# REPORT

# OF THE

# COMPTROLLER AND

# AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

## (REVENUE RECEIPTS)

## GOVERNMENT OF MAHARASHTRA

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# *Preface*

This Report for the year ended 31 March 2005 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, state excise, land revenue, taxes on motor vehicles, stamp duty and registration fees, other tax and non tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2004-05 as well as those noticed in earlier years, which could not be included in previous Reports.

# Overview

This Report contains 35 paragraphs including four reviews relating to non/short levy of taxes, duties, interest and penalty, *etc.*, involving Rs 555.47 crore. Some of the major findings are mentioned below:

## 1. General

- Total receipts of the State during the year 2004-05 amounted to Rs 40,399.72 crore of which revenue raised by the State Government was Rs 34,110.97 crore and receipts from the Government of India were Rs 6,288.75 crore. The revenue raised constituted 84 *per cent* of the total receipts of the State. The receipts from the Government of India included Rs 3,595.03 crore on account of State's share of divisible Union taxes and Rs 2,693.72 crore as grants in aid and registered an increase of 6.06 *per cent* and 18.66 *per cent* respectively over 2003-2004.

*{Paragraph 1.1}*

- At the end of 2004-05, arrears in respect of some taxes administered by the departments of Finance and Home amounted to Rs 12,584.30 crore, of which Sales Tax *etc.,* alone accounted for Rs 12,380.76 crore.

{Paragraph 1.6}

- In respect of the taxes administered by the Finance Department, such as sales tax, profession tax and tax on works contracts, *etc.*, 9.63 lakh assessments were completed during 2004-05, leaving a balance of 31.08 lakh assessments as on 31 March 2005.

*{Paragraph 1.7}*

- Test check of records of sales tax, state excise, motor vehicles tax, stamp duty and registration fees, land revenue and other departmental offices conducted during the year 2004-05 revealed underassessment, short levy, loss of revenue, *etc.*, amounting to Rs 1351.11 crore in 8,820 cases. The departments concerned accepted underassessment, short levy, *etc.*, of Rs 39.28 crore in 5,562 cases pointed out in 2004-05 and earlier years and recovered Rs 19.19 crore.

*{Paragraph 1.11}*

- At the end of June 2005, 13,245 paragraphs involving Rs 1,066.04 crore relating to 5,217 inspection reports issued upto 31 December 2004 remained outstanding.

*{Paragraph 1.12}*

## 2. Sales Tax

- Review on **'Correctness of transactions of branch transfers in sales tax'** revealed the following:

  Excess/incorrect allowance of exemptions of Rs 23.47 crore on account of branch transfers to 13 dealers in the assessments for the years between 1998-99 and 2001-02 resulted in underassessment of Rs 5.24 crore including penalty and interest.

  Non/short accountal of goods valued at Rs 36.46 crore received as branch transfer from outside the State by two dealers resulted in underassessment of Rs 13.73 crore.

  *{Paragraph 2.2.7}*

  Acceptance of invalid declarations/incomplete declarations in form F resulted in non realisation of revenue of Rs 130.15 crore in respect of 60 dealers.

  *{Paragraph 2.2.8}*

- **Pendency of appeals**

  Amounts aggregating Rs 3,840.76 crore were blocked in appeal cases pending with appellate authorities.

  *{Paragraph 2.3.2}*

  Delays ranging from 6 to 91 months in disposal of appeals in eight cases involved revenue of Rs 33.26 crore.

  *{Paragraph 2.3.5}*

- Failure to take action or inadequate action for recovery of dues as arrears of land revenue resulted in Rs 17.71 crore remaining unrecovered in 24 cases.

  *{Paragraph 2.4.3}*

- Due to application of incorrect rate of tax or incorrect exemption there was underassessment of Rs 4.23 crore in 53 cases.

  *{Paragraph 2.6}*

- Incorrect grant of set off under various provisions resulted in underassessment of Rs 3.28 crore in respect of 71 dealers.

  *{Paragraph 2.7}*

- Failure to levy interest or short levy of interest and penalty resulted in underassessment of Rs 2.18 crore in six cases.

  *{Paragraph 2.8}*

- Delay of four years in reassessment of a dealer after cancellation of registration resulted in the Department running the risk of recovery of Rs 6.71 crore.

  *{Paragraph 2.15}*

### 3. Taxes on Motor Vehicles

- Review on **'Assessment and collection of taxes and other receipts in the Motor Vehicles Department'** revealed the following:

  Arrears of Bombay Motor Vehicles Tax, goods tax and passengers tax pending collection as on 31 March 2004 amounted to Rs 198.38 crore.

  *{Paragraph 3.2.8}*

  Arrears of Rs 55.33 crore were not processed for recovery as arrears of land revenue.

  *{Paragraph 3.2.9}*

  Non/short levy of tax in respect of 1,809 vehicles resulted in underassessment of Rs 2.82 crore.

  *{Paragraph 3.2.10}*

  Four fleet owners had not remitted to Government, passengers tax of Rs 40.77 crore collected from the public.

  *{Paragraph 3.2.13}*

### 4. Stamp Duty and Registration Fees

- Omission to include ground rent in the total consideration of a lease deed for levy of stamp duty resulted in underassessment of Rs 2.34 crore.

  *{Paragraph 3.9}*

### 5. Land Revenue

- Review on **'Allotment and utilisation of Government land'** revealed the following:

  Incorrect grant of land at concessional rates resulted in loss of revenue of Rs 53.18 crore by way of lease rent/occupancy price in three cases.

  *{Paragraph 4.4.8}*

  In Raigad and Nagpur, in nine cases, failure to resume land or recover market value for land allotted free of occupancy price/revenue for breach of conditions of allotment resulted in loss of revenue of Rs 7.69 crore.

  *{Paragraph 4.4.9}*

  Six allottees had not paid unearned income of Rs 133.16 crore for sale/transfer of land without obtaining permission of Government.

  *{Paragraph 4.4.10}*

  Penal occupancy price of Rs 1.22 crore was not levied/short levied in two cases for encroachment of land.

  *{Paragraph 4.4.11}*

  Incorrect deletion of the condition for surrendering 10 *per cent* of the tenements built on land granted under the Urban Land Ceiling Act for allotment to Government nominees resulted in unintended benefit of Rs 13.69 crore.

  *{Paragraph 4.4.14}*

## 6. Other Tax Receipts

- Failure to review the licence fee register in respect of licence for sale of foreign liquor (FL III) resulted in short recovery of Rs 1.05 crore in respect of 234 licences.

*{Paragraph 5.2}*

- Short/non remittance of education and employment guarantee cess collected by Brihan Mumbai, Nagpur and Pune Municipal Corporations into Government account amounted to Rs 27.76 crore.

*{Paragraph 5.5}*

- Non remittance of tax on buildings (with larger residential premises) collected by Brihan Mumbai, Pune and Solapur Municipal Corporations amounted to Rs 3.72 crore.

*{Paragraph 5.7}*

- Interest of Rs 71.08 crore was not levied and demanded from Maharashtra State Electricity Board for delay in remittance of electricity duty collected between March 2004 and January 2005.

*{Paragraph 5.10}*

## 7. Non Tax Receipts

- Review on **'Receipt of Public Works Department'** revealed the following:

  Non submission of proposals for levying toll in respect of 35 works resulted in non realisation of toll receipts of Rs 53.32 crore.

  *{Paragraph 6.2.9}*

  Discontinuance of toll collection before recovery of the cost of construction in respect of four bridges resulted in non realisation of revenue of Rs 2.31 crore.

  *{Paragraph 6.2.10}*

  Hire charges of machinery of Rs 33.35 crore were not recovered in 36 divisions and short recovered to the extent of Rs 21.88 crore in 43 divisions..

  *{Paragraph 6.2.11 & 6.2.12}*

  Non/short levy of centage charges in 20 divisions resulted in loss of revenue of Rs 16.50 crore.

  *{Paragraph 6.2.13}*

  Maintenance and toll collection charges of Rs 2.33 crore were not recovered from the Maharashtra State Road Development Corporation.

  *{Paragraph 6.2.16}*

# CHAPTER I: General

## 1.1 Trend of revenue receipts

Tax and non tax revenue raised by the Government of Maharashtra during the year 2004-05, State's share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

**(In crore of rupees)**

| | | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 |
|---|---|---|---|---|---|---|
| **I.** | **Revenue raised by the State Government** | | | | | |
| • | Tax revenue | 19,726.94 | 21,287.64 | 22,799.45 | 25,162.16 | 30,605.75 |
| • | Non tax revenue[1] | 5,579.94 | 4,538.66 | 4,249.48 | 2,964.76 | 3,505.22 |
| | | (5,596.26) | (4,655.08) | (4,517.47) | (3,548.94) | (4,118.83) |
| | **Total** | **25,306.88** | **25,826.30** | **27,048.93** | **28,126.92** | **34,110.97** |
| | | **(25,323.20)** | **(25,942.72)** | **(27,316.92)** | **(28,711.10)** | **(34,724.58)** |
| **II.** | **Receipts from the Government of India** | | | | | |
| • | State's share of divisible Union taxes | 2,781.01 | 2,468.76 | 2,279.97 | 3,389.49 | 3,595.03 |
| • | Grants in aid | 1,462.71 | 1,681.47 | 1,506.15 | 2,269.93 | 2,693.72 |
| | **Total** | **4,243.72** | **4,150.23** | **3,786.12** | **5,659.42** | **6,288.75** |
| **III.** | **Total receipts of the State** | **29,550.60** | **29,976.53** | **30,835.05** | **33,786.34** | **40,399.72** |
| | | **(29,566.92)** | **(30,092.95)** | **(31,103.04)** | **(34,370.52)** | **(41,013.33)** |
| **IV.** | **Percentage of I to III** | **86** | **86** | **88** | **83** | **84** |

[1] Lottery receipts included in non tax revenue are net of expenditure on prize winning tickets.

