEOs Saroornagar, Secunderabad, Shamshabad, Nagarkurnool replied that action would be taken to collect the compounding fee and DPEO, Hyderabad assured a detailed reply.

<sup>10</sup> Section 65 of The Telangana Excise Act, 1968 read with Rule 3 of The Telangana Excise (Levy of Interest on Government Dues) Rules, 1982.

<sup>11</sup> DPEOs Adilabad, Hyderabad, Jogulamba-Gadwal, Khammam, Mahabubnagar, Nalgonda, Peddapalli, Saroornagar, Shamshabad and Vikarabad.

<sup>12</sup> DPEOs Mahabubnagar, Peddapalli, Saroornagar, Shamshabad and Vikarabad.

<sup>13</sup> DPEOs Adilabad, Hyderabad, Khammam and Nalgonda.

<sup>14</sup> The Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules, 2012 and The Telangana Excise (Grant of Licence of Selling by Bar and Conditions of Licence) Rules, 2005.

<sup>15</sup> Circular Number 302/2014/CPE/TS/F4-1 dated 15 December 2015 and Circular No.302/2014/CPE/TS/F4 dated 06 February 2016.

<sup>16</sup> DPEOs Hyderabad, Nagarkurnool, Saroornagar, Secunderabad, Shamshabad.

<sup>17</sup> Sale of liquor in unauthorised premises, non-production of nowkarnama and non-updation of accounts, etc.

<sup>18</sup> DPEOs – Hyderabad-2 cases, Saroornagar-1 case and Nagarkurnool-1 case.

The matter was referred to the Department in May 2019 and to the Government in September 2019; Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 3.6 Non-levy of additional 'In-House Consumption Excise Tax' on Club Licensees

**'In-House Consumption Excise Tax' of ₹ 9.60 lakh was not levied on two club licensees having additional plinth area of more than 500 square meters each.**

As per Rule 11 of the Telangana Excise (Grant of Licence of Selling by In-House and Conditions of Licence) Rules 2005, 'In-House Consumption Excise Tax' of ₹6 lakh per year is leviable on club licensees holding a plinth area up to 500 square meters (sq. mt) in areas with population that exceeds the prescribed limit<sup>19</sup>. Further, as per Government Order<sup>20</sup>, an additional 'In-House Consumption Excise Tax' at the rate of 10 per cent is leviable for every additional 500 sq. mt of such plinth area.

Audit scrutinised (February 2019) the club licence renewal files for the period 2016-17 in the office of the Commissioner of Prohibition and Excise, Hyderabad and observed that additional 'In-House Consumption Excise Tax' of ₹9.60 lakh was not levied on two club licensees<sup>21</sup> who held additional plinth area of more than 500 sq. mt each.

The matter was referred to the Department in June 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 3.7 Non-levy of permit room Excise Tax in respect of Liquor Shops

**Permit Room Excise Tax of ₹8.68 lakh was not levied/not proportionately levied though the population of the locality of Liquor shops was above 5,000.**

All retail liquor shop licence holders in places where population is 5,000 and above are required to establish permit rooms adjacent to such shops<sup>22</sup>. Government Order<sup>23</sup> dated 26 February 2016 required all retail liquor shops to have permit rooms adjacent to such shops. For a permit room, Excise Tax of Rupees four lakh for two years was payable in two instalments<sup>24</sup>.

Audit test checked (between July and December 2018) the records of the offices of DPEOs, Nagarkurnool and Jogulamba Gadwal and observed that two A4 shops that got licences prior to February 2016 in Peddakothapally village (having a population of more than 5,000) had not established permit rooms.

<sup>19</sup> Where population of the revenue village and in its hamlets/municipality/municipal corporation is above 3,00,000.

<sup>20</sup> G.O.Ms.No.184 Revenue (Excise-II) Department, dated 25 July 2016.

<sup>21</sup> M/s Nizam Club, Hyderabad and M/s Fathemaidan Club, Hyderabad.

<sup>22</sup> As per Section 28 of The Telangana Excise Act, 1968 read with Rule 25(2) of The Telangana Excise (Grant of Licence of Selling by Shop and Conditions of Licence) Rules, 2012.

<sup>23</sup> G.O.Ms.No.39, Revenue (Ex-II) Department, dated 26 February 2016, effective date for establishing permit room was 29 February 2016.

<sup>24</sup> As per para 13, G.O.Ms.No.163 Revenue (Ex-II) Department dated 11 September 2015.

Audit also observed that DPEO, Jogulamba Gadwal did not levy permit room Excise Tax proportionately on four A4 shops for the period of licence from 01 March 2016 to 30 September 2016.

The above lapses resulted in non-levy of Excise Tax of Rupees four lakh and ₹4.68 lakh respectively, resulting in loss of revenue of ₹8.68 lakh.

The matter was referred to the Department in August 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

# Chapter IV

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## **Stamp Duty and Registration Fee**

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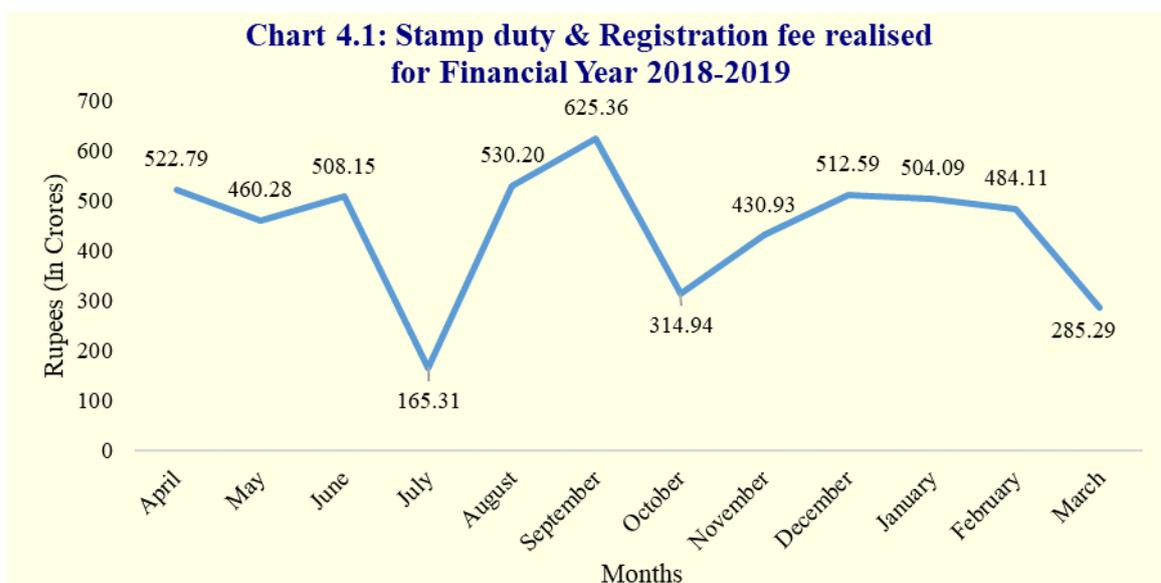
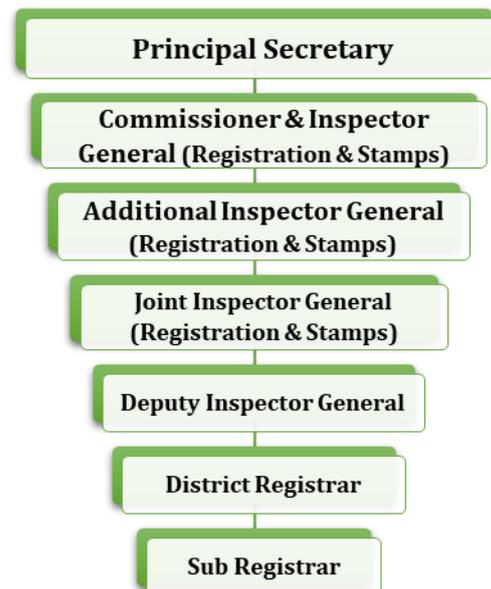
## 4.1 Tax Administration

Registration and Stamps Department is primarily entrusted with registration of documents and is responsible for determining and collecting stamp duty and registration fees on registration of various documents/instruments by the general public. The Department also enforces administration of the Indian Stamp (IS) Act, 1899 and the Registration Act, 1908, as amended from time to time and rules framed therein.

The Commissioner and Inspector General (CIGRS), Registration and Stamps exercises overall superintendence of all the registration offices in the State. He is assisted by the region-wise Deputy IGs. The District Registrar (DR) is in charge of the district and supervises the work of Sub-Registrars (SRs) in the district concerned. The important functionaries of the Department are depicted in the organogram below.

Stamp Duty and Registration fee forms the fourth largest source of revenue for the State and accounts for 5.27 per cent of the total revenue of the State. It has been increasing from year-to-year since the formation of Telangana State in June 2014 and has exceeded the budget estimates during the two-year period 2017-18 to 2018-19. The total revenue from Registration & Stamps Department during 2018-19 was ₹5,344.04 crore<sup>1</sup>. The monthly break-up of department's revenue during the year is given in **Chart 4.1**.

**Figure-4.1: Organogram**



<sup>1</sup> Source: Finance Accounts of Government of Telangana for 2018-19.

## 4.2 Results of Audit

Registration is being carried out through a computerised system called 'Computer Aided Administration in Registration Department (CARD)' in client server Architecture.

All the documents registered by SROs are scanned and uploaded to centralized server chronologically and all these scanned image files of the documents are being stored in central server. As per Audit's request to enable audit teams to download these documents for exercising prescribed checks, the Commissioner and Inspector General (Registration & Stamps) facilitated audit users with access to image files of the documents.

Audit of Stamp duty & Registration Fee receipts was conducted through a test check of relevant records and transactional data in 91 out of 159 offices (57.23 per cent) in the State during 2018-19 to gain assurance that the stamp duty and registration fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. These 91 offices were selected on the basis of revenue collected. Audit brought out instances of non-levy or short levy of duties/fees, etc., in 464 cases involving an amount of ₹46.73 crore, as detailed in **Table 4.1:**

**Table-4.1: Categories of Audit observations on Stamps & Registration Fees receipts**

(₹ in crore)

Sl. No.	Category of Audit observations	No. of deviations	Amount
1	Short levy of Duties	240	25.04
2	Undervaluation of properties	72	14.50
3	Misclassification of Documents	24	1.98
4	Non-Registration of Compulsorily Registerable Documents	85	3.25
5	Short Levy of Registration Fee	6	0.60
6	Incorrect exemption of Stamp Duty	17	0.23
7	Loss of Revenue	8	0.28
8	Other Irregularities	12	0.85
	<b>Total</b>	<b>464</b>	<b>46.73</b>

During the year 2018-19, the Department accepted under-assessments and other deficiencies of ₹ 15.90 lakh in 42 cases pertaining to previous years and this amount was realised during the year.

There are eight broad categories of audit observations under Stamp Duty & Registration Fee. There may be similar irregularities, errors/omissions in other units under the department but not covered in the test audit. Department may, therefore, examine all the units to ensure that the taxes are levied as per provisions of the Act and Rules.

Significant cases of non-compliance with the provisions of the Acts/Rules by the Registering Authorities (RAs) in the cases brought out in the following paragraphs resulted in short-realisation of Stamp Duty and Registration Fee of ₹10.36 crore in 220 cases.

### 4.3 Short collection of Registration fee on instruments creating *Paripassu* charge

*Paripassu*<sup>2</sup> agreements come into existence when an industrial firm/company obtains credit facilities from more than one financial institution by offering securities on *paripassu* basis in the form of ‘Simple Mortgage’, mortgage by deposit of title deeds’ and ‘hypothecation of movable properties’.

Government<sup>3</sup> prescribed levy of Registration Fee at 0.5 *per cent* on the amount of loans secured by instruments which create charge on *paripassu* basis.

Audit test checked (May 2017 and June 2018) the records of District Registrar, Medak and Sub Registrar, Bibinagar and noticed that in respect of three documents, the Registering Officer collected Registration Fee of ₹10,000 instead of charging the fee at 0.5 *per cent* on the loan amount. This resulted in short collection of Registration Fee of ₹4.85 crore.

District Registrar, Medak and Sub Registrar, Bibinagar assured a detailed reply. The matter was referred to the Department in April 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 4.4 Short levy of duties and fees due to misclassification of transactions in registered documents

Schedule I-A of Indian Stamp Act, 1899 provides rates of duties and fees to be adopted based on classification of documents. Further, the Commissioner and Inspector General of Registration and Stamps had issued instructions<sup>4</sup> that the Sub-Registrars should scrutinise the recitals of the document presented for Registration thoroughly, so as to arrive at the correct classification of the document for adoption of the applicable rates of duties and fees.

Audit test-checked (August 2017 - November 2018) the registered documents in 12 Sub Registrar Offices<sup>5</sup> and two DR offices<sup>6</sup> and found that in respect of 23 documents, there was short levy of duties and fees due to misclassification of transactions amounting to ₹1.67 crore as given in **Appendix-4.1**.

District Registrars and Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in May 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>2</sup> *Paripassu* is a latin phrase meaning “equal footing”. When an immovable property of a borrower is mortgaged as security to multiple lenders, the rights in the property, created in favour of the lenders would rank equal without any preference or priority for any lender over the others for all intents and purposes.