Figures in brackets indicate gross receipts.

Note: For details, please see Statement No. 11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Maharashtra for the year 2004-2005. Figures under the head "0020-Corporation Tax, 0021 - Taxes on Income other than Corporation Tax, 0028- Other taxes on Income and Expenditure, 0032 – Wealth Tax, 0037 – Customs, 0038 – Union Excise Duties, 0044- Service Tax, 0045- Other taxes and duties on commodities and services" - share of net proceeds assigned to State booked in the Finance Accounts under tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

**1.1.1** The details of tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

**(In crore of rupees)**

| | Head of Revenue | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04 |
|---|---|---|---|---|---|---|---|
| 1. | Sales Tax | | | | | | |
| • | State Sales Tax *etc.* | 10,331.08 | 10,071.89 | 11,746.21 | 12,795.01 | 16,399.62 | (+) 28.17 |
| • | Central Sales Tax | 1,865.31 | 2,059.50 | 1,742.14 | 2,530.95 | 2,417.10 | (-) 4.50 |
| 2. | State Excise | 1,779.51 | 1,787.26 | 1,938.68 | 2,324.42 | 2,218.87 | (-) 4.54 |
| 3. | Stamp Duty and Registration Fees | 2,200.92 | 2,442.68 | 2,823.11 | 3,354.06 | 4,116.49 | (+) 22.73 |
| 4. | Taxes and Duties on Electricity | 933.59 | 1,034.26 | 1,149.18 | 629.72 | 1,673.76 | (+) 165.79 |
| 5. | Taxes on vehicles | 785.84 | 947.79 | 941.23 | 1,205.97 | 1,177.14 | (-) 2.39 |
| 6. | Taxes on Goods and Passengers | 100.23 | 1,027.39 | 245.03 | 231.91 | 427.75 | (+) 84.45 |
| 7. | Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments | 946.78 | 981.98 | 1,028.56 | 1,018.77 | 1,076.57 | (+) 5.67 |
| 8. | Other Taxes and Duties on Commodities and Services | 568.96 | 674.27 | 798.90 | 710.86 | 737.73 | (+) 3.78 |
| 9. | Land Revenue | 214.72 | 260.46 | 386.41 | 360.49 | 360.72 | (+) 0.06 |
| 10. | Taxes on Agricultural Income | Negligible | 0.16 | NIL | NIL | NIL | |
| | **Total** | **19,726.94** | **21,287.64** | **22,799.45** | **25,162.16** | **30,605.75** | |

The reasons for variations, though called for, were not furnished (December 2005).

**1.1.2** The details of the major non tax revenue raised during the year 2004-05 alongwith the figures for the preceding four years are given below:

**(Amount in crore of rupees)**

| | Head of Revenue | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | Percentage of increase (+) or decrease (-) in 2004-05 over 2003-04 |
|---|---|---|---|---|---|---|---|
| 1. | Interest Receipts | 3,161.63 | 1,845.60 | 1,777.27 | 356.91 | 737.46 | (+) 106.62 |
| 2. | Dairy Development | 794.21 | 885.83 | 800.51 | 774.73 | 676.10 | (-) 12.73 |
| 3. | Other Non Tax Receipts | 393.66 | 616.08 | 245.07 | 547.93 | 584.56 | (+) 6.68 |
| 4. | Forestry and Wild Life | 135.16 | 134.14 | 104.58 | 86.33 | 88.62 | (+) 2.65 |
| 5. | Non ferrous Mining and Metallurgical Industries | 350.47 | 347.17 | 400.61 | 475.50 | 574.80 | (+) 20.88 |
| 6. | Miscellaneous General[2] Services (including lottery receipts) | 197.00 | 125.55 | 290.14 | 113.65 | 117.17 | (+) 3.10 |
| 7. | Power | 86.45 | 85.70 | 85.79 | 1.32 | 5.16 | (+) 290.91 |
| 8. | Major and Medium Irrigation | 62.49 | 86.03 | 113.05 | 230.69 | 335.68 | (+) 45.51 |
| 9. | Medical and Public Health | 77.53 | 109.78 | 95.89 | 91.53 | 107.98 | (+) 17.97 |
| 10. | Co-operation | 58.93 | 71.26 | 63.01 | 60.06 | 48.86 | (-) 18.65 |
| 11. | Public Works | 69.33 | 62.71 | 54.31 | 65.26 | 64.29 | (-) 1.49 |
| 12. | Police | 91.38 | 110.78 | 152.77 | 102.75 | 96.63 | (-) 5.96 |
| 13. | Other Administrative Services | 101.70 | 58.03 | 66.48 | 58.10 | 67.91 | (+) 16.88 |
| | **Total** | **5,579.94** | **4,538.66** | **4,249.48** | **2,964.76** | **3,505.22** | |

The reasons attributed by the Department for significant increase/decrease in receipts during 2004-05 over the receipts during 2003-04 are as under:

**Interest Receipts**: - The increase was mainly due to more receipts from departmental commercial undertakings.

**Co-operation**:- The decrease was due to less receipts under audit fees.

**Dairy Development**: - The decrease was due to decrease in sale of milk and milk products.

Reasons for variations in respect of the other receipts have not been received (December 2005).

[2] Figure is net of expenditure on prize winning lottery tickets.

## 1.2 Variations between budget estimates and actuals

The variation between the budget estimates and actuals of revenue receipts for the year 2004-05 in respect of the principal heads of tax and non tax revenue are given below:

**(Amount in crore of rupees)**

| | Head of Revenue | Budget estimates | Actuals | Variations excess (+) or shortfall (-) | Percentage of variation |
|---|---|---|---|---|---|
| 1. | Sales Tax and other taxes* | 16,890.00 | 18,816.72 | (+) 1,926.72 | (+) 11.41 |
| 2. | State Excise | 2,600.00 | 2,218.87 | (-) 381.13 | (-) 14.66 |
| 3. | Stamp Duty and Registration Fees | 3,375.00 | 4,116.49 | (+) 741.49 | (+) 21.97 |
| 4. | Taxes and Duties on Electricity | 1,290.00 | 1,673.76 | (+) 383.76 | (+) 29.75 |
| 5. | Taxes on vehicles | 1,155.00 | 1,177.14 | (+) 22.14 | (+) 1.92 |
| 6. | Taxes on Goods and Passengers | 710.00 | 427.75 | (-) 282.25 | (-) 39.75 |
| 7. | Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments | 1,099.93 | 1,076.57 | (-) 23.56 | (-) 2.12 |
| 8. | Other Taxes and Duties on Commodities and Services | 963.75 | 737.73 | (-) 226.02 | (-) 23.45 |
| 9. | Land Revenue | 378.63 | 360.72 | (-) 17.91 | (-) 4.73 |
| 10. | Interest Receipts | 544.64 | 737.46 | (+) 192.82 | (+) 35.40 |
| 11. | Dairy Development | 795.90 | 676.10 | (-) 119.80 | (-) 15.05 |
| 12. | Other Non tax Receipts | 457.31 | 584.56 | (+) 127.25 | (+) 27.83 |
| 13. | Forestry and Wild Life | 160.90 | 88.62 | (-) 72.28 | (-) 44.92 |
| 14. | Non Ferrous Mining and Metallurgical Industries | 438.50 | 574.80 | (+) 136.30 | (+) 31.08 |
| 15. | Miscellaneous General services | | | | |
| | • Lottery receipts[3] | 54.95 | 26.61 | (-) 28.34 | (-) 51.57 |
| | • Other receipts | 66.72 | 90.56 | (+) 23.84 | (+) 35.73 |

* Other taxes amounting to Rs.5,028.42 crore include tax on sale of motor spirits and lubricants, surcharge on sales tax and tax on purchase of sugarcane

[3] Net of expenditure on prize winning tickets

| | Head of Revenue | Budget estimates | Actuals | Variations excess (+) or shortfall (-) | Percentage of variation |
|---|---|---|---|---|---|
| 16. | Power | 85.79 | 5.16 | (-) 80.63 | (-) 93.98 |
| 17. | Major and Medium Irrigation | 125.44 | 335.68 | (+) 210.24 | (+) 167.60 |
| 18. | Medical and Public Health | 123.78 | 107.98 | (-) 15.80 | (-) 12.76 |
| 19. | Co-operation | 83.24 | 48.86 | (-) 34.38 | (-) 41.30 |
| 20. | Public Works | 86.35 | 64.29 | (-) 22.06 | (-) 25.55 |
| 21. | Police | 280.00 | 96.63 | (-) 183.37 | (-) 65.49 |
| 22. | Other Administrative Services | 64.94 | 67.91 | (+) 2.97 | (+) 4.57 |
| | **Total** | **31,830.77** | **34,110.97** | | |

The reasons for variations between budget estimates and actuals have not been received (December 2005).

## 1.3 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessments of sales tax, motor spirit tax, profession tax, entry tax and luxury tax for the year 2004-05 and the corresponding figures for the preceding two years as furnished by the Department was as follows:

**(In crore of rupees)**

| Head of Revenue | Year | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Penalties for delay in payment of taxes and duties | Amount refunded | Net collection | Percentage of column 3 to 7 |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **Finance Department** | | | | | | | |
| Sales Tax | 2002-2003 | 9,610.38 | 473.29 | 50.64 | 286.70 | 9,847.61 | 98 |
| | 2003-2004 | 11,016.07 | 599.33 | 19.70 | 518.92 | 11,116.18 | 99 |
| | *2004-2005 | 13,213.18 | 826.32 | 34.58 | 368.14 | 13,705.93 | 96 |
| Motor Spirit Tax | 2002-2003 | 3,895.62 | 1.00 | Nil | Nil | 3,896.62 | 100 |
| | 2003-2004 | 4,194.98 | Nil | 0.03 | Nil | 4,195.01 | 100 |
| | *2004-2005 | 4,978.04 | Nil | Nil | Nil | 4,978.04 | 100 |
| Profession Tax | 2002-2003 | 1,000.17 | 7.15 | Nil | 0.32 | 1,007.00 | 99 |
| | 2003-2004 | 1,003.24 | 9.65 | 0.23 | 0.06 | 1,013.06 | 99 |
| | *2004-2005 | 1,061.34 | 8.99 | Nil | 0.06 | 1,070.27 | 99 |
| Entry Tax | 2002-2003 | 7.40 | 1.45 | 0.03 | Nil | 8.88 | 83 |
| | 2003-2004 | 11.99 | 2.26 | Nil | Nil | 14.25 | 84 |
| | *2004-2005 | 6.80 | 4.86 | 0.02 | Nil | 11.68 | 58 |
| Luxury Tax | 2002-2003 | 145.74 | 5.40 | 0.14 | 0.27 | 151.01 | 97 |
| | 2003-2004 | 145.46 | 1.65 | 0.04 | 0.33 | 146.82 | 99 |
| | *2004-2005 | 142.33 | 4.64 | 0.37 | 0.02 | 147.33 | 97 |

* Figures as furnished by the Department are at variance with the Finance Accounts.

The table above shows that collection of revenue at preassessment stage ranged between 58 and 100 *per cent* during 2002-03 to 2004-05.

## 1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2002-03, 2003-04 and 2004-05 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 2003-04 were as follows:

**(Amount in crore of rupees)**

| Sl. No. | Head of Revenue | Year | Collection[4] | Expenditure on collection of revenue[5] | Percentage of expen-diture on collection | All India average percentage for the year 2003-2004 |
|---|---|---|---|---|---|---|
| 1. | Sales Tax | 2002-2003<br>2003-2004<br>2004-2005 | 13,488.35<br>15,325.96<br>18,816.72 | 104.91<br>110.83<br>122.01 | 0.78<br>0.72<br>0.65 | 1.15 |
| 2. | State Excise | 2002-2003<br>2003-2004<br>2004-2005 | 1,938.68<br>2,324.42<br>2,218.87 | 28.44<br>29.87<br>30.12 | 1.43<br>1.29<br>1.35 | 3.81 |
| 3. | Motor Vehicles Taxes | 2002-2003<br>2003-2004<br>2004-2005 | 942.80<br>1,205.97<br>1,177.14 | 30.09<br>35.03<br>41.06 | 3.19<br>2.90<br>3.49 | 2.57 |

The table above shows that the percentage of expenditure on collection under motor vehicles taxes was higher than the all India average percentage.

## 1.5 Collection of sales tax per assessee

According to information furnished by the Department, the sales tax collection per assessee during the years from 2000-01 to 2004-05 was as under:

**(Amount in crore of rupees)**

| Year | No. of assessees | Sales tax revenue[6] | Revenue/assessee |
|---|---|---|---|
| 2000-2001 | 4,05,979 | 12,196.39 | 0.03 |
| 2001-2002 | 4,37,889 | 12,131.39 | 0.03 |
| 2002-2003 | 6,04,275 | 13,488.35 | 0.02 |
| 2003-2004 | 10,35,655 | 15,325.96 | 0.01 |
| 2004-2005 | 10,44,152 | 18,816.72 | 0.02 |

[4] Figures as per Finance Accounts

[5] Figures as furnished by the Department are at variance with the Finance Accounts.

[6] Figures as per Finance Accounts

## 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2005 in respect of some principal heads of revenue amounted to Rs 12,584.30 crore of which Rs 3,146.51 crore were outstanding for more than five years as detailed in the following table:

**(Amount in crore of rupees)**

| Sl. No. | Head of Revenue | Amount outstanding as on 31 March 2005 | Amount outstanding for more than five years as on 31 March 2005 | Remarks |
|---|---|---|---|---|
| 1. | Sales Tax *etc.* | 12,380.76 | 3,049.00 | Stay orders were granted by appellate authorities for Rs 4,087.30 crore, for Rs 5,165.79 crore recovery proceedings were not initiated as time limit was not over and the remaining were under different stages of recovery. |
| 2. | State Excise | 8.00 | 4.14 | Information regarding the stage at which arrears were pending was not furnished. |
| 3. | Motor Vehicles Taxes | 190.59 | 92.54 | Action specified under land revenue code was taken for initiation of certificate procedures and special drives for recovery were held. |
| 4. | Sale of Jail articles | 4.95 | 0.83 | Suitable instructions were issued for recovery of arrears to subordinate offices, which whom these were pending collection. |
| | **Total** | **12,584.30** | **3,146.51** | |

The Revenue and Forests, Irrigation and Public Works departments, responsible for collection of some of the major receipts had not furnished details of arrears of revenue (December 2005).

## 1.7 Arrears in assessment

The details of cases pending assessment at the beginning of the year 2004-05, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2004-05 as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts were as follows:

| Name of tax | Opening balance | New cases due for assessment during 2004-05 | Total assess-ments due | Cases disposed of during 2004-05 | Balance at the end of the year | Percentage of Column 6 to 4 |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Finance Department | | | | | | |
| Sales Tax | 20,06,005 | 8,51,216 | 28,57,221 | 5,75,307 | 22,81,914 | 80 |
| Motor Spirit Tax | 8,137 | 229 | 8,366 | 915 | 7,451 | 89 |
| Profession Tax | 7,76,082 | 2,50,287 | 10,26,369 | 3,67,633 | 6,58,736 | 64 |
| Purchase tax on sugarcane | 2,927 | 1,508 | 4,435 | 419 | 4,016 | 91 |
| Entry tax | 15 | 42 | 57 | 35 | 22 | 39 |
| Lease Tax | 5,709 | 1,164 | 6,873 | 1,205 | 5,668 | 82 |
| Luxury Tax | 6,624 | 1,874 | 8,498 | 1,447 | 7,051 | 83 |
| Tax on works contracts | 1,20,693 | 38,317 | 1,59,010 | 15,836 | 1,43,174 | 90 |
| **Total** | **29,26,192** | **11,44,637** | **40,70,829** | **9,62,797** | **31,08,032** | |

It would be seen from the table that cases pending as on 31 March 2005 ranged from 39 to 91 *per cent* of the total cases due for assessment under various heads.