<sup>3</sup> G.O. Ms. No 463 (Registration-I) Department, dated 17 August 2013.

<sup>4</sup> Memo no.FR1/1A/4946/96 dated 16 October 2000.

<sup>5</sup> SROs- Kapra, L B Nagar, Maheswaram, Malkajgiri, Mancherial, Maredpally, Miryalaguda, Narayanpet, Nakrekal, Saroornagar, Sircilla and Uppal.

<sup>6</sup> DRs - Rangareddy and Warangal.

#### **4.5 Short levy of Duties and Registration Fees on agricultural lands converted for non-agricultural purposes**

The total consideration of a converted land shall include the market value of the property and all other facts and circumstances affecting the levy of duty on any instrument.<sup>7</sup> Further, the registering officer or any other officer appointed/authorised under the Registration Act, 1908 may inspect the related property, make necessary local enquiries, call for and examine all the connected records and satisfy that the above provisions are complied with. Telangana Revision of Market Value Guidelines 1998 stipulates adoption of different market value rates for agriculture lands, agricultural lands fit for house sites and non-agriculture lands (residential plot, etc.) on acreage/square yard basis for the purpose of valuation, levy of stamp duty and Registration fee.

Audit test-checked (between February 2018 and October 2018) the registered documents of 11 Sub Registrar<sup>8</sup> and two District Registrar<sup>9</sup> offices and found that in 33 documents the registering officers, had adopted a lesser rate applicable to agricultural lands in respect of lands whose conversion for non-agricultural purposes had already been approved by the Revenue Authorities. Due to suppression of fact of conversion by the executants and non-verification of the same by registering authorities, the properties were valued at ₹4.89 crore instead of at ₹27.25 crore resulting in undervaluation of the properties by ₹22.36 crore and short levy of stamp duty and registration fee of ₹1.27 crore.

District Registrars and Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in September 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

#### **4.6 Non-levy of duties on documents involving distinct matters**

According to Indian Stamp Act 1899,<sup>10</sup> any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of the duties with which each separate instrument would be chargeable under the Act.

Audit test-checked (May 2017– November 2018) the registered documents of 10 Sub-Registrar offices<sup>11</sup> and two District Registrar Offices<sup>12</sup> and found that in respect of 15 registered documents, duties were not levied on various distinct matters<sup>13</sup> involved in these documents which resulted in short levy of duties amounting to ₹74.88 lakh as given in *Appendix 4.2*.

District Registrars and Sub-Registrars concerned assured a detailed reply.

<sup>7</sup> Section 27 of the Indian Stamp Act, 1899.

<sup>8</sup> Sub Registrars - Mahabubabad, Makthal, Maheswaram, Jadcherla, Armoor, Zahirabad, Kodad, Kalwarkurthy, Miryalguda, Ghatkesar and Nagarkurnool.

<sup>9</sup> Mahabubnagar and Warangal.

<sup>10</sup> Section 5 of the Indian Stamp Act, 1899.

<sup>11</sup> SROs- Gajwel, Golconda, Mahabubabad, Maheswaram, Mancherial, Shamirpet, Qutubullapur, Secunderabad, Shankarpally and Warangal (Fort).

<sup>12</sup> DRs- Rangareddy and Medak.

<sup>13</sup> Conveyance of cash in Sale deed, Conveyance of cash in Development cum General Power of Attorney and Release in a Partition deed.

The matter was referred to the Department in June 2019 and to the Government in November 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

#### **4.7 Short levy of duties due to non-adoption of valuation instructions in respect of rural properties**

As per instructions of the Commissioner and Inspector General of Registration and Stamps<sup>14</sup>, when the rate for valuation of rural properties is not found against a Survey number mentioned in the schedule of the property, the rate of Form IV for the survey numbers mentioned in the boundaries is to be adopted.

Audit test checked (September 2018 to October 2018) the registered documents of eight Sub Registrar Offices<sup>15</sup> and three District Registrar Offices<sup>16</sup> and found that in respect of 15 documents, the Registration Authorities, while levying duties, did not adopt the rate of Form-IV for the survey numbers mentioned in the boundaries in cases where the rate for valuation was not found for the survey numbers mentioned in the schedule of property. This resulted in short levy of duties amounting to ₹62.99 lakh as detailed in *Appendix 4.3*.

District Registrars and Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in June 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

#### **4.8 Short levy of duties in Registered Documents**

According to Indian Stamp (IS) Act, 1899<sup>17</sup>, stamp duty, transfer duty and registration fee are leviable at specified rates in respect of various types of documents at the time of their registration.

Audit test-checked (May 2017 and November 2018) the registered documents of six District Registrar Offices<sup>18</sup> and 19 Sub Registrar Offices<sup>19</sup> and found that in respect of 65 documents, the Registering Authorities have short levied the duties due to various reasons like incorrect adoption of market value, incorrect adjustment of stamp duty, etc. This resulted in short realisation of duties amounting to ₹58.38 lakh as given in *Appendix 4.4*.

District Registrars and Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in September 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>14</sup> Circular Memo No. MV1/8483/2013-2 dated 10 October 2013.

<sup>15</sup> SROs- Abdullapur, Gandipet, Ghatkesar, Kalwakurthy, Maktal, Qutubullapur, Wanaparthy and Wardhannapat.

<sup>16</sup> DRs-Karimnagar, Nalgonda and Rangareddy.

<sup>17</sup> Section 3 read with Schedule I-A of the Indian Stamp Act, 1899.

<sup>18</sup> DRs-Hyderabad (South), Karimnagar, Khammam, Mahabubnagar, Medak, Nizamabad.

<sup>19</sup> SROs- Atmakur, Bibinagar, Bowenpally, Farooqnagar, Gadwal, Gandipet, Golkonda, Kalwakurthy, Kamareddy, Ibrahimpatnam, Maheshwaram, Marredpally, Quthbullapur, L B Nagar, Saroornagar, Shamshabad, Secunderabad, Shamirpet, Uppal.

#### 4.9 Short realization of duties due to undervaluation of Properties in Registered Documents

As per Indian Stamp (IS) Act, 1899<sup>20</sup> instruments of Sale are chargeable to Stamp Duty (SD) at 4 per cent<sup>21</sup>, Transfer Duty (TD) at 1.5 per cent and Registration Fee (RF) at 0.5 per cent on the Market Value (MV)<sup>22</sup> of the property or consideration whichever is higher. Further, SD at one per cent and RF at 0.5 per cent (subject to a maximum of ₹ 20,000) on the MV is leviable in respect of Power of Attorney documents executed for construction/development or sale or transfer in any manner of immovable property<sup>23</sup>.

Audit test-checked (between May 2017 and November 2018) the registered documents of 20 Sub Registrar<sup>24</sup> and four District Registrar<sup>25</sup> Offices and found that in 47 documents duties of ₹ 1.43 crore were levied instead of ₹ 1.96 crore due to undervaluation of properties<sup>26</sup> contrary to MV guidelines and instructions issued by the CIGRS. Under-valuation of properties resulted in short levy of duties amounting to ₹ 52.70 lakh as given in *Appendix 4.5*.

District Registrars and Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in August 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

#### 4.10 Incorrect exemption of Stamp Duty in respect of Deposit of Title Deeds

According to the Indian Stamp Act, 1899<sup>27</sup>, Stamp Duty (SD) is to be levied at 0.5 per cent of the amount of loan secured subject to a maximum of ₹50,000 on the documents registered as "Deposit of Title Deeds (DOTDs)". Stamp Duty of only ₹1,000 is levied in respect of DOTDs executed by Small Scale Industries/Medium Scale Industries<sup>28</sup> on production of valid SSI/MSME<sup>29</sup> Certificates.

Audit test-checked (May and November 2018) registered documents of six Sub-Registrar Offices<sup>30</sup> and found in respect of 19 documents that, SD was levied at the rate of ₹1,000 in respect of SSI units which did not produce valid SSI/MSME Certificates. Incorrect exemption of SD resulted in short levy of duties of ₹7.74 lakh.

Sub-Registrars concerned assured a detailed reply.

The matter was referred to the Department in August 2019 and to the Government in October 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>20</sup> Section 3 read with Article 47A of Schedule I-A of the Indian Stamp Act, 1899.

<sup>21</sup> Stamp duty is reduced to 4 per cent vide G O Ms. No. 162 dated 30 March 2013.

<sup>22</sup> Market value guidelines indicate the market value approved by the Market Value Revision Committee.

<sup>23</sup> Article 42(i)(b) of Schedule- I-A of the Indian Stamp Act, 1899.

<sup>24</sup> Abdullapur, Armoor, Bibinagar, Charminar, Chikkadpally, Farooqnagar, Gandipet, Ghatkesar, Kalwakurthy, Kodad, Kollapur, Mahabubabad, Miryalguda, Rajendranagar, Sathupally, Secunderabad, Serilingampally, Suryapet, Uppal and Warangal Rural.

<sup>25</sup> Hyderabad(South), Medak, Khammam and Nizamabad.

<sup>26</sup> Non adoption of market value rates viz., rates assigned to specific survey nos./rates assigned in view of SH/NH roads situated on the boundaries of the scheduled properties; Incorrect valuation of urban properties.

<sup>27</sup> Article 7(a) of Schedule I A to the Indian Stamp Act, 1899.

<sup>28</sup> G.O.Ms.No. 316 of Revenue (Registration-I) department dated 14 March 2006).

<sup>29</sup> SSI- Small Scale Industries - MSME- Micro, Small and Medium Enterprises.

<sup>30</sup> SROs - Charminar, Golconda, Malkajgiri, Nizamabad (R), Secunderabad and Vallabh Nagar.

# Chapter V

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## **Motor Vehicle Taxes**

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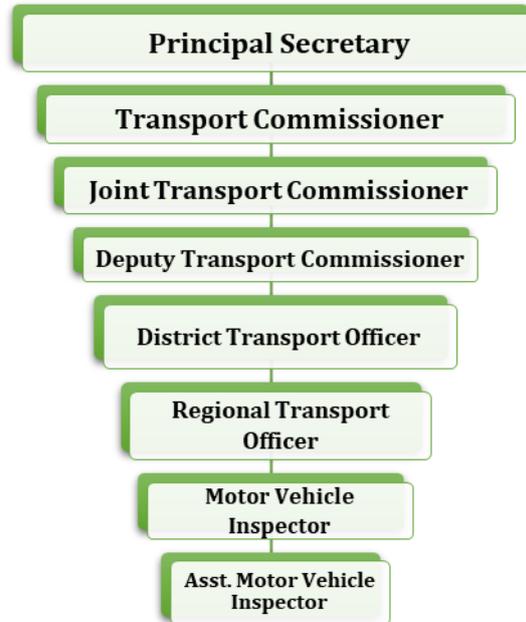
## 5.1 Tax Administration

Transport Department is primarily responsible for enforcement of provisions of various<sup>1</sup> Acts and Rules that include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness to transport vehicles, registration of motor vehicles and grant of regular and temporary permits to vehicles.

The Department is headed by the Principal Secretary at Government level. The organisational set up of the Department for administration of tax is depicted in the organogram given alongside.

Motor vehicle taxes form the sixth largest source of revenue for the State and account for 3.71 *per cent* of the total revenue of the State. It has been increasing from year-to-year since the formation of Telangana State in June 2014. The total revenue from Motor Vehicle Taxes during 2018-19 was ₹3,761.94 crore<sup>2</sup>. The monthly break up of revenue from motor vehicles taxes during the year is given in Chart 5.1.

**Figure-5.1: Organogram**



**Chart 5.1: Motor Vehicle Taxes Realised for Financial Year 2018-2019**



<sup>1</sup> The Transport Department of Government of Telangana is governed by The Motor Vehicles Act, 1988 (Central MV Act), The Central Motor Vehicles Rules, 1989 (Central MV Rules) along with The Telangana Motor Vehicles Taxation Act, 1963 (State MV Taxation Act), The Telangana Motor Vehicles Taxation Rules, 1963 (State MV Taxation Rules) and The Telangana Motor Vehicles Rules, 1989 (State MV Rules) which have been adapted (G.O.Ms. No. 2, Transport, Roads and Buildings (TR-I) Department dated 17 June 2014) by the State of Telangana.

<sup>2</sup> Source: Finance Accounts of Government of Telangana for 2018-19.

## 5.2 Audit Methodology and Results of Audit

Transport Department of Telangana computerised its core functions like issue of driving licences, registration of vehicles, collection of revenue, grant of permits, checks of motor vehicles *etc.* through a 'Citizen Friendly Services in Transport Department (CFST)' application.

The CFST data is in a central server located in the Transport Commissionerate. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Telangana State Wide Area Network (TSWAN). The service access is also available at each Regional Transport Office.

Data in CFST relating to the 37 sampled units was downloaded by the Audit team and analysed with the help of analytical tools like Interactive Data Extraction and Analysis (IDEA) and Microsoft Excel during local audits. At local offices regular establishment audit and verification of receipts with treasuries were also done. Audit enquiries based on the information extracted/gaps identified after analysis of the data as per the applicable criteria, rules, provisions and business rules were issued.