## 1.8 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax and State Excise departments, cases finalised and the demands for additional tax raised as reported by the departments were as follows:

**(Amount in crore of rupees)**

| Sl. No | Name of tax/duty | Cases pending as on 31 March 2004 | Cases detected during 2004-05 | 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 2005 |
|---|---|---|---|---|---|---|---|
| | | | | | No. of cases | Amount of demand | |
| 1. | Sales Tax | 4,717 | 2,096 | 6,813 | 2,523 | 197.06 | 4,290 |
| 2. | State Excise | 7 | -- | 7 | 7 | 3.60 | Nil |

## 1.9 Write off and waiver of revenue

During the year 2004-05, demands for Rs 276 lakh in 17,607 cases, Rs 8.18 lakh in 31 cases and Rs 1.89 lakh in 21 cases relating to sales tax, motor vehicles taxes and state excise respectively were written off by the departments as irrecoverable. Reasons for write off of these demands as reported by the departments were as follows:

**(Amount in lakh of rupees)**

| Sl. No. | Reasons | Sales Tax | | Motor Vehicles Taxes | | State Excise | |
|---|---|---|---|---|---|---|---|
| | | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| 1. | Whereabouts of defaulters not known | 13,780 | 215.01 | 31 | 8.18 | -- | -- |
| 2. | Defaulters no longer alive | 243 | 3.13 | -- | -- | 9 | 0.72 |
| 3. | Defaulters not having any property | 472 | 12.82 | -- | -- | 5 | 0.17 |
| 4. | Defaulters adjudged insolvent | 27 | 1.22 | -- | -- | 3 | 0.47 |
| 5. | Other reasons | 3,085 | 43.82 | -- | -- | 4 | 0.53 |
| | **Total** | **17,607** | **276.00** | **31** | **8.18** | **21** | **1.89** |

## 1.10 Refunds

The number of refund cases pending at the beginning of the year 2004-05, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2004-05, as reported by the departments were as follows:

**(Amount in lakh of rupees)**

| Sl. No. | | Sales Tax | | Taxes and Duties on Electricity | | State Excise | | Works Contracts | |
|---|---|---|---|---|---|---|---|---|---|
| | | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| 1. | Claims outstanding at the beginning of the year | 2,676 | 4,401.00 | 122 | 775.73 | 88 | 57.66 | 129 | 177.00 |
| 2. | Claims received during the year | 20,532 | 38,468.00 | (Awaited) | | 46 | 29.25 | 667 | 731.00 |
| 3. | Refunds made during the year | 21,498 | 36,095.00 | | | 50 | 24.71 | 706 | 760.00 |
| 4. | Balance outstanding at the end of the year | 1,710 | 6,774.00 | | | 84 | 62.20 | 90 | 148.00 |

## 1.11 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamp duty and registration fees, electricity duty, other tax receipts, forest receipts and other non tax receipts conducted during the year 2004-05 revealed underassessment/short levy/loss of revenue amounting to Rs 1,351.11 crore in 8,820 cases. During the course of the year, the departments accepted underassessment of Rs 39.28 crore in 5,562 cases pointed out in 2004-05 and earlier years and recovered Rs 19.19 crore. No replies have been received in respect of the remaining cases.

This Report contains 35 paragraphs including four reviews relating to non levy/short levy of taxes, duties, interest and penalties *etc.*, involving Rs 555.47 crore. The departments/Government accepted audit observations involving Rs 333.92 crore, of which Rs 12.49 crore had been recovered upto December 2005. No replies have been received in the other cases.

## 1.12 Response of Government to audit objections

Principal Accountant General (Audit)-I, Mumbai and Accountant General (Audit)-II, Nagpur arrange to conduct periodical inspection of the various offices of the Government departments to test check the transactions of tax and non tax receipts and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the heads of offices with a copy to the next higher authority. Government of Maharashtra Finance Department's circular dated 10 July 1967 provides for response within one month by the executive to the IRs issued by the Accountants General (AGs), after ensuring action in compliance to the objections made during audit inspection. Serious irregularities are also brought to the notice of the head of the department by the office of the AGs. A half yearly report is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of audit observations.

Inspection reports issued upto 31 December 2004 pertaining to offices under Finance, Home, Revenue and Forests, Industries, Energy and Labour, Housing, Urban Development, Public Works, Co-operation and Textiles, Irrigation, Agriculture, Animal Husbandry, Dairy Development and Fisheries, Public Health, Education and Employment, Law and Judiciary departments disclosed that 13,245 objections relating to 5,217 IRs involving Rs 1,066.04 crore remained outstanding at the end of June 2005. Of these, 2,228 IRs containing 4,413 objections involving Rs 262.77 crore had not been settled for more than four years. The yearwise position of the outstanding IRs and paragraphs is detailed in Annexure-I.

In respect of 509 paragraphs relating to 213 IRs involving Rs 106.94 crore issued upto December 2004, even the first replies, which were required to be received from the heads of offices within one month, had not been received.

A review of the IRs which were pending due to non receipt of replies, in respect of the various departments, revealed that the heads of the offices and

the heads of the departments (Secretaries) failed to send reply to a large number of IRs/paragraphs, indicating that no action was taken to rectify the defects, omissions and irregularities pointed out in the IRs issued by the AGs. The Secretaries of the departments, who were informed of the position through half yearly reports, did not ensure prompt and timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to Government despite these having been pointed out in Audit.

The details of outstanding IRs were reported to Government in August 2005; their reply had not been received (December 2005).

## 1.13 Departmental audit committee meetings

In order to expedite the settlement of outstanding audit observations contained in the IRs, departmental audit committees are constituted by Government. These Committees are chaired by Joint Secretary/Deputy Secretary of the administrative department concerned and attended among others by the officers concerned of the State Government and the offices of the AGs.

In order to expedite clearance of the outstanding audit observations, it is necessary that the audit committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2004-05, four meetings by the Finance, four meetings by Home and one meeting by Revenue and Forest Department out of eight Government departments concerned were convened. This indicates that Government departments did not make effective use of the machinery created for settling outstanding audit observations.

## 1.14 Response of departments to draft audit paragraphs

The Finance Department issued directions to all departments in July 1967 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The draft paragraphs are always forwarded by the respective Audit offices to the Secretaries of the departments concerned through demi official letters drawing their attention to the audit findings and requesting them to send their response within the time prescribed. The fact of non-receipt of replies from Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2005 were forwarded to the Secretaries of the respective departments between March 2005 and August 2005 through demi official letters. Replies to most of the paragraphs have not been received; 123 such paragraphs (clubbed into 35 paragraphs) have been included in this Report.



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## 1.15 Follow up on Audit Reports-summarised position

According to instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda duly vetted by audit to the Maharashtra Legislative Secretariat, in respect of paragraphs included in the Audit Reports within one month of their being laid on the table of the House.

Review of outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which are yet to be discussed by the PAC, disclosed that as on 30 September 2005 the departments had not submitted remedial explanatory memoranda on 55 paragraphs for the years from 1997-98 to 2002-03 (excluding 1999-2000) as detailed below:

| Sl. No. | Name of the Department | 1997-1998 | 1998-1999 | 2000-2001 | 2001-2002 | 2002-2003 | Total |
|---|---|---|---|---|---|---|---|
| 1. | Revenue and Forests | 5 | 9 | 1 | 7 | 8 | 30 |
| 2. | Finance | -- | 1 | -- | 4 | 1 | 6 |
| 3. | Home | 1 | 1 | -- | 3 | 1 | 6 |
| 4. | Urban Development | -- | -- | 1 | 2 | 2 | 5 |
| 5. | Public works | -- | 1 | -- | -- | -- | 1 |
| 6. | Industries, Energy & Labour | -- | -- | -- | 1 | 2 | 3 |
| 7. | Housing | -- | -- | -- | 2 | 2 | 4 |
| | **Total** | **6** | **12** | **2** | **19** | **16** | **55** |

With a view to ensure accountability of the executive in respect of all the issues dealt with in the Audit Reports, the Public Accounts Committee (PAC) lays down in each case the period within which action taken notes (ATNs) on its recommendations should be sent.

The PAC discussed 124 selected paragraphs pertaining to Audit Reports for the years from 1986-87 to 1996-97 and 1999-2000 and their recommendations on 80 paragraphs have been received and incorporated in their 27$^{th}$ Report (1994-95), 9$^{th}$ Report (1995-96), 12$^{th}$, 13$^{th}$, 14$^{th}$ and 18$^{th}$ Report (1996-97), 21$^{st}$ Report (1997-98), 5$^{th}$ Report (2000-01) and 12th Report (2002-03). However, ATNs have not been received in respect of 64 recommendations of the PAC from the concerned departments as detailed below.

| Year | Name of the Department | | | | | Total |
|---|---|---|---|---|---|---|
| | Home | Finance | Revenue and Forests | Industries, Energy and Labour | Urban Development | |
| 1986-87 | -- | -- | 3 | -- | -- | 3 |
| 1987-88 | -- | 1 | -- | -- | -- | 1 |
| 1988-89 | -- | 1 | 1 | -- | -- | 2 |
| 1989-90 | 1 | -- | 9 | -- | -- | 10 |
| 1990-91 | 7 | -- | 3 | -- | -- | 10 |
| 1991-92 | -- | -- | 1 | 2 | -- | 3 |
| 1992-93 | 1 | -- | 9 | 1 | -- | 11 |
| 1993-94 | -- | 6 | 4 | -- | 1 | 11 |
| 1994-95 | 4 | 1 | 2 | -- | -- | 7 |
| 1995-96 | -- | -- | 2 | -- | -- | 2 |
| 1996-97 | -- | -- | 3 | -- | -- | 3 |
| 1999-2000 | -- | -- | 1 | -- | -- | 1 |
| **Total** | **13** | **9** | **38** | **3** | **1** | **64** |

# CHAPTER II : Sales Tax

## 2.1 Results of audit

Test check of records of Sales Tax Department conducted during the year 2004-05 revealed underassessments/short levy/loss of revenue amounting to Rs 211.92 crore in 1,169 cases which broadly fall under the following categories.

**(Amount in crore of rupees)**

| Sl. No. | Category | No. of cases | Amount |
|---|---|---|---|
| 1. | Non/short levy of tax | 684 | 5.68 |
| 2. | Incorrect allowance of set off | 276 | 2.52 |
| 3. | Non/short levy of interest/penalty | 55 | 0.33 |
| 4. | Omission to forfeit tax collected in excess | 28 | 0.24 |
| 5. | Other irregularities | 123 | 2.55 |
| 6. | Pendency of appeals at various levels | 1 | 33.26 |
| 7. | Recovery of sales tax dues treated as arrears of land revenue | 1 | 17.70 |
| 8. | Review on **"Correctness of transactions of branch transfers in sales tax"** | 1 | 149.64 |
| | **Total** | **1,169** | **211.92** |

During the course of the year 2004-05, the Department accepted underassessments etc. of Rs 30.23 crore involved in 1,200 cases out of which 119 cases involving Rs 1.45 crore were pointed out during the year and the rest in earlier years. The Department recovered Rs 3 crore. In five other cases involving revenue of Rs 0.01 crore, action was stated to be time barred.

A review on **"Correctness of transactions of branch transfers in sales tax"** involving financial effect of Rs 149.64 crore and a few illustrative cases involving financial effect of Rs 25.78 crore are given in the following paragraphs:

## 2.2 Review on "Correctness of transactions of branch transfers in sales tax"

### *2.2.1 Highlights*

Excess/incorrect allowance of exemptions of Rs 23.47 crore on account of branch transfers to 13 dealers in the assessments for the years between 1998-99 and 2001-02 resulted in underassessment of Rs 5.24 crore including penalty and interest.

*(Paragraph 2.2.7)*

Non/short accountal of goods valued at Rs 36.46 crore received as branch transfer from outside the State by two dealers resulted in underassessment of Rs 13.73 crore.

*(Paragraph 2.2.7)*

Acceptance of invalid declarations in Form F covering transactions for periods ranging from two to 12 months in respect of 28 dealers resulted in non realisation of revenue of Rs 51.36 crore including penalty of Rs 23.47 crore and interest of Rs 4.42 crore.

*(Paragraph 2.2.8)*

Acceptance of incomplete declarations without prescribed particulars from 32 dealers resulted in non realisation of revenue of Rs 78.79 crore including penalty of Rs 34.73 crore and interest of Rs 9.34 crore.

*(Paragraph 2.2.8)*

### *2.2.2 Recommendations*

Government may consider

- making mandatory the submission of details of individual transactions of branch transfers/ consignment sales above a specified monetary limit by assessees.
- prescribing issuance of minimum number of cross check memos, for verification of claims and deductions allowed without leaving it to the discretion of the assessing authority.

### *2.2.3 Introduction*

Under the provisions of the Central Sales Tax Act, 1956 (CST Act), goods transferred to other States by dealers in Maharashtra on stock transfer to any place of their business are not liable to tax provided they are supported by declaration in form F/sales note alongwith evidence of dispatch of such goods to substantiate the claim. For contravention of the provisions of the Act, the transferor is liable to pay tax, interest and penalty as prescribed in the State law.

### *2.2.4 Organisational set up*

The Sales Tax Department functions under the administrative control of the Secretary of the Finance Department at Government level. The

Commissioner of Sales Tax, Maharashtra State, Mumbai is the head of the Sales Tax Department who is assisted by three Additional Commissioners in charge of each zone at Mumbai, Nagpur and Pune. There are 16 divisions[1] (excluding two enforcement divisions), each headed by a Deputy Commissioner of Sales Tax (Administration). The assessments are completed by Senior Assistant Commissioners, Assistant Commissioners and Sales Tax Officers.

### *2.2.5 Audit objectives*

Scrutiny of assessment records was conducted to ascertain

- Whether claims of branch transfers were allowed in the assessments as per the provisions of law
- Whether an internal control mechanism was in existence in the Department to monitor that the claims allowed in the assessments were as per the provisions of law/instructions issued by the Department from time to time.

### *2.2.6 Scope and methodology of Audit*

Test check of assessment records for the periods between 1998-99 and 2001-02 (assessments completed between March 2002 and September 2004) of 81 out of 122 dealers maintained by 10 out of 15 Sr. Assistant Commissioners and of 248 out of 341 dealers maintained by 68 out of 96 Assistant Commissioners in 12[2] out of 16 divisions in the State was conducted between September 2004 and March 2005. The cases selected involved transactions of branch transfers allowed as deductions from the turnover of sales in the assessment orders.

The scrutiny, interalia, included verification of transactions of goods transferred by dealers in Maharashtra State to branches/agents in Goa, Gujarat, Kerala, Rajasthan and Tamil Nadu with reference to various documents including "F" form declarations available on record.

### *2.2.7 Incorrect allowance of stock transfer*

Under the CST Act and the Rules made thereunder, no tax is payable by a dealer on movement of goods to other States which is not by way of sale but by reason of transfer of stock to other places of his business or to his agent or principal. For claiming exemption, the dealer may furnish to the assessing authority a declaration in Form 'F' duly filled and signed by the principal officer of the other place of business or his agent as the case may be alongwith evidence of dispatch of the goods. However, on verification, if it was found that the goods had not actually moved out of the State or goods received from outside the State are not/short accounted, the dealer is liable to pay taxes at the rates applicable in the State alongwith interest at the rate of two *per cent* per month and penalty not exceeding the amount of tax payable.

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[1] Andheri, Aurangabad, Bandra, Borivali, Churchgate, Ghatkopar, Kolhapur, Mandvi, Mazgaon, Nariman Point, Nashik, Nagpur, Pune-I, Pune-II, Thane and Worli.

[2] Andheri, Aurangabad, Bandra, Borivali, Churchgate, Ghatkopar, Mandvi, Nariman Point, Nashik, Pune-I, Pune-II and Thane.

- Scrutiny of assessment records of 13 dealers in seven[3] divisions of Maharashtra revealed that dealers had transferred goods valued at Rs 104.42 crore to their branches in Tamil Nadu, Pondichery, Rajasthan, Goa, Gujarat and Kerala by submitting declarations in Form F. However, cross verification of these forms with the assessment records finalised between March 2002 and September 2004 in these States revealed that the dealers had accounted for only Rs 80.96 crore in their accounts. This resulted in non/short accountal of goods of Rs 23.47 crore. Since no system for cross verification of inter State transactions existed in the Department, the short accountal escaped the notice of the Department. This resulted in underassessment of Rs 5.24 crore including interest of Rs 0.76 crore and penalty of Rs 2.24 crore. A few illustrative cases are given below:

**(Amount in lakh of rupees)**

| | | | | | Value of goods | | | Underassessment | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | Name of commodity | No. of dealers | Name of division Period/ Month of assessment | Destination of goods | Transferred | Accounted for | Non/short accounted Percentage rate of tax | Tax | Interest | Penalty | Total |
| 1. | Electronic goods | 1 | Aurangabad 1999-2000 2000-01 between March 2003 and July 2003 | Chennai | 326.95 | 134.40 | 192.55 15.3 | 29.46 | 10.61 | 29.46 | 69.53 |
| 2. | Medicines | 4 | Bandra 1999-2000 & 2000-01 Thane 2000-01 Nariman Point 2000-01 & 2001-2002 between March 2002 and July 2004 | Jaipur, Vapi & Ahmedabad | 808.46 | 31.64 | 776.82 8 | 62.15 | 17.74 | 62.15 | 142.04 |
| 3. | Alluminium rolled products | 1 | Ghatkopar 2001-02 January 2004 | Ahmedabad | 362.93 | Nil | 362.93 5.4 | 19.60 | 7.06 | 19.60 | 46.26 |
| 4. | Leather goods | 1 | Nariman Point 2000-01 December 2002 | Ahmedabad | 2,487.98 | 2,307.58 | 180.40 9.8 | 17.68 | 6.36 | 17.68 | 41.72 |
| 5. | Tyres & Tubes | 1 | Pune-I 2000-01 March 2004 | Ahmedabad | 4,647.06 | 4,125.93 | 521.13 12 | 62.54 | 22.51 | 62.54 | 147.59 |

After this was pointed out, the assessing officer in the case of the dealer of leather goods in Nariman Point division stated that the branch transfer was properly accounted for. The reply was not tenable since as per details in Form F the dealer had transferred goods valued at Rs 200.48 lakh to its branch office at Ahmedabad. However as per the assessment

[3] Aurangabad, Bandra, Churchgate, Ghatkopar, Nariman Point, Pune-I and Thane.

record of the branch office at Ahmedabad, only Rs 20.08 lakh were accounted for. In five cases, the Department stated (September 2005) that the claims of stock transfers were supported by declaration in Form F and dispatch proof and were allowed after due verification. The reply is not acceptable as on cross verification of records of dealers/branches in other States, the short accountal was noticed, which needs to be verified and confirmed from the records in the respective States. In the remaining seven cases reply has not been received (December 2005).