Audit of Motor Vehicles Tax receipts was conducted through a test check of relevant records and transaction data in 37 out of 38 offices in the State during 2018-19 to gain assurance that the fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. Audit brought out instances of deviations/non-compliance with the provisions of the Acts and Rules in 192 cases involving an amount of ₹43.79 crore, as detailed in **Table 5.1**.

**Table-5.1: Category of Audit Observations on Revenue Receipts**

(₹ in crore)

Sl. No.	Category of Audit observations	No. of deviations	Amount
1	Non-levy of quarterly tax and penalty	35	18.16
2	Vehicles plying without valid fitness certificates	36	6.03
3	Short levy of tax in respect of Second and Subsequent personalised vehicles owned by individuals	21	0.20
4	Non-collection of green tax	35	1.63
5	Non-disposal of vehicle check reports and consequential non-realisation of compounding fee	30	1.57
6	Vehicles plying without valid registration certificates	35	16.20
	<b>Total</b>	<b>192</b>	<b>43.79</b>

There are six broad categories of audit observations under Motor Vehicle Taxes. There may be similar irregularities, errors/omissions not covered in the test audit. The Department may, therefore, examine all the transactions to ensure that the taxes are levied as per provisions of the Acts and Rules.

The Telangana Motor Vehicles Taxation Act, 1963, The Motor Vehicles Act, 1988 and rules made thereunder and The Central Motor Vehicle Rules, 1989 respectively provide for:

- Motor Vehicle tax/ additional tax from the vehicle owner at the prescribed rate in advance and within the grace period provided;
- Levy and collection of fitness fee from the vehicle owners after completion of the prescribed period; and
- Levy and collection of green tax from the owners of vehicles after completion of the prescribed age from the date of registration.

Significant cases of non-compliance with the provisions of the Acts/ Rules in 134 cases amounting to ₹ 27.65 crore are discussed in the succeeding paragraphs.

### 5.3 Non-realisation of Quarterly Tax and Non-levy of Penalty

Every owner of a transport vehicle is liable to pay tax at specified rates<sup>3</sup> within the specified period. Belated payment of tax beyond two months from the beginning of a quarter attracts penalty at the rate of 50 *per cent* of quarterly tax (QT) if the tax is paid voluntarily; it is twice the rate of QT if the non-payment is detected in enforcement<sup>4</sup>.

Audit analysed the data (between April 2018 and March 2019) for the period 2014-15 to 2017-18 in the offices of Joint Transport Commissioner (JTC), Hyderabad Central Zone, Khairatabad, 28 District Transport Offices (DTOs)<sup>5</sup> and four Regional Transport Offices (RTOs)<sup>6</sup>. In 7,393 instances, owners of transport vehicles did not pay QT. The Department had not issued any demand notices to collect the dues. This resulted in non-realisation of QT of ₹8.31 crore and non-levy of penalty of ₹4.15 crore respectively.

DTO, Siddipet replied that show-cause notices were issued. JTC and other DTOs/RTOs replied that action would be taken to realise the QT due alongwith penalty.

The matter was referred to the Department in August 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

### 5.4 Non-renewal of Fitness Certificate

Fitness Certificate<sup>7</sup> (FC) in respect of transport vehicles is to be renewed every year<sup>8</sup> on payment of FC fee at the prescribed rates<sup>9</sup> and after conduct of stipulated tests.

<sup>3</sup> Section 3 of The Telangana Motor Vehicles Taxation Act, 1963 read with G.O.Ms. No. 68 Transport, Roads and Buildings (TR-I) Department dated 13 April 2006.

<sup>4</sup> Sections 4 and 6 of The Telangana Motor Vehicles Taxation Act, 1963 read with G.O.Ms.No.318, Transport, Roads and Buildings (TR-I) Department dated 03 November 2008.

<sup>5</sup> DTOs - Adilabad, Bhadradi Kothagudem, Jagtial, Jangaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Karimnagar, Khammam, Komarabheem Asifabad, Mahabubabad, Mahabubnagar, Mancherial, Medak, Medchal-Malkajigiri, Nagarkurnool, Nalgonda, Nirmal, Nizamabad, Peddapally, Rajanna Sircilla, RangaReddy (Attapur), Sangareddy, Siddipet, Suryapet, Vikarabad, Warangal (Urban), Wanaparthy, Yadadri Bhuvanagiri.

<sup>6</sup> RTOs - Ibrahimpatnam (Ranga Reddy), Hyderabad North Zone (Tirumalgiri, Secunderabad), Hyderabad South Zone (Bandlaguda) and Hyderabad West Zone (Tolichowki).

<sup>7</sup> Section 56 of The Motor Vehicles Act, 1988.

<sup>8</sup> Rule 62 of The Central Motor Vehicles Rules, 1989.

<sup>9</sup> Rule 81 of The Central Motor Vehicles Rules, 1989 read with GSR 1183 (E) dated 29 December 2016 of Ministry of Road Transport and Highways.

Audit analysed (between April 2018 and March 2019) the data for the period 2014-15 to 2017-18 relating to issue of FCs of the offices of Joint Transport Commissioner (JTC), Hyderabad Central Zone, Khairatabad, 29 DTOs<sup>10</sup> and four RTOs<sup>11</sup>. It was observed that FCs for 1,52,280 transport vehicles were not renewed resulting in non-realisation of FC fees amounting to ₹ 9.30 crore. Non-renewal of fitness certificates has both social and monetary impacts.

The JTC/DTOs/RTOs replied that action would be taken to collect the dues from the owners of the vehicles when they approach the office for any kind of transactions.

The matter was referred to the Department in August 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 5.5 Non-realisation of Registration Certificate Renewal Fee

According to The Central Motor Vehicles Rules, 1989<sup>12</sup> the Registration Certificate (RC) of any motor vehicle (other than a transport vehicle) is to be renewed after expiry of its validity period of 15 years<sup>13</sup> on payment of renewal fee at the stipulated rates<sup>14</sup>.

Audit analysed (between May 2018 and March 2019) the data for the period 2014-15 to 2017-18 relating to validity of RCs of the offices of JTC, Hyderabad Central Zone, Khairatabad, nine DTOs<sup>15</sup> and three RTOs<sup>16</sup>.

It was observed that RCs in respect of 69,473 vehicles were not renewed after expiry of validity period, which resulted in non-realisation of renewal fee amounting to ₹3.28 crore. The JTC/DTOs/RTOs replied that action would be taken to book cases and collect the outstanding dues when the vehicle owners approach the offices for any kind of transactions.

The matter was referred to the Department in August 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 5.6 Non-realisation of Compounding Fee

As per Section 200 of The Motor Vehicles Act, 1988 read with Government Order<sup>17</sup>, offences<sup>18</sup> under the Act are to be compounded by collecting fee at the rates specified by

<sup>10</sup> DTOs - Adilabad, Bhadradi Kothagudem, Yadadri Bhuvanagiri, Jagtial, Jangaon, Jayashankar Bhupalapally, Jogulamba Gadwal, Karimnagar, Kamareddy, Khammam, Komarabheem Asifabad, Mahabubabad, Mahabubnagar, Mancherla, Medak, Medchal Malkajigiri, Nagarkurnool, Nalgonda, Nirmal, Nizamabad, Peddapally, Rajanna Sircilla, Ranga Reddy (Attapur), Sangareddy, Siddipet, Suryapet, Vikarabad, Warangal (Urban) and Wanaparthy.

<sup>11</sup> RTOs - Hyderabad North Zone (Tirumalgiri, Secunderabad), Hyderabad South Zone (Bandlaguda), Hyderabad West Zone (Tolichowki) and Ibrahimpatnam (Ranga Reddy).

<sup>12</sup> Rule 52(3) of The Central Motor Vehicles Rules, 1989.

<sup>13</sup> Section 41(7) of The Motor Vehicles Act, 1988.

<sup>14</sup> Rule 81 of The Central Motor Vehicles Rules, 1989 amended vide GSR 1183 (E) dated 29 December 2016 of Ministry of Road Transport and Highways.

<sup>15</sup> DTOs - Adilabad, Karimnagar, Khammam, Medak, Nalgonda, Ranga Reddy (Attapur), Sangareddy, Warangal (Urban) and Yadadri Bhuvanagiri.

<sup>16</sup> RTOs - Hyderabad North Zone (Tirumalgiri, Secunderabad), Hyderabad South Zone (Bandlaguda) and Hyderabad West Zone (Tolichowki).

<sup>17</sup> G.O.Ms.No.108, Transport, Roads and Buildings (TR-I) Department, dated 18 August 2011.

<sup>18</sup> Offences like overloading, driving without licence, registration certificate, fitness certificate, under-age driving, driving at excessive speed etc.

the Government. In case offences are not compounded on the spot, the Vehicle Check Reports (VCRs) are to be sent to the regional transport authorities concerned.

Audit analysed (between April 2018 and March 2019) the data for the period 2014-15 to 2017-18 relating to VCRs in the offices of Joint Transport Commissioner (JTC), Hyderabad Central Zone, Khairatabad, 16 DTOs<sup>19</sup> and three RTOs<sup>20</sup>. In respect of 1,659 cases, the Compounding Fees (CF) for the offences under transport laws was not collected resulting in non-realisation of CF of ₹1.52 crore.

It was replied by the officers concerned that action would be taken to dispose of the VCRs and collect the outstanding compounding fees.

The matter was referred to the Department in August 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 5.7 Loss of revenue due to Non-levy of Green Tax

‘Green Tax’ (GT) is to be levied<sup>21</sup> at the stipulated rates on ‘transport and non-transport vehicles’ completing 7 years and 15 years of age respectively, from the date of their registration<sup>22</sup>.

Audit analysed (June 2018 to March 2019) the data for the period 2014-15 to 2017-18 relating to GT in the offices of 23 DTOs<sup>23</sup> and three RTOs<sup>24</sup>. It was observed that GT in respect of 38,605 transport vehicles and 4,509 non-transport vehicles amounting to ₹94.71 lakh was not levied.

DTOs/RTOs concerned replied that the cases would be booked in respect of vehicles found plying without payment of GT and the dues would be collected whenever the owners of the vehicles approach the offices in subsequent transactions.

The matter was referred to the Department in June 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>19</sup> DTOs - Jangaon, Jayashankar Bhupalapally, Karimnagar, Khammam, Mahabubabad, Mahabubnagar, Medak, Medchal Malkajigiri, Nalgonda, Peddapally, Ranga Reddy (Attapur), Sangareddy, Suryapet, Vikarabad, Warangal (Urban) and Yadadri Bhongir.

<sup>20</sup> RTOs - Ibrahimpatnam (Ranga Reddy), Hyderabad South Zone (Bandlaguda) and Hyderabad West Zone (Tolichowki).

<sup>21</sup> G.O.Ms. No. 238, Transport, Roads and Buildings (TR-1) Department, dated 23 November 2006.

<sup>22</sup> The rates of Green Tax are ₹200 per annum for transport vehicles; ₹250 for motorcycles and ₹500 for other than motorcycles (every five years).

<sup>23</sup> DTOs - Adilabad, Bhadradi Kothagudem, Jayashankar Bhupalpally, Jagityal, Jangaon, Jogulamba Gadwal, Khammam, Komarambheem Asifabad, Mahabubnagar, Mahabubabad, Mancherial, Medak, Nalgonda, Nirmal, Peddapally, Rajanna Siricilla, Ranga Reddy (Attapur), Sangareddy, Siddipet, Suryapet, Wanaparthy, Warangal (urban) and Yadadri Bhuvanagiri.

<sup>24</sup> RTOs - Hyderabad South Zone (Bandlaguda), Hyderabad North Zone (Tirumalagiri, Secunderabad) and Hyderabad West Zone (Tolichowki).

## 5.8 Short Levy of Tax in respect of Second and Subsequent Personalised Vehicles owned by Individuals

As per The Telangana Motor Vehicles Taxation Act, 1963<sup>25</sup>, every second and subsequent personalised vehicle having a seating capacity of upto 10 in all, owned by an individual, shall be taxed at the rate of 14 *per cent* of the cost of the vehicle with effect from 02 February 2010<sup>26</sup>.

Audit analysed (between August 2018 and March 2019) the data for the period 2014-15 to 2017-18 in the offices of six DTOs<sup>27</sup> and two RTOs.<sup>28</sup> It was observed that the taxes in respect of 335 second and subsequent personalised vehicles owned by individuals were collected at the rate of nine *per cent* for two wheeled motor vehicles and 12 *per cent* for four wheeled motor vehicles respectively instead of the enhanced rate of 14 *per cent* which resulted in short levy of tax amounting to ₹ 14.22 lakh.

It was replied by the officers concerned (between July 2018 and March 2019) that details of the vehicles would be verified and action taken.

The matter was referred to the Department in August 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

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<sup>25</sup> As per fifth proviso to Section 3(2) of The Telangana Motor Vehicles Taxation Act, 1963.

<sup>26</sup> As per Act No. 11 of 2010 (31 July 2010).

<sup>27</sup> DTOs - Adilabad, Karimnagar, Khammam, Nizamabad, Ranga Reddy (Attapur) and Warangal (Urban).

<sup>28</sup> RTOs: Hyderabad South Zone (Bandlaguda) and Hyderabad West Zone (Tolichowki).