- In respect of six other dealers in six[4] divisions of Maharashtra, branch transfers of goods during the period between 1998-99 and 2000-01 valued at Rs 24.16 crore to Tamil Nadu and Kerala could not be verified in the assessment records in absence of details of accountal of transfers in the purchases. The tax involved amounted to Rs 3.08 crore. A few illustrative cases are detailed in the following table.

**(Amount in lakh of rupees)**

| Sl. No. | Name of commodity | No. of dealers | Period/ Month of assessment | Name of Division | Destination of goods | Value of goods transferred | Percen-tage rate of tax | Amount of tax involved |
|---|---|---|---|---|---|---|---|---|
| 1. | Engines/ Machinery spares | 1 | 1999-2000 and 2000-2001 February 2003and March 2003 | Aurangabad | Chennai<br>Ernakulam | 462.53<br>60.29 | 15.3<br>15.3 | 70.77<br>9.22 |
| 2. | Cornflakes cereals | 1 | 1998-99 December 2002 | Bandra | Chennai | 434.74 | 13 | 56.52 |
| 3. | Electrical goods | 1 | 1999-2000 March 2003 | Nashik | Chennai<br>Ernakulam | 386.65<br>129.71 | 15.3<br>15.3 | 59.15<br>19.85 |
| 4. | Auto parts | 1 | 1999-2000 March 2004 | Pune-II | Chennai | 847.12 | 9.8 | 83.02 |

In the absence of details in the assessment order, audit was unable to verify the authenticity of the deductions allowed.

The Commissioner of Sales Tax prescribed between May 1983 and August 1994 a system of verifying the authenticity of claims of sales and purchases within the State by issue of cross check memos. However the system is not extended to verifying the claims of inter State transactions.

- In Ghatkopar and Mandvi divisions two dealers received during the period between 1998-99 and 1999-2000 goods valued at Rs 38.92 crore from Chennai and Lucknow by furnishing F forms. It was noticed in the assessment order finalised in February 2003 that only goods worth Rs 2.46 crore were accounted for. This resulted in short accountal of

[4] Aurangabad, Bandra, Nashik, Nariman Point, Pune-I and Pune-II.

Rs 36.46 crore having a tax effect of Rs 13.73 crore including interest of Rs 4.36 crore and penalty of Rs 4.68 crore.

In one case, the assessing authority stated that point would be examined and compliance furnished. In the absence of a system of cross verification, the correctness of the turnover assessed to tax could not be confirmed in audit.

- According to circular instructions issued by the Commissioner of Sales Tax on 19 December 1985, dealers are required to furnish at the time of assessment, a complete list of all transfers and consignments exceeding Rs 1 lakh in value for each month or quarter. These instructions were applicable to assessments done after 31 December 1985.

In six[5] divisions exemptions on account of branch transfers between July 1999 and October 2003 of goods valued at Rs 1,853.69 crore were allowed to 13 dealers in the assessments for the years between 1995-96 and 2000-01. However there was no evidence on record including F forms to show that the assessing officers had satisfied themselves about the actual dispatch of goods before allowing the claim of exemption. The tax involved in the transactions worked out to Rs 156.40 crore. A few illustrative cases are detailed in the following table:

**(Amount in crore of rupees)**

| Sl. No. | Name of commodity | No. of dealers | Name of division | Period/ Month of assessment | Value of goods transferred | Percentage rate of tax | Amount of tax |
|---|---|---|---|---|---|---|---|
| 1. | Medicines | 2 | Andheri, Nashik | 1998-99 1999-2000 January 2002 and March 2004 | 303.68 | 6 | 18.22 |
| 2. | Plastic granules | 1 | Bandra | 1999-2000 March 2003 | 1,324.63 | 9.8 | 129.81 |
| 3. | Bulk drugs | 1 | Bandra | 1998-99 to 2000-01 February 2002 and October 2003 | 114.27 | 2, 3.2 & 4 | 3.07 |
| 4. | CR coils, sheets | 1 | Nashik | 2000-01 January 2004 | 47.33 | 4 | 1.89 |
| 5. | Water treatment system parts | 1 | Ghatkopar | 1995-96 July 1999 | 0.48 | 13 | 0.06 |

After this was pointed out, in one case of Ghatkopar Division the Department revised in April 2004 the assessment order and raised additional demand of Rs 18.34 lakh including interest of Rs 11.92 lakh. Of this, the dealer paid Rs 4.86 lakh in January 2005 and Rs 13.43 lakh was waived under amnesty scheme. In respect of the remaining cases, the assessing officers stated that the declaration in Form F was not mandatory or F form would be obtained or that these were technical omissions or claims were allowed after due verification. The reply is not tenable as in

[5] Andheri, Aurangabad, Bandra, Ghatkopar, Nariman Point and Nashik.

the absence of supporting evidence on record it could not be verified in audit as to how the assessing officers had satisfied themselves before allowing the claims in the assessment orders. Despite instructions issued in December 1985 by the Commissioner of Sales Tax requiring dealers to furnish consolidated details of all transfers and consignments alongwith original F form for each month or quarter exceeding Rs 1 lakh, no details were available on record.

### *2.2.8 Acceptance of invalid declarations*

The CST (Registration and Transfer) Rules, 1957 provide that a single declaration in Form F may cover transfer of goods by a dealer to any other place of his business or to his agent or principal outside the State as the case may be, effected during a period of one calendar month. The declaration in Form F should contain full particulars of the goods, mode of transport and date on which delivery was taken by the transferee. Where the space provided in the form is not sufficient for making the entries, the particulars may be given in separate annexure(s) and attached to the form after mentioning it in the form and every such annexure is to be signed by the person authorised to sign the declaration in Form F.

In eight[6] divisions in the assessments finalized between August 2002 and May 2004 of 28 dealers for periods falling between 1998-99 and 2001-02, it was noticed that transfer of goods of Rs 205.28 crore was supported by declarations in Form F which covered transactions for periods ranging from two to 12 months. As such, these declarations were invalid and the turnover was liable to tax under the local Act. This resulted in underassessment of Rs 51.36 crore including penalty of Rs 23.47 crore and interest of Rs 4.42 crore.

After this was pointed out, in eight cases the assessing officers stated that F form was not mandatory or it was a technical mistake or provisions in the form issuing State was to be seen or transactions upto a year can be included. In the remaining 20 cases replies had not been received. The replies were not tenable as transactions upto one calendar month only can be included in one form. The forms containing transactions for more than one month were against the provisions of the Act.

- In eight[7] divisions, transfer of goods valued at Rs 355.34 crore were exempted from payment of tax in assessments of 32 dealers for the periods falling between 1998-99 and 2001-02 on the basis of declarations which did not contain prescribed particulars such as names of transferors/ transferees, their registration certificate numbers with effective date, invoice number and date, railway receipt numbers, quantity of goods, particulars of dispatch and acknowledgement thereof etc. Such incomplete declarations were invalid and acceptance of invalid declarations resulted in non realisation of revenue of Rs 78.79 crore including penalty of Rs 34.73 crore and interest of Rs 9.34 crore.

[6] Andheri, Aurangabad, Bandra, Borivali, Mandvi, Nashik, Nariman Point and Pune-I.
[7] Andheri, Aurangabad, Bandra, Mandvi, Nashik, Nariman Point, Pune-I and Pune-II.

This shows lacuna/weakness in the system of allowing deductions on account of transfer of goods to any other place of business of a dealer or to an agent or principal outside the State.

### *2.2.9 Incorrect acceptance of photocopies of declarations*

Under the CST Act and the Rules framed thereunder, a registered dealer, who claims exemption from payment of tax under the Act, is required to produce before the assessing authority the 'original' and 'duplicate' of the declaration in Form F.

In Nashik division, photocopies of duplicate/counterfoil of declarations instead of the original Form F furnished by a dealer for goods valued at Rs 2.42 crore transferred to branches /agents outside the State during the year 2000-01 were accepted which was incorrect. This resulted in non realisation of revenue of Rs 0.39 crore including penalty of Rs 0.19 crore.

After this was pointed out, the assessing officer stated that it was a procedural lapse which would be corrected in due course and no corrective action is required as the sales were verified and allowed. The reply is not tenable as the provisions require retention of the original declaration.

### *2.2.10 Incorrect allowance of transfer of goods to places not included in the registration certificate.*

Under the CST Act and the Rules made thereunder, a dealer seeking registration is required to specify in the application for registration, the list of places of business in the other States alongwith the address of every such place and particulars of registration under the CST Act.

In Pune-I division, it was noticed that a dealer was allowed exemption from payment of tax on branch transfers amounting to Rs 1.48 crore effected during the period falling between 1999-2000 and 2000-01 to places other than those specified in the Registration Certificate. This resulted in underassessment of Rs 0.34 crore including penalty of Rs 0.14 crore and interest of Rs 0.05 crore.

After this was pointed out, the assessing officer stated that the point was technical and the defect was noted for future compliance.