# Chapter VI

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## Land Revenue

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## 6.1 Tax Administration

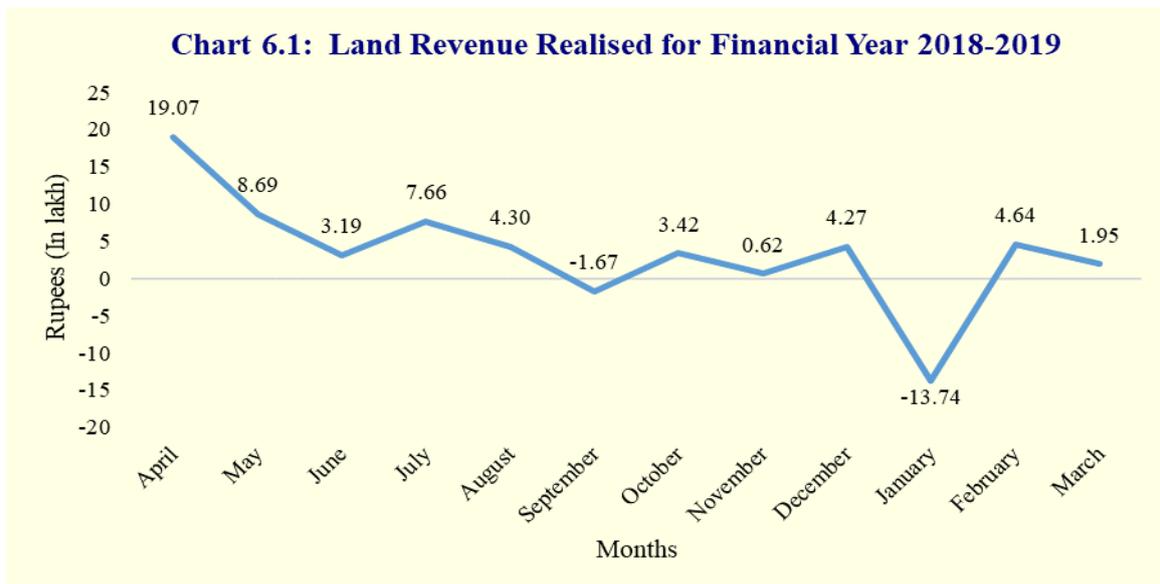
Land Revenue Department is responsible for alienation, acquisition and conversion of lands and for collecting revenue arising thereon. It is responsible for maintenance, updation and protection of land revenue records. The Department also decides on policy matters and administers several Acts and rules pertaining to land and civil administration in the State.

Principal Secretary (Revenue) is in-charge of the administration of Revenue Department. The Chief Commissioner of Land Administration (CCLA) is responsible for administration of Revenue Board's Standing Orders (BSO), The Telangana Water Tax Act, 1988, The Telangana Irrigation, Utilisation and Command Area Development Act, 1984, The Telangana Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006 and orders issued thereunder. At the district level, the Collectors of each of the 33 districts of the State are responsible for administration of land revenue. The organogram of land administration is given alongside.

**Figure-6.1: Organogram**



The total receipts from land revenue during 2018-19 was ₹0.42 crore.<sup>1</sup> There was a wide variation in the monthly receipts of land revenue during the year, as can be seen from the Chart given below.



*Note: The negative figures are due to refunds*

<sup>1</sup> Source: Finance Accounts of Government of Telangana for 2018-19.

## 6.2 Results of Audit

Audit of land revenue receipts was conducted through a test check of relevant records in 17 Revenue Divisional Offices (out of 68<sup>2</sup>) and 36 Tahsildar offices (out of 585<sup>3</sup>) (selected based on extent of Government land) to gain assurance that the fees are levied, collected and accounted for in accordance with the relevant Acts, Codes and Manuals, and the interests of the Government are safeguarded. Audit brought out instances of deviations/ non-compliance with the provisions of the Acts and Rules in 81 cases involving an amount of ₹7.15 crore, due to various reasons, as detailed in **Table 6.1**.

**Table-6.1 Category of Audit Observations on Revenue Receipts**

(₹ in crore)

Sl. No.	Category of Audit observations	No. of Audit deviations	Amount
1	Short levy of conversion tax and non-levy of penalty	63	4.24
2	Non-collection of Profession Tax from the fair price shops dealers	7	0.01
3	Short collection of regularisation amount	3	0.08
4	Other Irregularities	8	2.82
	<b>Total</b>	<b>81</b>	<b>7.15</b>

There are four broad categories of audit observations under Land Revenue. Similar irregularities, errors/omissions may also exist in other units not covered in the test audit. The Department may, therefore, examine all the units to ensure that taxes are levied and collected as per provisions of the Acts and Rules.

Significant cases of non-compliance with the provisions of the Acts, Rules in 22 cases amounting to ₹1.70 crore are detailed in the succeeding paragraphs.

## 6.3 Short levy of Conversion Tax and Non-levy of Penalty

As per Section 3(1) and 4(1) of the Telangana Agricultural Land (Conversion for Non-Agricultural Purposes) Act 2006, conversion tax at the rate of three *per cent*<sup>4</sup> of market value of the land was to be levied if agricultural land in the State is put to use for non-agricultural purposes. Further, Section 6(1) and (2) provide that if agricultural land is utilised for non-agricultural purposes without prior permission, it is deemed to have been converted and attracts fine/penalty of 50 *per cent* over and above the conversion tax levied.

Audit test checked (between April 2018 and March 2019) the conversion files in 11 Revenue Divisional Offices<sup>5</sup> and eight Tahsildar Offices<sup>6</sup>. It was noticed that in 45 cases, conversion tax was short levied due to adoption of incorrect market value of the

<sup>2</sup> Revenue divisional offices increased from 42 to 68 after re-organisation of districts.

<sup>3</sup> Tahsildar offices increased from 465 to 585 after re-organisation of districts.

<sup>4</sup> As per G.O.Ms.No.4 Revenue (Land Matters) Department dated 5 January 2016, the existing rate of conversion tax was reduced from 9 *per cent* to 3 *per cent*.

<sup>5</sup> Revenue Divisional Offices - Karimnagar, Kothagudem, Nalgonda, Mahabubabad, Malkajgiri, Manthani, Nagarkurnool, Nirmal, Rajendranagar, Sangareddy and Warangal (Urban).

<sup>6</sup> Tahsildar Offices - Armoor, Golconda, Miryalaguda, Mugpul, Nalgonda, Nizamabad, Qutubullapur and Sathupally.

land and penalty was not levied on deemed conversion of land. This resulted in short levy of conversion tax and non-levy of penalty amounting to ₹1.39 crore as detailed in **Table 6.2.**

**Table 6.2: Non-levy of Penalty and short levy of conversion tax**

(₹ in lakh)

Category	No. of cases	Conversion tax to be paid	Actual conversion tax paid	Short levy of conversion tax	Non-levy of Penalty	Short/Non-levy of Conversion tax/Penalty
Buildings existed prior to applying for conversion	11	43.28	18.68	24.60	21.64	46.24
Already converted as plots prior to applying for conversion	11	20.81	18.41	2.40	10.40	12.80
Adoption of lower market value and application of incorrect rate of conversion tax	23	161.05	81.22	79.83	0.00	79.83
<b>Total</b>	<b>45</b>	<b>225.14</b>	<b>118.31</b>	<b>106.83</b>	<b>32.04</b>	<b>138.87</b>

RDOs Mahabubabad, Sangareddy, Nagarkurnool and Nalgonda replied that conversion tax was collected as per the market value certificate issued by the Sub-registrars concerned. RDO, Rajendranagar replied that conversion tax was collected as per the Tahsildar report. The reply is not acceptable, as approved market value (according to Inspector General of Registration and Stamps website) is more than the value adopted by the Department. The remaining RDOs assured detailed replies. All the Tahsildars replied that the matter would be brought to the notice of higher authorities concerned for necessary action.

The matter was referred to the Department in May 2019 and to the Government in September 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## 6.4 Excess payment of ex-gratia

As per Government orders<sup>7</sup> regarding land allotment policy, compensation payable to the *sivaijamedars*<sup>8</sup> whose land is resumed for public purpose; who have been cultivating the land for a long period without D-form patta; whose possession is confirmed by entries in 10(1)<sup>9</sup> and adangal<sup>10</sup> accounts, may be paid *ex-gratia* without solatium (i) for occupation between 5-10 years - 50 per cent *ex-gratia* and (ii) for occupation of 10 years and above - 100 per cent *ex-gratia*, equivalent to market value.

Audit test checked the records of Revenue Divisional Office, Khammam in February 2019. The Executive Engineer, Irrigation Department, Khammam Division requested the RDO and Land Acquisition Officer (LAO), Khammam for alienation of land for

<sup>7</sup> G.O.Ms.No.571 Revenue (Assignment-I), Department dated 14 September 2012.

<sup>8</sup> A *sivaijamedar* (a kind of encroacher) is a local agricultural labourer, who is dependent on agriculture only and who owns no land at all except the land under occupation.

<sup>9</sup> Village account which contains former wise land particulars.

<sup>10</sup> Adangal is a record which contains details of land such as owners details, extent, assessment, water rate, soil type, nature of possession of the land, liabilities, tenancy and crops grown, etc.

construction of *ayacut* across Wyra River near Jalimudi Village, Madhira *Mandal*. During land alienation process, the Department noticed that ten residents had encroached Acres 4.24½ Guntas (Survey number 414 of Rapalli Village, Bonakal *Mandal*) of land for the past 15 years. Other 17 land encroachments of Acres 3.10½ Guntas (Survey number 116 and 63 of Brahmanapalli Village, Bonakal *Mandal*) for the past 15 years were also reported. The Department paid *ex-gratia* to those encroachers to vacate the land in the process of land alienation.

Audit noticed that *ex-gratia* of ₹42.64 lakh was paid to the encroachers instead of ₹19.01 lakh due to incorrect fixation of market value. This resulted in excess payment of *ex-gratia* of ₹23.63 lakh.

RDO, Khammam assured (February 2019) a detailed reply.

The matter was referred to the Department in May 2019 and to the Government in August 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

## **6.5 Short collection of regularisation amount on encroachment of Government land**

Government notified<sup>11</sup> (February 2008) categories of land which could not be transferred and hence, classified as objectionable land. In respect of the rest of the land - unobjectionable land - encroachments are to be regularised on payment basis provided the prescribed terms and conditions<sup>12</sup> are met. The applicable rates of regularisation are as given below.

Land	Rate
Upto 250 square yards	25 per cent of the basic value <sup>13</sup>
Upto 500 square yards	50 per cent of the basic value
Above 500 square yards	75 per cent of the basic value
Non-residential possessions	100 per cent basic value

During a test check (February and March 2019) of records of two Tahsildar Offices<sup>14</sup>, Audit noticed that, in six cases, the department collected an amount of ₹7.83 lakh towards regularisation of encroached Government land instead of ₹14.87 lakh due to adoption of incorrect basic value. This resulted in short collection of ₹7.04 lakh.

In response, Tahsildars assured detailed reply (February and March 2019). The matter was referred to the department in June 2019 and to the Government in August 2019. Reminders were issued to the Government in May 2020 and October 2020; replies have not been received.

<sup>11</sup> G.O.Ms.No.166 of Revenue (Assn. POT) Department dated 16 February 2008.

<sup>12</sup> G.O.Ms.No.59 of Revenue (Assignment-I) Department dated 30 December 2014 read with G.O.Ms.No.12 dated 30 January 2015.

<sup>13</sup> Basic value is defined as the value fixed by the competent authority i.e. market value committee report which is maintained in District/Sub-Registrar's office.

<sup>14</sup> Ramagundam and Siddipet.

# Chapter VII

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## **Other Tax and Non-Tax Receipts**

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## 7.1 Tax Administration

The nature of revenue realised from other departments are detailed in **Table 7.1**. The administration and levy of these taxes/fee are governed by respective Acts/ Rules.<sup>1</sup>

**Table 7.1**

Department	Nature of Revenue
Mines & Geology	Dead rent/Royalties/ Seigniorage fee on Minor and Major Mining leases
Energy Department	Electricity duty from the consumers
Endowment Department	Endowment Administrative Fund and Audit Fee collected from all assessable Temples
Registration Department	Profession Tax from Chit fund Companies

## 7.2 Results of Audit

Test check of records of 24 offices of Mines and Geology Department and 15 offices of Endowments Department during the year 2018-19 revealed under assessment of tax and other irregularities involving ₹ 11.50 crore in 16 cases, as detailed in **Table 7.2**.

**Table 7.2: Results of Audit**

Department	No. of audit observations	(₹ in crore)
		Amount
<b>Industries and Commerce Department (Mines and Geology)</b>		
Non-collection of Arrears of contributions to District Mineral Foundation (DMF) Trust	9	1.36
Non-collection of contribution to State Mineral Exploration Trust (SMET)	1	0.04
Non forfeiture of Security Deposit in respect of Determined Leases	2	0.01
Other irregularities	4	10.09
<b>Total</b>	<b>16</b>	<b>11.50</b>

## 7.3 Functioning of Directorate of Mines and Geology

### 7.3.1 Introduction

Central and State Governments are jointly responsible for the development of mining sector and mineral exploitation in India. The Mines and Minerals (Development and Regulation) Act, 1957 (MMDR Act, 1957) lays out the basic legal framework for regulation of mines and development of minerals in the country. The Minerals Concession Rules, 1960 (MCR, 1960) regulate the sector.

<sup>1</sup> Mines and Minerals Department: The Mines and Mineral Concession Rules 1966, The Minor Minerals Development and Regulation Act, 1957; Energy Department: The Telangana Electricity Duty Act, 1939 and Rules made there under; Endowment Department: The Telangana Charitable and Hindu Religious Institutions Endowment Act, 1966 & Amendment Act, 1987; Registration Department: The Telangana Tax on Profession, Trades, Callings and Employment Act, 1987.

The MMDR Act, 1957 categorises minerals into major, minor and other minerals<sup>2</sup>. Further, as per the MMDR Act, 1957, there are three types of mining concessions *i.e.* Reconnaissance Permit<sup>3</sup>, Prospecting Licence<sup>4</sup> and Mining Lease<sup>5</sup>.

The Minor Mineral Concession Rules, 1966 framed by Government of Andhra Pradesh which govern quarrying of minor minerals were adopted<sup>6</sup> by Telangana State after formation of the State, and are henceforth referred to as The Telangana State Minor Mineral Concession Rules, 1966 (TSMMC Rules, 1966). Quarrying of minor minerals in the State is governed by TSMMC Rules 1966, which prohibit any person from carrying out such operations except under a lease or a permit granted under the Rules. There are 3,412<sup>7</sup> mining leases in the State.

### 7.3.2 Audit Approach

Compliance audit of Mines and Geology Department was carried out during August- October 2019 with the objective of verifying compliance of the Department with the MMDR Act, 1957, TSMMC Rules, 1966, Telangana State Mineral Dealer Rules, 2000 (TSMDR, 2000), Telangana Revenue Recovery Act, 1864 (TRR Act,1864), Departmental Manual 1983 and Orders/Circulars, with regard to approval of Mineral Concession Applications (MCAs), Mineral Revenue Assessments (MRAs), granting Mineral Dealer Registrations (MDRs) and collection of applicable revenue. Audit covered the period April 2016 to March 2019 and involved an examination of the relevant records in the Office of the Director of Mines and Geology (DMG), Hyderabad, all three Regional offices located at Nizamabad, Warangal and Hyderabad, and 16<sup>8</sup> out of 32 District level Offices.

The revenue earned by the Mines and Geology Department (Department) during the period 2016-19 is as follows:

**Table 7.3**

(₹ in crore)				
Sl. No.	Particulars	2016-17	2017-18	2018-19
1	Royalty for Major Minerals	1,756.68	2,047.51	2,483.07
2	Royalty/Seigniorage fee for Minor minerals	793.03	801.47	1,339.11
3	Sale of sand	414.65	717.27	799.37
4	Other Receipts	184.04	26.27	25.39
	<b>Total</b>	<b>3,148.40</b>	<b>3,592.52</b>	<b>4,646.94</b>

*Note: Figures include Cess and Telangana State Mineral Development Corporation's Sand sale proceeds*

*Source: Finance Accounts of Government of Telangana for relevant years*

<sup>2</sup> Major minerals: Coal, garnet, graphite, iron ore, limestone, manganese ore, stowing sand.

Minor minerals: Amethyst, barytes, dolomite, feldspar, fireclay, laterite, mica, quartz, silica sand, shale.

Other Minerals: Black granite, colour granite, gravel/earth, fullers earth, limestone slabs, lime kankar, mosaic chips, marble, road metal, ordinary sand etc.

<sup>3</sup> Allowing undertaking of reconnaissance operations for preliminary prospecting of a mineral through regional, aerial, geophysical or geochemical surveys and geological mapping.

<sup>4</sup> Allowing prospecting operations for the purpose of exploring, locating or proving mineral deposits.

<sup>5</sup> Allowing undertaking of mining operations for the purpose of winning/excavating minerals.

<sup>6</sup> G.O.Ms.No.55 Industries and Commerce (Mines I) Department dated 26 August 2015

<sup>7</sup> Minor mineral leases – 3,293; Major mineral leases –119.

<sup>8</sup> Bhadradi Kothagudem, Jangaon, Jogulamba Gadwal, Karimnagar, Khammam, Mahabubnagar, Mancherial, Nagarkurnool, Nalgonda, Nizamabad, Peddapalli, Rajanna Sircilla, Rangareddy, Vikarabad, Warangal (Urban) and Wanaparthy.

## Audit Findings

### 7.3.3 Procedural Delays

#### 7.3.3.1 Mineral Concession Applications (MCAs)

As per Rule 63-A of MCR 1960, the State Government (Department of Mines and Geology) should dispose of the MCAs for Reconnaissance Permit, Prospecting Licence and Mining Lease within six, nine and twelve months respectively, from the dates of receipt of applications. Further, No Objection Certificate (NOC) is also to be obtained<sup>9</sup> within thirty days from the date on which Assistant Director (AD)/ Deputy Director (DD) forwards the application to the Tahsildar<sup>10</sup>/ Revenue Divisional Officer<sup>11</sup>/ Joint Collector (Revenue).<sup>12</sup> Where no action is taken within 30 days by the Revenue authorities, the approval is deemed to have been issued.

Audit noticed that in 15 out of 16 test checked AD offices, there were 2,754 MCAs pending at various levels (as of March 2019) for more than the prescribed time period, as detailed in *Appendix-7.1* (2,216 applications for want of NOC from Revenue authorities and where the Department had not invoked the deemed approval provisions and 538 applications with the Department (263 applications at AD level and 275 applications at DD/DMG level)).

The DMG replied (December 2019) that disposal of MCAs was linked to receipt of NOC from the Revenue Department. It was further stated that the Department could not consider deemed approval of NOC, as it was difficult to locate the area applied for quarry lease without obtaining NOC from the Revenue department. The pendency of 263 MCAs at AD level and 275 applications at DD/DMG level was stated to be on account of time required for critical examination of MCA with reference to the fulfilment of the requirements as per rules before granting in-principle approval.

#### 7.3.3.2 Mineral Revenue Assessments (MRAs)

As per Rule 10(4)(b) of TSMMC Rules 1966, every lessee who has been granted lease for specified minor minerals under the provisions of the Rules, shall submit detailed accounts to the ADs concerned before 10<sup>th</sup> April every year for the purpose of making annual assessment of mineral revenue. Accordingly, MRAs are prepared by the ADs concerned for the period April to March every year. MRAs up to ₹50 lakh are to be approved by the DDs (Hyderabad, Nizamabad and Warangal) and MRAs above ₹50 lakh are to be approved by the DMG.

<sup>9</sup> GO Ms. No. 4 Revenue (Assign.1) Department dated 19 January 2015.

<sup>10</sup> Upto 15 Hectares.

<sup>11</sup> From 15 - 30 Hectares.

<sup>12</sup> Above 30 Hectares.

During scrutiny of records in all the three DD offices, audit observed the following.

**Table 7.4**

Name of the office	No. of MRAs to be received	No. of MRAs received	No. of MRAs approved	No. of MRAs to be approved
<b>DD, Hyderabad</b>	4,942	2,066	19	4,923
<b>DD, Warangal</b>	6,692	2,922	2,922	3,770
<b>DD, Nizamabad</b>	1,635	610	592	1,043
<b>Total</b>	<b>13,269</b>	<b>5,598</b>	<b>3,533</b>	<b>9,736</b>

*Source: Information furnished by the Deputy Directors' offices*

Out of 13,269 MRAs required to be received in all the three DD offices during the period 2016-19, only 5,598 were received and of these, the DDs approved 3,533 MRAs (DD, Nizamabad - 592 (97 per cent), DD, Warangal - 2,922 (100 per cent) and DD, Hyderabad- 19 (one percent)). The delay in approval ranged between 5 months (MRAs in respect of 2018-19) to 29 months (MRAs in respect of 2016-17) as of September 2019. This was due to non-receipt of MRAs from ADs.

DD, Warangal replied that the delay in approval of MRAs was due to non-receipt of 3,770 MRAs from the ADs. Specific reply was not furnished by DDs, Nizamabad (1,043 MRAs) and Hyderabad (4,923 MRAs) for delay in approval of MRAs.

Due to delay in approval of MRAs, Audit could not ascertain the exact revenue realisable. DD-wise details of MRAs are given in **Appendix-7.2**.

The DMG replied (December 2019) that audit observations have been noted and suitable instructions would be issued to all the DDs (particularly the DD, Hyderabad) to avoid any delay in this regard.

### **7.3.3.3 Preparation of Demand, Collection and Balance Registers**

As per Paragraph 16.10 of the Departmental Manual, after Mineral Revenue Assessments (MRAs) have been finalised and after entries have been posted in the Demand, Collection and Balance (DCB) Register, statement of lease-wise DCB for the previous financial year are to be sent by respective ADs to DMG by 30 June of subsequent year for compilation of consolidated DCB and for submitting the same to the Government.

Audit observed that DCB Registers were not submitted by the ADs within the scheduled due date of 30 June in 14 test checked offices for the period 2016-19. The delay in submission of DCB Registers ranged between 26 and 630 days as detailed in **Appendix-7.3**.

The DMG replied (December 2019) that delay in submission of DCB was due to lack of manpower in the district offices in respect of both technical and ministerial staff, for preparation of tentative mineral revenue assessments and posting in the DCB Registers. However, it was assured that the ADs would be issued instructions for submission of DCB Registers within the due date *i.e.*, 30 June.

In South India, Telangana is the only State with vast deposits of coal, which is being mined by M/s Singareni Collieries Company Limited (M/s SCCL), a State Public Sector unit. DD, Warangal is entrusted with the work of preparation of MRAs and DCB Register for the mining leases held by M/s SCCL.

However, DCB Registers in respect of coal mining leases held by M/s SCCL for the period from 2011-12 to 2018-19 were not prepared. Even the details such as (i) number of leases held by M/s SCCL, (ii) extent of leased area, (iii) location of the leased area, (iv) period of lease and (v) number of working and non-working leases *etc.*, were not maintained by the Department. Further, with regard to the coal mined by M/s SCCL, lease-wise mineral production, dispatch permits issued by the Department, payment particulars *etc.*, submitted by M/s SCCL to the Department were also not maintained. Therefore, audit could not verify the actual demand, collection and balance of mineral revenue from M/s SCCL.

While stating that the preparation and finalisation of year-wise MRAs was under process, the DMG stated that, M/s SCCL was not maintaining the relevant records despite the Department's repeated instructions to maintain lease-wise records, payment details towards royalty, DMF Trust and National Mineral Exploration Trust.

The DMG further added (December 2019) that the Department has been pursuing with M/s SCCL for filing of mining lease-wise monthly returns to the Department and assured that the matter would be taken up again with M/s SCCL for maintenance of lease-wise records and submission of monthly and periodical returns.

The Department's lack of control over mining activity of M/s SCCL needs to be addressed immediately, as non-preparation of DCBs since 2011-12 to 2018-19 reveals persistent non-compliance leading to delay in finalisation of MRAs and realisation of revenue.

#### 7.3.3.4 Variation in balances in DCB Registers

In the five test checked AD offices<sup>13</sup>, closing balances (*Appendix -7.4*) of the previous years were not tallying with the opening balances of subsequent years. Such discrepancies are indicative that the DCB Registers do not reflect a true and fair picture of the balances. Illustrative list of a few cases is given below.

**Table 7.5**

(₹ in crore)

Stone and Metal Mineral in District	Closing balance 2016-17	Opening balance 2017-18	Variation (in %)	Closing balance 2017-18	Opening balance 2018-19	Variation (in %)
<b>Bhadradi Kothagudem</b>	9,95,227	5,93,206	41	10,87,709	8,56,719	21
<b>Khammam</b>	13,87,328	13,27,172	4	10,25,371	30,64,388	199

*Source: Information furnished by the Department*

The DMG replied (December 2019) that lapses pointed out by Audit would be rectified.

#### 7.3.3.5 Grant of Mineral Dealer Registrations

As per Rule 5(2) of TS Mineral Dealers Rules 2000, the DDs concerned shall grant licence to a dealer in Form 'D' within 30 days from the date of receipt of application.

<sup>13</sup> Bhadradi Kothagudem, Khammam, Mahabubnagar, Rangareddy and Warangal (Urban).

In case of refusal or rejection of the application, the reasons shall be recorded in writing and communicated to the applicant within 30 days from the date of receipt of application. Scrutiny of records pertaining to Mineral Dealer Registration (MDR) applications during 2016-19 in the three DD offices revealed the following:

**Table 7.6**

Sl. No.	Name of the office	No. of MDR applications received	No. of MDR applications disposed	No. of MDR applications pending
1	DD, Hyderabad	94	78	16
2	DD, Nizamabad	55	36	19
3	DD, Warangal	*	*	19

\* Details were not produced to Audit and unavailable in Mineral Dealer License Register

Source: Information furnished by the Department

DDs, Hyderabad and Nizamabad stated (September 2019) that non-disposal of MDRs was due to delay in submission of inspection reports by ADs. Reasons for the pendency and improper maintenance of registers were not furnished by DD, Warangal.

The DMG replied (December 2019) that the delay in disposal of MDR applications was due to obtaining field report before grant of dealer licences by the DDs from the ADs of the district concerned, verification of place applied for storage/ stocking/ processing/ beneficiation of mineral(s) along with stock, if any, availability of documentary evidence of having paid seigniorage fee therein, etc. The DMG assured that suitable instructions in this regard would be issued by the Directorate to the DDs to expedite the disposal of MDR applications.