### *2.2.11 Lacuna in monitoring branch transfer transactions*

The claims of inter State transactions are admitted on the basis of declaration furnished by the claimant dealers. Instructions issued by Department from time to time did not contain any directions to the assessing officers to issue cross check memos in respect of inter State transactions. In none of the cases referred to above, a cross check memo was issued by the assessing officer on branch transfers to verify the authenticity of the claims. No register has been prescribed by Government/Department to be maintained by the assessing authority for recording and monitoring volume of transactions of branch transfers. Further, despite issue of instructions in December 1985 by the Commissioner of Sales Tax requiring dealers to furnish consolidated

details of all transfers and consignments alongwith original F form for each month or quarter exceeding Rs one lakh, no details were available on record. Non observance of Commissioner's circular coupled with absence of a prescribed system of cross check could result in irregular/false transactions being admitted by the assessing officers leading to loss of revenue.

### *2.2.12 Acknowledgement*

Audit findings as a result of test check of records were reported to Government in June 2005 with a specific request to attend the meeting of the Audit Review Committee for State Revenue Receipts. A meeting of the Committee was held on 29 July 2005 and their view points duly incorporated in the review. The representative of Government stated that production of F form during the period covered by audit was not mandatory and the facts of each case would have to be verified for which time was requested. The plea taken by the Department that since F form was not mandatory it was not kept on record, was not tenable, as in the absence of supporting evidence it could not be verified in audit as to how the assessing officers had satisfied themselves before allowing the claims in the assessment orders. The replies of the Department have been incorporated in each of the paragraphs.

### *2.2.13 Conclusion*

The review revealed that the deficiencies, mistakes and omissions which appeared in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1999 on the same subject persisted in the assessments for the periods between 1998-99 and 2001-02.

## 2.3 Pendency of appeals at various levels

### 2.3.1 Introduction

Under the provisions of the Bombay Sales Tax Act (BST Act), 1959, an appeal against an original assessment order passed under the Act can be made if an assessee is aggrieved by the assessment made by the assessing authority. The appeal should be filed within 60 days from the date of communication of the order of assessment appealed against. An application can be entertained by the following authorities.

- If the order is made by a Sales Tax Officer to the Assistant Commissioner of Sales Tax (Appeals) {AC (A)}.
- If the order is made by the Assistant Commissioner of Sales Tax/ Sr. Assistant Commissioner of Sales Tax to the Deputy Commissioner of Sales Tax (Appeals) {DC (A)}.
- If the order is made by a DC/Additional Commissioner or Commissioner to the Maharashtra Sales Tax Tribunal.
- In the case of an order passed in appeal by an AC or by a DC, a second appeal can be made at the option of the appellant, either to the DC (A)/the Commissioner or the Tribunal.

Test check of cases in appeal involving demand of Rs 20 lakh or more in each case and pending for more than two years was conducted in the offices of 16[8] out of 25 AC (A) and 13[9] out of 21 DC (A) in the State during the period from November 2004 to March 2005.

### *2.3.2 Tax arrears blocked in appeals.*

The total arrears of sales tax revenue pending in appeals at the end of the years 2000-01 to 2003-04 are given in the following table:

**(Amount in crore of rupees)**

| Year | Total recovery outstanding at the beginning of the year | Addition during the year | Recovery made during the year | Balance outstanding at the end of the year | Amount under appeals out of balance | Percentage of Col.6 to 5 |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 2000-2001 | 5,290.75 | 3,110.41 | 941.05 | 7,460.11 | 3,375.69 | 45 |
| 2001-2002 | 7,460.11 | 2,197.17 | 1,803.44 | 7,853.84 | 3,330.07 | 42 |
| 2002-2003 | 7,853.84 | 3,006.23 | 1,862.66 | 8,997.41 | 3,575.05 | 39 |
| 2003-2004 | 8,997.41 | 2,865.24 | 1,688.72 | 10,173.93 | 3,840.76 | 37 |

The amount blocked in appeals varied between 45 and 37 *per cent* of the total arrears. Though there was marginal decrease in percentage terms, the amount involved increased from Rs 3,375.69 crore as on 31 March 2001 to Rs 3,840.76 crore as on 31 March 2004.

The pendency of appeal cases as on 31 March 2004 with various authorities was as under:

| | Authority | No. of cases | Amount in crore of rupees |
|---|---|---|---|
| 1. | Supreme Court | 9 | 0.49 |
| 2. | High Court | 1,092 | 153.53 |
| 3. | Civil Court | 1,663 | 64.64 |
| 4. | Maharashtra Sales Tax Tribunal | 12,010 | 1,585.44 |
| 5. | Departmental Appellate Authorities | 34,942 | 2,036.66 |
| | **Total** | **49,716** | **3,840.76** |

[8] P-1 & P-2 Nariman Point, P-3 & P-4 Churchgate, P-8 & P-9 Worli, P-11 & P-12 Andheri, P-13 Borivali, P-14 & P-15 Ghatkopar, P-26 & P-27 Thane, P-31 & P-32 Pune-I & II, P-41 Kolhapur Division.
P – indicates Asst. Commissioner of Sales Tax (Appeals)
Dy. Commissioner of Sales Tax (Appeals)

[9] I & II Nariman Point, III-Bandra Borivali, VI-Andheri, V-Ghatkopar, VII-Worli, VIII-Thane, XIII, XV, XVI-Ghatkopar, I-Pune, II-Pune, Kolhapur

### *2.3.3 Disposal of pending cases*

In accordance with the instructions dated 6 May 1996 issued by the Commissioner of Sales Tax, a monthly return showing details of receipt, disposal and closing balance of appeal cases is being furnished by each appellate authority to the Commissioner of Sales Tax. The data received from appellate authorities is compiled by the Commissioner of Sales Tax.

Scrutiny of information furnished by the Commissioner of Sales Tax indicated that the AC (A) and the DC (A) could dispose of 38.65 to 59.07 *per cent* and 29.80 to 72.26 *per cent* respectively of the pending appeal cases during the period from 2001-02 to 2004-05 as detailed in the following tables:

**Disposal by Assistant Commissioners of Sales Tax (Appeals)**

**(Amount in crore of rupees)**

| Year | Opening balance as on 1st April | | Addition during the year | | Total | | Clearance during the year | | Closing balance | | Percentage of Col.5 to 4 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | | (3) | | (4) | | (5) | | (6) | | (7) | |
| | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| 2001-02 | 32,102 | N.A. | 19,182 | N.A. | 51,284 | N.A. | 20,520 | N.A. | 30,764 | N.A. | 40.01 | -- |
| 2002-03 | 30,764 | 615.22 | 15,140 | 359.10 | 45,904 | 974.32 | 18,200 | 500.71 | 27,704 | 473.61 | 39.64 | 51.39 |
| 2003-04 | 27,704 | 473.61 | 15,009 | 365.41 | 42,713 | 839.01 | 16,510 | 311.62 | 26,203 | 527.40 | 38.65 | 37.14 |
| 2004-05 | 26,203 | 527.40 | 7942 | 474.20 | 34,145 | 1,001.60 | 20,171 | 457.24 | 13,974 | 544.36 | 59.07 | 45.65 |

**Disposal by Deputy Commissioners of Sales Tax (Appeals)**

**(Amount in crore of rupees)**

| Year | Opening balance as on 1st April | | Addition during the year | | Total | | Clearance during the year | | Closing balance | | Percentage of Col.5 to 4 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | | (3) | | (4) | | (5) | | (6) | | (7) | |
| | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount |
| 2001-02 | 15,959 | N.A. | 6,571 | N.A. | 22,530 | N.A. | 6,552 | N.A. | 15,978 | N.A. | 29.80 | -- |
| 2002-03 | 15,978 | 2,109.24 | 5,596 | 996.25 | 21,574 | 3,105.48 | 10,762 | 1,641.54 | 10,812 | 1,463.94 | 49.88 | 52.85 |
| 2003-04 | 10,812 | 1,463.94 | 6,262 | 1,468.34 | 17,074 | 2,932.29 | 9,388 | 1,281.49 | 7,686 | 1,650.80 | 54.98 | 43.70 |
| 2004-05 | 7,686 | 1,650.80 | 3,260 | 990.00 | 10,946 | 2,640.80 | 7,910 | 1,080.29 | 3,036 | 1,560.51 | 72.26 | 40.90 |

**N.A. Denotes information not made available by the Department.**

As on 31 March 2005, 13,974 cases involving Rs 544.36 crore were pending with ACs (A) and 3,036 cases involving Rs 1,560.51 crore with DCs (A).

It would be seen from the above that number of cases finalised by the DCs (A) during the years showed a declining trend.