Non- disposal of MDR applications within the prescribed time limit results in undue hardship to the prospective mineral dealers.

### 7.3.4 Non-Realisation/Pending realisation of Revenue

#### 7.3.4.1 Collection of Mineral Revenue

As per Sections 9 and 9A of MMDR Act, 1957 read with Rule 10 of TSMMD Rules 1966, the holder of a mining lease /quarry lease, shall pay royalty<sup>14</sup>/seigniorage fee<sup>15</sup>/dead rent<sup>16</sup> in respect of any major/minor mineral removed or consumed by him or by his agent from the leased area at the rates specified therein.

Audit observed that an amount of ₹1,675.81 crore was collected towards mineral revenue during 2016-19. An amount of ₹120.53 crore was yet to be collected from the lease holders in the State as of March 2019 as detailed below.

<sup>14</sup> Revised vide GSR No.630 (E) dated 01 September 2014 published by Government of India.

<sup>15</sup> Charges payable to the State Government for the quantity of minerals extracted from a mine/quarry for minor minerals at specified rates by the State Government from time to time; Enhanced vide G.O.Ms.No.67, Industries and Commerce (M.I) Department dated 26 September 2015.

<sup>16</sup> A lump sum amount payable to the Government in lieu of royalty or seigniorage fee during the period when no mining activities are being conducted in the mine or quarry; Enhanced vide G.O.Ms.No.7, Industries and Commerce (M.I) Department dated 17 February 2016.

Table 7.7

(₹ in crore)

Year	Demand	Collection	Balance
2016-17	568.53	482.77	85.76
2017-18	706.43	580.60	125.83
2018-19	732.97	612.44	120.53

Note: Demands include closing balance of previous years

Source: Information furnished by the Department

#### 7.3.4.2 Mineral Revenue Arrears

- (i) **AD offices:** Arrears towards mineral revenue in respect of 10 test checked offices as of March 2019 was ₹36.09 crore. Details are shown in **Appendix-7.5**.

**M/s SCCL:** M/s SCCL has mining leases in 10 divisions<sup>17</sup> for excavation of coal in the State of Telangana. During scrutiny of DCB statements of M/s SCCL up to 2010-11, it was noticed that there was a total demand of ₹824.34 crore towards mineral revenue, of which, ₹704.45 crore was collected and the balance of ₹119.89 crore (15 per cent) was due as of March 2011. As per Rule 19 of TSMMC Rules, 1966, simple interest of 24 per cent per annum is chargeable on arrears from the lease holders<sup>18</sup>.

When the reasons for non-collection of MRAs from ADs and M/s SCCL were called for, the DMG replied (December 2019) that mineral revenue dues from lease holders is a continuous process and assured that the matter would be taken up with M/s SCCL and all the ADs for collection of mineral revenue arrears.

**Expired Leases:** Audit observed from the records in the five test checked offices that leases had expired<sup>19</sup> and mineral revenue of ₹14.05 crore was pending collection as of March 2019 as detailed below.

Table 7.8

(₹ in crore)

Sl. No	Name of the Office	Demand	Collection	Balance
1	Warangal (Urban)	2.15	Nil	2.15
2	Mahabubnagar	0.76	Nil	0.76
3	Khammam	6.40	Nil	6.40
4	Bhadradi Kothagudem	0.85	Nil	0.85
5	Nalgonda	3.95	0.06	3.89
	<b>Total</b>	<b>14.11</b>	<b>0.06</b>	<b>14.05</b>

Source: Information furnished by the Department

When non-collection of mineral revenue of ₹14.05 crore in respect of expired leases was brought to the notice of the DMG, he replied (December 2019) that

<sup>17</sup> Kothagudem, Yellandu, Manuguru, Ramagundam-I, Ramagundam-II, Ramagundam-III, Bhupalapally, Bellampally, Mandamarri, and Srirampur.

<sup>18</sup> As per Rule 19 of TSMMC Rules, 1966, simple interest at the rate of 24 per cent per annum is chargeable on any amount payable from the sixteenth day of expiry of date fixed for payment and until payment of such sum is made.

<sup>19</sup> Expired lease means a lease whose lease period is completed.

non-collection of mineral revenue arrears in respect of expired leases was due to delay in furnishing the details regarding movable and immovable assets of the defaulting lease holders by the Tahsildars concerned to effect recovery of the amounts under the Revenue Recovery Act, 1864.

- (ii) **Detected by Vigilance and Enforcement Department:** With effect from October 2016, new AD offices were created and entrusted with vigilance and enforcement functions, dispensing with separate Vigilance and Enforcement (V&E) staff.

As seen from the DCB statements in all the test checked offices as of March 2019, there were 423 cases pertaining to illegal mining/quarrying involving an amount of ₹224.55 crore as detailed in **Appendix-7.6**. However, no amount was recovered.

- (iii) **Detected by Departmental Authorities:** In 15 offices<sup>20</sup>, 339 cases of illegal mining or quarrying were detected by departmental squads involving mineral revenue of ₹155.01 crore as of 31 March 2019, as detailed in **Appendix-7.7**. However, no amount was recovered.

When reasons for non-collection of Mineral Revenue Arrears detected by departmental authorities and action taken by the DMG were called for, the DMG replied (December 2019) that the Department was initiating a special drive for remittance of evaded seigniorage fee and penalty.

- (iv) **Under Revenue Recovery Act, 1864:** Whenever arrears of revenue become irrecoverable by the Department the provisions of Revenue Recovery Act, 1864 are invoked for recovery of such arrears as if they were arrears of land revenue.

As per GO. Ms. No. 66 Revenue Department (Land Revenue Section) dated 2 June 2005 read with Section 25 of MMDR Act, 1957 and Rule 29 of TSMML Rules, 1966, ADs were empowered under Section 52-B of Revenue Recovery Act, 1864 for recovery of mineral revenue dues from the defaulters.

As per the records of DMG, an amount of ₹94.27 crore was to be recovered under Revenue Recovery Act, 1864 by 17 AD offices as of March 2019. Audit observed in 12 test checked offices that an amount of ₹11.86 crore of mineral revenue arrears in 447 cases pertaining to the period prior to 2016-17 were referred under Revenue Recovery Act, 1864 as detailed in **Appendix-7.8** and no amount was recovered. Although there were arrears referred under Revenue Recovery Act 1864, ADs of Bhadradi Kothagudem and Khammam did not reflect these in DCB Registers. Audit is therefore, unable to vouch for the correctness of the figures in DCB Registers.

The DMG replied (December 2019) that before initiating the recovery process, the ADs will obtain the details of movable and immovable assets of the defaulters from the concerned Tahsildars, and that, owing to the delay by the latter in furnishing these details, there is a delay in effecting recoveries from the defaulters.

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<sup>20</sup> Except AD, Rangareddy.

### 7.3.5 Conclusion

*As brought out above, there was considerable delay in disposal of Mineral Concession Applications and Mineral Dealer Applications. Substantial delays in finalisation of Mineral Revenue Assessments led to inaccuracy in assessment of revenue realisable. Delay in preparation and submission of DCB Statements by ADs hampered the preparation of consolidated DCB Registers at State level, which further led to delayed realisation of mineral revenue. The Department had arrears of mineral revenue in all categories (existing leases, expired leases and cases of illegal quarrying detected by Vigilance and departmental inspections).*

### 7.3.6 Recommendations

- (i) The Department needs to make concerted efforts to tackle the delays in disposal of MCAs and MDRs and arrest the leakage of its legitimate revenue by ensuring that mineral revenue assessments are completed on time and revenue is realised promptly.
- (ii) The Government needs to take expeditious action to revamp the Vigilance & Enforcement system and put in place an appropriate mechanism to monitor its revenue realisation, recover its mineral revenue arrears and curb illegal mining.
- (iii) The Department needs to ensure that DCB Registers are maintained scrupulously and up-to-date with accurate details of leases and correct balances carried forward from year to year. It needs to deal effectively with the issue of non-compliance by M/s SCCL with the prescribed procedures.

Hyderabad  
The

  
(SUDHA RAJAN)  
Accountant General (Audit)  
Telangana

Countersigned

New Delhi  
The

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India



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## **Appendices & Glossary**

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**Appendix-1.1**  
**(Reference to paragraph 1.9.1, page 9)**  
**Department-wise details of IRs**

(₹ in crore)

Sl. No.	Name of the Department	Nature of Receipt	Number of outstanding Inspection Reports	Number of outstanding Audit Observations	Money Value Involved
1	Revenue	Commercial Taxes	322	4,059	3,071.41
		State Excise	80	398	37.99
		Land Revenue	233	1,829	731.94
		Stamps and Registration Fees	400	2,483	437.59
		Endowment	34	317	NA
2	Transport, Roads and Buildings	Taxes on Motor Vehicles	52	712	130.97
3	Industries and Commerce	Mines and Minerals	50	373	8.89
4	Energy	Taxes and Duties on Electricity	20	83	221.36
<b>Total</b>			<b>1,191</b>	<b>10,254</b>	<b>4,640.15</b>

*Source: Records of Office of Accountant General (Audit), Telangana*

**Appendix-1.2**  
**(Reference to paragraph 1.9.7, page 12)**

**Analysis of the mechanism for dealing with the issues raised by Audit**

Year of Report/ Name of the Performance Audit	Details of recommendations
<b>2013-14</b> <b>Public service delivery including functioning of IT services (CFST) in Transport Department</b>	<ol style="list-style-type: none"> <li>1. Introducing deadlines for remitting the revenue into Government account and fixing responsibility in the case of delay.</li> <li>2. Fixing reasonable time limits for disposal of VCRs and seized vehicles.</li> <li>3. Putting in place a project management structure for change management of CFST and for better control over procurement of IT/ IT related services.</li> <li>4. Incorporating necessary validation controls in the system data and cleaning of vehicle registration database for efficient business delivery to stakeholders.</li> <li>5. Drawing up Business Continuity and Disaster Recovery plans to avoid inconvenience to the users. The backup server may also be maintained in a geographically distant location.</li> </ol>

Year of Report/ Name of the Performance Audit	Details of recommendations
<b>2016-17 Performance Audit on "Enforcement activities of Transport Department including implementation of High Security Registration Plates"</b>	<ol style="list-style-type: none"> <li>1. Mechanisms for co-ordination between the Transport and Police Departments needs to be instituted at the stages of planning and implementation of enforcement activities;</li> <li>2. The implementation of e-VCR mobile solution be expedited for use by enforcement officials;</li> <li>3. Provisions on enhancement of fees on Compounding of second and subsequent offences needs to be in place to deter repeated offences.</li> <li>4. Time limit may be prescribed for the finalisation of Vehicle Check Reports to avoid pendency as well as blockage of revenue;</li> <li>5. The Department should be equipped with breath analysers, mobile interceptors, speed guns etc., for effective enforcement activities.</li> <li>6. HSRP project may be implemented effectively to ensure uniform registration plates with security features</li> </ol>

Status: Explanatory notes from Government is awaited in respect of both the Performance Audits

**Appendix-4.1  
(Reference to paragraph 4.4, page 47)**

**Short levy of duties and fees due to misclassification of transactions in registered documents**

(₹ in lakh)

Registering Authority	No. of cases	Details of Transactions	Documents registered as	Documents actual classification	Stamp Duty and Fee short levied
1	2	3	4	5	6
Sub Registrar, Miryalguda	1	Gift given to brother's daughter	Settlement in favour of family	Gift in favour of others	2.72
Sub Registrar Maheswaram	1	Property settled in favour of brother's daughter	Settlement in favour of family	Settlement in favour of others	0.84
Sub Registrar, L B Nagar	1	Property settled in favour of daughter-in-law	Settlement in favour of family	Settlement in favour of others	1.43
Sub Registrar, Saroornagar	1	Property given for development	Builder's Contract Agreement'	Construction Agreement	0.67
Sub Registrar, Kapra	1	Share of property released	Settlement	Release	0.86
Sub Registrar, Mancherial	1	Property gifted to nephew	Gift in favour of family	Gift in favour of others	0.91
Sub Registrar, Malkajgiri	2	Property gifted to nephew	Gift in favour of family	Gift in favour of others	2.30
Sub Registrar, Narayanpet	1	Releasing of rights in a settlement deed	Settlement deed	Release deed	0.81

Registering Authority	No. of cases	Details of Transactions	Documents registered as	Documents actual classification	Stamp Duty and Fee short levied
1	2	3	4	5	6
Sub Registrar, Marepally	1	Developer given the power to sell in addition to development of property	Development Agreement	Development cum General Power of Attorney	0.54
Sub-Registrar, Nakrekal	4	Property sold for consideration to Vendee and power of attorney given to Vendee	General Power of Attorney	General Power of Attorney with consideration	4.23
Sub Registrar, Uppal	1	Agreement concluded for construction of building	Builders Contract Agreement	Construction Agreement	0.54
Sub Registrar, Sircilla	2	Scheduled property mortgaged with present and future rights, advantages, privileges, title and interest transferred	Mortgage without possession	Mortgage with possession	1.86
DR, Warangal	2	Simple mortgage misclassified as Deposit of Title Deed	Deposit of Title Deed	Simple Mortgage	1.35
District Registrar, Rangareddy	4	Court Decree of others registered as partition deed/ settlement in favour of brother-in-law/ Developer have sale power	Partition Deed/ Settlement in favour of family/ Development Agreement	Court Decree/ Settlement in favour of others/ Development cum General Power of Attorney	147.57
	<b>23</b>				<b>166.63</b>

**Appendix-4.2**

**(Reference to paragraph 4.6, page 48)**

**Non-levy of duties on documents involving distinct matters**

**(₹ in lakh)**

Registering Authority	No. of cases	Distinct Matter	Short levy	Remarks
1	2	3	4	5
SR. Mahabubabad	01	Release in partition deed	0.83	Three sisters relinquished their share in ancestral property in favour of their brother, which is a distinct matter of 'Release' in Partition deed.
SR. Shamirpet	01	Cash conveyance in sale	5.52	Sale proceeds of agricultural land was transferred by the Vendor to a consenting party outside the purview of Sale deed which is a distinct matter of conveyance in sale deed.
SR. Secunderabad	1	Release in Partition deed	1.39	As per will, two properties are to be partitioned equally between two parties, however, one party received excess share which is a distinct matter of Release in partition deed.

Registering Authority	No. of cases	Distinct Matter	Short levy	Remarks
SR. Quthbullapur	1	Cash conveyance in sale	10.80	Sale proceeds of a property was transferred by the Vendee to the consenting parties/assignees to borrower bank instead of Vendor which is a distinct matter of conveyance in sale deed.
SR. Maheswaram	1	Cash conveyance in sale deed	1.00	Share of sale proceeds agricultural land was given by the Vendor to consenting parties which is a distinct matter of conveyance in sale deed.
SR Mancherial	1	Cash conveyance in sale deed.	2.52	Share of sale proceeds agricultural land of Vendor 1 was paid to Vendor 3 owing to earlier agreement between them which is a distinct matter of conveyance in Sale deed
SR. Shankarpally	2	Release in Sale deed	2.92	Sale proceeds were received by 3 out of 5 vendors on sale of Agricultural land (inherited property) which is a distinct matter of Release in Sale deed.
SR. Golconda	1	Cash conveyance in DGPA	2.40	The developer paid ₹80.00 lakh to owner (non-reimbursable) which is outside the scope of Development cum General Power of Attorney(DGPA)
SR Gajwel	1	Cash conveyance in Sale deed	0.82	One out of three vendors received excess consideration on sale of Agricultural land.
SR, Warangal Fort	1	Cash conveyance in Reconstitution of Partnership deed	4.57	While executing a Reconstitution of partnership deed, the retiring partners received ₹10.00 lakh from the firm which is a distinct matter of cash conveyance.
DR. Ranga Reddy	1	Distinct matter of conveyance in Sale deed.	2.00	Part amount of sale proceeds of land was paid to a consenting party which is a distinct matter of conveyance in sale deed.
	1	Cash conveyance in DGPA deed	34.04	A plinth area of 42,550 sft was given to a party who is not a part of the Development cum General Power of Attorney (DGPA) which is a distinct matter of conveyance in DGPA.
DR. Medak	2	Cash conveyance in Sale deed.	6.07	Agricultural land was sold by vendors, however the consideration was not received as per agreed ratio of their shares. The excess amount received by some vendors is treated as distinct matter of cash conveyance in sale deed.
	<b>15</b>		<b>74.88</b>	

**Appendix-4.3**  
**(Reference to paragraph 4.7, page 49)**  
**Short levy of duties due to non-adoption of valuation instructions**  
**in respect of rural properties**

(₹ in lakh)

Sl. No.	Registering Authority	No. of cases	Value of the property charged in the document	Value of the Property actually chargeable	Total duties leviable (at 1.5/5/6 per cent)	Duties actually levied	Short levy of Duties	Remarks
1	2	3	4	5	6	7	8	9
1	SR Registrar, Abdullapur	1	106.56	193.75	11.63	6.39	5.24	The property is surrounded by land in Survey No. 115 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
2	Sub Registrar, Kalwakurthy	1	19.90	240.79	14.45	1.20	13.25	The property is surrounded by land in Survey No. 768 holding a higher value as per Form IV. Hence, higher value is to be adopted for computing chargeable value.
3	Sub Registrar, Ghatkesar	2	125.70	191.90	9.59	6.29	3.30	The property is surrounded by land in Survey No's. 22 & 414 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
4	Sub Registrar, Wardhannapet	1	14.00	48.40	2.90	0.84	2.06	The property is surrounded by land in Survey No. 403/A holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
5	Sub Registrar, Qutubullapur	1	81.00	101.25	6.08	4.86	1.22	The property is surrounded by land in Survey No. 483 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
6	Sub Registrar, Wanaparthy	2	26.30	74.81	4.49	1.58	2.91	The property is surrounded by land in Survey No's. 20, 24 & 441 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.

Sl. No.	Registering Authority	No. of cases	Value of the property charged in the document	Value of the Property actually chargeable	Total duties leviable (at 1.5/5/6 per cent)	Duties actually levied	Short levy of Duties	Remarks
7	Sub Registrar, Makthal	1	9.00	18.00	1.08	0.54	0.54	The property is surrounded by land in Survey No. 91 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
8	Sub Registrar Gandipet	1	300.00	350.00	5.25	4.50	0.75	The property is surrounded by land in Survey No's 107 & 108 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
9	District Registrar Nalgonda	2	53.95	129.03	7.74	3.24	4.50	The property is surrounded by land in Survey No's. 202 & 579 holding a higher value as per in Form-IV. Hence, higher value is to be adopted for computing chargeable value.
10	District Registrar, Rangareddy	1	250.00	726.00	43.56	15.00	28.56	The property is surrounded by land in Survey No. 305 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
11	District Registrar, Karimnagar	2	4.40	15.40	0.92	0.26	0.66	The property is surrounded by land in Survey No. 28 holding a higher value as per Form-IV. Hence, higher value is to be adopted for computing chargeable value.
	<b>Total</b>	<b>15</b>	<b>990.81</b>	<b>2089.33</b>	<b>107.69</b>	<b>44.70</b>	<b>62.99</b>	

**Appendix-4.4**  
**(Reference to paragraph 4.8, page 49)**

**Short levy of duties in registered documents**

(₹ in lakh)

Sl. No	Registering Authority	No of cases	Duties leviable	Duties actually levied	Short levy	Remarks
1	2	3	4	5	6	7
1	SR. Atmakur	1	2.45	0.64	1.81	Short levy of Stamp duty in gift deed
2	SR. Bibinagar	12	4.50	2.40	2.10	Short levy of duties due to non-levy of Transfer duty and short levy of stamp duty.
3	SR. Bowenpally	1	9.77	8.90	0.87	Short levy of duties due to incorrect calculation of sq. yards, 90 sq yards were not considered for arriving chargeable value.
4	SR. Farooqnagar	1	1.80	0.60	1.20	Short levy of duties.
5	SR. Gadwal	1	6.16	5.60	0.56	Short levy of duties due to adoption of lesser of consideration value.
6	SR. Gandipet	2	10.40	1.90	8.50	Duties not levied on consideration amount
7	SR. Golconda	2	6.48	3.69	2.79	Short levy of duties due to transfer of terrace rights and misclassification of gift deed as family instead of others.
8	SR. Kalwakurthy	1	7.36	6.75	0.61	Short levy of duties.
9	SR. Kamareddy	1	1.96	0.18	1.78	Short levy of Stamp duty due to absence of endorsement of payment.
10	SR. Ibrahimpatnam	1	4.18	0.83	3.35	Short levy of Stamp duty on Agreement cum General Power of Attorney (AGPA)
11	SR. Maheswaram	4	2.62	0.62	2.00	Short levy of duties in gift deed, incorrect computation of Average Annual Rent and non-levy of Transfer duty.
12	SR. Maredpally	2	4.88	2.94	1.94	Short levy of duties in gift deed
13	SR. Quthbullapur	3	38.85	33.98	4.87	Short levy of duties due to adoption of lesser market value and incorrect computation of Average Annual Rent.
14	SR. L.B. Nagar	1	0.70	0.15	0.55	Short levy of Registration fee.
15	SR Saroornagar	1	51.50	46.36	5.14	Short levy of duties due to adoption of lesser chargeable value.
16	SR. Shamshabad	3	8.20	3.74	4.46	Short levy of duties due to non-levy of Stamp duty on improvements made in two lease deeds and short levy of Stamp duty.
17	SR. Secunderabad	1	5.53	4.55	0.98	Short levy of duties due in gift deed.

Sl. No	Registering Authority	No of cases	Duties leviable	Duties actually levied	Short levy	Remarks
18	SR. Shamirpet	5	2.70	2.19	0.51	Short levy of duties due to adoption of lesser chargeable value while computing Average Annual Rent.
19	SR, Uppal	1	0.70	0.02	0.68	Short levy of duties.
20	DR. Hyderabad (South)	4	0.80	0.04	0.76	Short levy of Registration fee.
21	DR. Karimnagar	1	4.65	3.14	1.51	Short levy of duties on consideration amount.
22	DR Khammam	4	0.57	0	0.57	Short levy of duties due to non-consideration of stilt/parking area.
23	DR Mahabubnagar	6	4.73	2.75	1.98	Transfer duty was short/non-collected and adoption of lesser market value.
24	DR. Medak	4	45.07	38.20	6.87	Short levy of duties in gift deed
25	D.R. Nizamabad	2	3.08	1.09	1.99	Short levy of Stamp Duty was due adoption of lesser market value.
	<b>Total</b>	<b>65</b>	<b>229.64</b>	<b>171.26</b>	<b>58.38</b>	

**Appendix-4.5**  
(Reference to paragraph 4.9, page 50)

**Short realisation of duties due to undervaluation of properties in registered documents**

(₹ in lakh)

Sl. No.	Registering Authority	No. of cases	Reasons for undervaluation	Duties and fee leviable	Duties and fee levied	Short levy of Duties and Fee
1	2	3	4	5	6	7
1	DR (S), Hyderabad	1	Non adoption of higher market value as per Form II for arriving at the chargeable value of the property sold.	18.66	18.00	0.66
2	DR, Medak	1	Adoption of lesser consideration value than that of previous transaction for arriving at the chargeable value of the property sold.	21.69	21.03	0.66
3	DR Khammam	2	Adoption of lesser market value as per Form I while arriving at the chargeable value of the properties sold.	11.55	6.82	4.73
4	DR Nizamabad	4	Adoption of lesser market value as per Form I while arriving at the chargeable value of the properties sold.	11.74	5.71	6.03
5	SR, Abdullapur	2	Adoption of lesser market value as per Form I while arriving at the chargeable value of the properties sold.	18.57	14.98	3.59
6	SR, Mahabubabad	4	Non inclusion of built up area and adoption of lesser market value while arriving at the chargeable value of the properties sold.	7.97	4.68	3.29
7	SR, Miryalguda,	2	Non adoption of higher market value as per Form II while arriving at the chargeable value of the properties sold.	2.00	1.44	0.56

Sl. No.	Registering Authority	No. of cases	Reasons for undervaluation	Duties and fee leviable	Duties and fee levied	Short levy of Duties and Fee
8	SR, Charminar	3	Non adoption of higher market value as per Form II while arriving at the chargeable value of the properties sold.	11.04	7.18	3.86
9	SR, Chikkadpally	1	Adoption of lesser market value as per Form I while arriving at the chargeable value of the property while executing a Development cum General Power of Attorney.	2.82	2.02	0.80
10	SR, Gandipet	1	Adoption of lesser consideration value than that of previous transaction for arriving at the chargeable value of the property sold.	2.64	2.10	0.54
11	SR, Warangal Rural	2	Adoption of lesser market value as per Form I while arriving at the chargeable value of the properties sold.	7.79	4.00	3.79
12	SR, Kodad	5	Adoption of lesser consideration value than that of previous transaction while arriving at the chargeable value of the property sold. Non adoption of higher market value while arriving at the chargeable value of the properties sold.	16.47	13.14	3.33
13	SR, Farooqnagar	1	Non adoption of higher market value as per Form II while arriving at the chargeable value of the property sold.	4.35	2.61	1.74
14	SR, Ghatkesar	2	Non adoption of higher market value as per Form II and Form IV while arriving at the chargeable value of the properties sold/General Power of Attorney executed.	3.07	1.81	1.26
15	SR, Serilingampally,	1	Adoption of lesser consideration value than that of previous transaction while arriving at the chargeable value of the property sold.	2.44	1.50	0.94
16	SR, Kalwakurthy	2	Non adoption of higher market value as per Form II while arriving at the chargeable value of the property sold.	3.19	1.49	1.70
17	SR, Rajendranagar	1	Non adoption of higher market value as per Form II while arriving at the chargeable value of the Gift deed executed.	1.63	0.90	0.73
18	SR, Secunderabad	1	Non adoption of higher market value as per Form II while arriving at the chargeable value of the property sold.	28.66	25.33	3.33
19	SR, Uppal	3	Non adoption of higher market value as per Form II while arriving at the chargeable value of the properties sold and gift deed executed.	4.25	2.35	1.90

Sl. No.	Registering Authority	No. of cases	Reasons for undervaluation	Duties and fee leviable	Duties and fee levied	Short levy of Duties and Fee
20	SR , Suryapet	2	Adoption of lesser market value than that of previous transaction while arriving at the chargeable value of the property sold.	2.76	1.72	1.04
21	SR, Sathupally	1	Non adoption of higher market value while arriving at the chargeable value of the property sold.	3.48	0.48	3.00
22	SR, Bibinagar	1	Adoption of acreage rate instead of square yard rate which was adopted in the previous transaction while arriving at the chargeable value of the property sold.	3.97	1.13	2.84
23	SR, Armour	1	Adoption of acreage rate instead of square yard rate which was adopted in the previous transaction while arriving at the chargeable value of the property sold.	0.93	0.07	0.86
24	SR, Kollapur	3	Non adoption of higher market value as per Form II while arriving at the chargeable value of the property sold.	4.05	2.53	1.52
		<b>47</b>		<b>195.72</b>	<b>143.02</b>	<b>52.70</b>

**Appendix-7.1**  
(Reference to paragraph 7.3.3.1, page 63)

**Mineral Concession Applications**

Sl. No.	District	No. of applications pending as on 31.3.2019	No. of applications pending with Tahsildar for want of NOC	No. of cases pending with ADMG	No. of proposals pending with the DMG/ DDMG
1	Vikarabad	520	423	97	0
2	Nalgonda	105	78	0	27
3	Nizamabad	341	244	26	71
4	Nagarkurnool	75	63	0	12
5	Bhadradi Kothagudem	33	31	02	0
6	Khammam	135	120	15	0
7	Peddapalli	421	371	50	0
8	Mancherial	05	02	01	02
9	Mahabubnagar	234	109	06	119
10	Wanaparthy	196	186	10	0
11	Jangaon	120	63	23	34
12	Rajanna Sircilla	51	25	16	10
13	Jogulamba Gadwal	44	44	0	0
14	Karimnagar	414	397	17	0
15	Warangal (Urban)	60	60	0	0
<b>Total</b>		<b>2754</b>	<b>2216</b>	<b>263</b>	<b>275</b>

**Appendix-7.2**  
(Reference to paragraph 7.3.3.2 page 64)

**Mineral Revenue Assessments**

Name of the Office	Year	No. of MRAs to be received	No. of MRAs received	No. of MRAs approved	No. of MRAs to be approved
<b>DDMG, Hyderabad</b>	2016-17	1,566	803	6	1,560
	2017-18	1,610	877	6	1,604
	2018-19	1,766	386	7	1,759
<b>DDMG, Warangal</b>	2016-17	2,181	1,136	1,136	1,045
	2017-18	2,277	1,234	1,234	1,043
	2018-19	2,234	552	552	1,682
<b>DDMG, Nizamabad</b>	2016-17	527	307	299	228
	2017-18	544	276	266	278
	2018-19	564	27	27	537
<b>Total</b>		<b>13,269</b>	<b>5,598</b>	<b>3,533</b>	<b>9,736</b>

**Appendix-7.3**  
**(Reference to paragraph 7.3.3.3, page 64)**  
**Delay in preparation of DCB Registers**

Sl. No.	District	Delay in no. of days for the year 2016-17	Delay in no. of days for the year 2017-18	Delay in no. of days for the year 2018-19
1	Nalgonda	70	107	57
2	Nizamabad	98	45	39
3	Warangal (Urban)	0	41	65
4	Khammam	181	55	62
5	Peddapalli	215	189	69
6	Rangareddy	610	245	62
7	Mancherial	125	82	58
8	Mahabubnagar	89	114	36
9	Vikarabad	194	62	57
10	Jogulamba Gadwal	630	219	57
11	Jangaon	29	79	0
12	Bhadradi Kothagudem	174	102	31
13	Karimnagar	283	86	74
14	Rajanna Sircilla	121	39	26

## Appendix-7.4

(Reference to paragraph 7.3.3.4, page 65)

## Variation in balances in DCB Registers

(figures in ₹)

Name of the Mineral	Closing balance 2016-17	Opening balance 2017-18	Closing balance 2017-18	Opening balance 2018-19
<b>Name of the District: Rangareddy</b>				
Quartz & Feldspar	13,34,617	16,11,924	7,25,405	8,17,487
Stone & Metal and Gravel	(-)13,04,96,137	(-)13,00,99,951	(-)17,19,19,570	(-)6,37,97,830
Granite	(-)46,28,771	(-)47,08,702	(-)62,28,426	(-)60,07,211
<b>Name of the District: Mahabubnagar</b>				
Quartz	1,96,563	3,45,123		
Quartz & Feldspar	3,54,157	3,62,907		
Stone & Metal and Gravel	(-)75,97,039	(-)74,29,412		
Granite	(-)43,54,765	(-)48,80,389		
<b>Name of the District: Bhadradi Kothagudem</b>				
Quartz	(-)28,568	(-)30,606	(-)64,331	(-)35,821
Stone & Metal	9,95,227	5,93,206	10,87,709	8,56,719
Stone, Metal & Gravel	1,60,186	4,13,378	6,51,105	5,28,661
Garnet			(-)2,54,608	(-)3,01,126
Feldspar			1,51,489	6,22,648
Gravel			(-)1,33,645	11,860
Marble			(-)52,48,767	(-)52,48,772
<b>Name of the District: Khammam</b>				
Black Granite	(-)2,68,89,680	(-)3,59,17,588	(-)4,34,32,113	(-)3,01,34,131
Stone & Metal	13,87,328	13,27,172	10,25,371	30,64,388
31 Minor minerals	49,26,416	47,84,042	14,26,293	14,02,495
<b>Name of the District: Warangal (Urban)</b>				
Minor minerals	43,00,342	53,94,895	1,44,07,363	92,44,332

**Appendix-7.5**

(Reference to paragraph 7.3.4.2(i), page 67)

**Non-collection of Mineral Revenue Arrears by ADs**

Sl. No.	District	Demand (₹)	Collection (₹)	Balance (₹)
1	Vikarabad	73,40,95,724	73,09,82,832	31,12,892
2	Nalgonda	7,91,02,890	2,82,62,898	5,08,39,992
3	Nizamabad	4,22,41,260	3,24,47,647	97,93,613
4	Bhadradi Kothagudem	2,29,13,614	90,22,789	1,38,90,825
5	Warangal (Urban)	13,32,43,670	12,75,75,062	56,68,608
6	Mahabubnagar	6,05,85,986	4,45,27,624	1,60,58,362
7	Khammam	28,68,77,346	18,52,67,853	10,16,09,493
8	Rangareddy	28,92,31,158	19,02,10,060	9,90,21,098
9	Peddapalli	8,95,99,094	6,01,10,587	2,94,88,507
10	Wanaparthy	3,87,79,177	73,72,071	3,14,07,106
<b>Total</b>		<b>177,66,69,919</b>	<b>141,57,79,423</b>	<b>36,08,90,496</b>

**Appendix-7.6**

(Reference to paragraph 7.3.4.2 (ii), page 68)

**Non-collection of Mineral Revenue Arrears detected by V&E Department**

Sl. No.	District	No. of cases	Balance (₹)
1	Vikarabad	22	11,92,50,490
2	Nalgonda	31	6,73,55,044
3	Nagarkurnool	3	5,51,97,232
4	Nizamabad	37	31,90,92,286
5	Bhadradi Kothagudem	4	1,11,83,280
6	Warangal (Urban)	38	8,96,61,227
7	Peddapalli	23	27,76,44,025
8	Jangaon	7	2,87,34,568
9	Mahabubnagar	8	16,87,61,348
10	Rangareddy	123	25,24,18,758
11	Wanaparthy	3	8,10,19,775
12	Jogulamba Gadwal	6	1,68,54,047
13	Mancherial	7	46,06,71,000
14	Khammam	61	11,30,97,992
15	Rajanna Sircilla	5	16,67,85,581
16	Karimnagar	45	1,77,95,284
<b>Total</b>		<b>423</b>	<b>224,55,21,937</b>

**Appendix-7.7****(Reference to paragraph 7.3.4.2 (iii), page 68)****Non-collection of Mineral Revenue Arrears detected by Departmental Authorities**

Sl. No.	District	No. of cases	Balance (₹)
1	Nagarkurnool	6	6,91,37,025
2	Nizamabad	26	14,52,29,442
3	Bhadradi Kothagudem	10	11,27,69,902
4	Warangal (Urban)	19	3,61,02,343
5	Peddapalli	59	9,95,23,910
6	Mancherial	5	1,56,00,000
7	Mahabubnagar	5	26,23,20,509
8	Jangaon	2	7,62,87,068
9	Wanaparthi	4	6,48,11,212
10	Jogulamba Gadwal	5	12,79,25,552
11	Khammam	113	12,56,11,884
12	Karimnagar	44	2,01,67,168
13	Vikarabad	24	36,13,13,138
14	Nalgonda	16	3,30,88,879
15	Rajanna Sircilla	1	2,07,375
<b>Total</b>		<b>339</b>	<b>155,00,95,407</b>

**Appendix-7.8****(Reference to paragraph 7.3.4.2 (iv), page 68)****Non-recovery of Mineral Revenue Arrears under Revenue Recovery Act, 1864**

Sl. No.	District	No. of cases	Balance (in ₹)
1	Vikarabad	38	26,40,318
2	Nizamabad	33	38,13,854
3	Nalgonda	103	1,92,42,562
4	Bhadradi Kothagudem	35	18,58,933
5	Warangal (Urban)	48	91,65,617
6	Khammam	70	2,51,13,373
7	Peddapalli	9	5,69,947
8	Mancherial	48	62,31,687
9	Mahabubnagar	6	3,08,97,580
10	Jangaon	13	55,93,096
11	Karimnagar	38	1,31,40,229
12	Rajanna Sircilla	6	3,35,176
<b>Total</b>		<b>447</b>	<b>11,86,02,372</b>

## Glossary

<b>AA</b>	: Assessing Authority
<b>AC</b>	: Assistant Commissioner
<b>BSO</b>	: Revenue Board's Standing Orders
<b>CARD</b>	: Computer aided Administration of Registration Department
<b>CCLA</b>	: Chief Commissioner of Land Administration
<b>Central MV Act</b>	: Central Motor Vehicles Act, 1988
<b>Central MV Rules</b>	: Central Motor Vehicles Rules, 1989
<b>CF</b>	: Compounding Fee
<b>CFST</b>	: Citizen Friendly Services in Transport Department
<b>CGST</b>	: Central Goods and Services Tax
<b>CIGRS</b>	: Commissioner and Inspector General of Registration and Stamps
<b>CST</b>	: Central Sales Tax
<b>DEPB</b>	: Duty Entitlement Pass Book
<b>DOTD</b>	: Deposit of Title Deeds
<b>DPEOs</b>	: District Prohibition and Excise Officers
<b>DR</b>	: District Registrar
<b>DTOs</b>	: District Transport Officers
<b>FC</b>	: Fitness Certificate
<b>GO</b>	: Government Order
<b>GST</b>	: Goods and Services Tax
<b>GSTIN</b>	: Goods and Services Tax Index Number
<b>GSTR</b>	: Goods and Services Tax Return
<b>GT</b>	: Green Tax
<b>IDEA</b>	: Interactive Data Extraction and Analysis
<b>IGST</b>	: Integrated Goods and Services Tax
<b>IS Act</b>	: Indian Stamp Act
<b>ITC</b>	: Input Tax Credit
<b>JC</b>	: Joint Commissioner
<b>JTC</b>	: Joint Transport Commissioner
<b>KM</b>	: Kilo Meter
<b>MSME</b>	: Micro, Small and Medium Enterprises
<b>MV</b>	: Market Value

<b>MV Act</b>	: Motor Vehicles Act, 1988
<b>P&amp;E</b>	: Prohibition and Excise
<b>P&amp;L Account</b>	: Profit and Loss Account
<b>PAC</b>	: Public Accounts Committee
<b>QT</b>	: Quarterly Tax
<b>RAs</b>	: Registering Authorities
<b>RC</b>	: Registration Certificate
<b>RDOs</b>	: Revenue Divisional Officers
<b>RF</b>	: Registration Fee
<b>RFD Form</b>	: Refund Form
<b>RTAs</b>	: Regional Transport Authorities
<b>RTOs</b>	: Regional Transport Officers
<b>SD</b>	: Stamp Duty
<b>SEZ</b>	: Special Economic Zone
<b>Sq. mt</b>	: Square meter
<b>SR</b>	: Sub Registrar
<b>SSI</b>	: Small Scale Industries
<b>ST</b>	: State Tax
<b>State MV Rules</b>	: Telangana Motor Vehicles Rules, 1989
<b>State MV Taxation Act</b>	: Telangana Motor Vehicles Taxation Act, 1963
<b>State MV Taxation Rules</b>	: Telangana Motor Vehicles Taxation Rules, 1963
<b>STO</b>	: State Tax Officer
<b>TC</b>	: Transport Commissioner
<b>TD</b>	: Transfer Duty
<b>TRAN Form</b>	: Transition Form
<b>TSGST</b>	: Telangana State Goods and Services Tax
<b>TSWAN</b>	: Telangana State Wide Area Network
<b>VAT</b>	: Value Added Tax
<b>VCRs</b>	: Vehicle Check Reports





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