### *2.3.4 Targets and achievements*

According to circular instructions issued in November 1993 and February 1994, the target for disposal of appeal cases for ACs (A) and DCs (A) was fixed at 1,000 and 600 cases per annum respectively. Analysis of the data received from appellate authorities revealed that 13 appellate authorities did not achieve the target during the years shown against each as detailed in the following table:

**DC (Appeals)**

| Appellate Authority | Year | Achievement against target | Short fall |
|---|---|---|---|
| DC (Appeal) II, MCD* | 2002-03 | 369 | (-) 231 |
| DC (Appeal) III, MCD | 2002-03 | 588 | (-) 12 |
| DC (Appeal) V, MCD | 2002-03 | 430 | (-) 170 |
| DC (Appeal) VIII, Thane | 2001-02 | 513 | (-) 87 |
| DC (Appeal) I, Pune | 2002-03 | 534 | (-) 66 |
| | 2003-04 | 443 | (-) 157 |

***MCD : Mumbai City Division**

**AC (Appeals)**

| Appellate Authority | Year | Achievement against target | Short fall |
|---|---|---|---|
| P-2, Nariman Point | 2003-04 | 750 | (-) 250 |
| P-3, Churchgate | 2001-02 | 743 | (-) 257 |
| | 2002-03 | 760 | (-) 240 |
| | 2003-04 | 694 | (-) 360 |
| P-9, Worli | 2002-03 | 806 | (-) 194 |
| P-11, Andheri | 2000-01 | 830 | (-) 170 |
| | 2001-02 | 888 | (-) 112 |
| P-12, Andheri | 2000-01 | 842 | (-) 158 |
| | 2003-04 | 888 | (-) 112 |
| P-14, Ghatkopar | 2001-02 | 753 | (-) 247 |
| P-31, Pune | 2002-03 | 855 | (-) 145 |
| | 2003-04 | 742 | (-) 258 |
| P-32, Pune | 2001-02 | 638 | (-) 362 |
| | 2002-03 | 595 | (-) 405 |
| | 2003-04 | 610 | (-) 390 |

### *2.3.5 Delay in disposal of cases*

- There is no provision in the BST Act prescribing a time limit for disposal of appeal cases. Similarly, there is no provision for levy of penalty for non attendance or non co-operation by the appellant. Absence of such a provision results in undue delay in appeal proceedings leading to delay in disposal and consequent pendency of appeals.

Test check of appeal cases in the offices of 13[10] DCs (A) and 16[11] ACs (A) revealed that in 8 cases delays due to various reasons resulted in blocking of Rs 33.26 crore for periods ranging from 6 months to 91 months from the date of filing of appeal till the date of appeal order or upto the date of audit as detailed in the following table:

[10] I & II Nariman Point, III Bandra, Borivali, VI-Andheri, V-Ghatkopar, VII-Worli, VIII-Thane, XIII, XV, XVI Ghatkopar, I-Pune, II-Pune, DC-Kolhapur.

[11] P-1 & P-2 Nariman Point, P-3 & P-4 Churchgate, P-8 & P-9 Worli, P-11 & P-12 Andheri, P-13 Borivali, P-14 & P-15 Ghatkopar, P-26 & P-27 Thane, P-31 & P-32 Pune-I & Pune-II, P-41 Kolhapur.

**(Amount in lakh of rupees)**

| Sl. No. | Appellate authority No. of cases | Period Month of AO | Month of filing appeal Month of decision of appellate authority | Amount | Decision of appellate authority | Delay in disposal in months |
|---|---|---|---|---|---|---|
| 1. | P-9, Worli 2 | 1992-93 to 1994-95 March 1997 | March 1997 October 2002 | 367.03 | Dismissed for non attendance by the dealer. | 68 |
| | | 1994-95 September 1997 | November 1997 March 2002 | 803.63 | Dismissed for non attendance by the dealer. | 53 |
| **Remarks**: In the first case the reminder was issued after 15 months of remand of case by the tribunal. In the second case the hearing notice was issued 25 months after remand of case by the tribunal. | | | | | | |
| 2. | P-3, Churchgate 1 | 1992-93 March 2000 | April 2000 September 2002 | 53.55 | Dismissed for non attendance by the dealer. | 30 |
| | | 1993-94 February 2001 | May 2001 September 2002 | 83.87 | Dismissed for non attendance by the dealer. | 16 |
| **Remarks**: Appeals dismissed in September 2002 were restored in December 2002 and the final decision was pending (December 2004). | | | | | | |
| 3. | P-9, Worli 1 | 1989-90 to 1992-93 March 1997 | May 1997 August 1997 | 218.85 | Remanded for fresh assessment to assessing officer. | 91 |
| **Remarks:** The appellate authority set aside the assessment in August 1997, January 1999 and August 2001. The appeal filed in November 2004 against 3rd fresh assessment made in September 2004 was pending. Despite repeated remands of the case for fresh assessment, the appellate authority did not decide the case on merit. | | | | | | |
| 4. | DC-VII, MCD 1 | 1996-97 March 2000 | June 2000 December 2002 | 154.70 | Remanded to assessing officer for fresh assessment | 31 |
| **Remarks:** Against the remand order of appellate authority, the appellant filed an appeal with tribunal who in turn remanded the case to the appellate authority. There was delay of 12 months in communicating the tribunal decision to appellate authority. | | | | | | |
| 5. | DC-II, MCD 1 | 1989-90 March 1993 | June 1993 August 2000 | 154.58 | Dismissed on merit | 87 |
| **Remarks:** The appeal dismissed in August 2000 was restored in December 2000 and again remanded for fresh assessment in March 2001. Against this remand, the dealer filed appeal with tribunal and tribunal in turn remanded the case in December 2002 to the appellate authority. The final decision of the appellate authority was awaited (December 2004). | | | | | | |
| 6. | P-2, Nariman Point 1 | 1995-96 August 2003 | October 2003 March 2004 | 766.72 | Remanded to assessing officer for fresh assessment | 6 |
| **Remarks:** Exparte assessment was made in August 2003 after service of notice by pasting it at the premises of the dealer in Mumbai. However the dealer had already shifted his place of business to Bhopal in August 2000. It shows that the notice was not properly served by the assessing officer and the case is still pending for fresh assessment. | | | | | | |
| 7. | DC appeal VIII, Thane 1 | 1992-93 March 1996 | January 2004 -- | 139.56 | Pending | 14 |
| | | 1993-94 February 2002 | January 2004 -- | 583.68 | Pending | 14 |
| **Remarks:** The delay in filing of appeal in respect of the period 1992-93 and 1993-94 was 94 and 23 months respectively. The delays were due to non receipt of demand notice and assessment order by the assessee. | | | | | | |
| | **Total** | | | **3326.17** | | |

After this was pointed out, the appellate authorities stated that there is no time limit prescribed in the BST Act / Rules for disposal of appeal cases. It is recommended that Government may consider prescribing a time limit for disposal of appeals for speedy disposal of cases and recovery of dues.

## 2.4 Recovery of sales tax dues treated as arrears of land revenue

### *2.4.1 Introduction*

Under the BST Act, every registered dealer is required to pay the assessed tax dues as mentioned in the demand notice within 30 days from the date of service of demand notice, failing which the assessing authority is empowered to recover such tax, as arrears of land revenue as per the provisions of the Maharashtra Land Revenue Code, 1966.

All the officers in the Sales Tax Department of the rank of sales tax officer and above are vested with the powers of recovery of sales tax dues as arrears of land revenue.

Test check of revenue recovery certificate (RRC) records in nine[12] out of 16 divisions for the years 2000-01 to 2003-04 was conducted between November 2004 and March 2005 and the results thereof are detailed in the following paragraphs:

### *2.4.2 Trend of recovery*

The details of opening balance, additions, recoveries during the year and the outstanding recovery of sales tax dues in 12[13] divisions in respect of cases in which RRC proceedings were initiated during the years 1999-2000 to 2001-02 are given in the following table. The position for the State as a whole and for the subsequent periods 2002-03 and 2003-04 though called for from the Department in March 2005 has not been received.

**(Amount in lakh of rupees**

| Year | Opening balance as on 1st April | | Additions during the year | | Total | | Clearance during the year | | Closing balance | | Percentage o Col.4 to 3 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | | (2) | | (3) | | (4) | | (5) | | (6) | |
| | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases | Amount | Cases | Amou |
| Upto 1999-2000 | 4,428 | 4,617.96 | 434 | 527.63 | 4,862 | 5,145.59 | 198 | 146.78 | 4,664 | 4,998.81 | 4.07 | 2.85 |
| 2000-01 | 4,504* | 4,759.95 | 807 | 594.94 | 5,311 | 5,354.89 | 948 | 127.76 | 4,363 | 5,227.13 | 17.85 | 2.39 |
| 2001-02 | 4,377* | 5,189.29 | 429 | 1,584.28 | 4,806 | 6,773.57 | 479 | 400.56 | 4,327 | 6,373.01 | 9.97 | 5.91 |

* Opening balance changed due to transfer of cases.

The percentage of recovery in RRC cases during these years was between 2.39 and 5.91 *per cent* indicating laxity in pursuance and recovery of dues.

[12] Andheri, Borivali, Churchgate, Ghatkopar, Kolhapur, Nariman Point, Pune-I, Pune-II and Thane,

[13] Andheri, Borivali, Churchgate, Enforcement A, Ghatkopar, Mandvi, Mazgaon, Nariman Point, Pune-I, Pune-II, Thane and Worli.

### *2.4.3 Failure to take action/inadequate action for recovery of dues*

A scrutiny of cases wherein RRCs were issued for recovery of dues revealed that failure to take action or inadequate action resulted in dues amounting to Rs 17.71 crore remaining to be recovered in 24 cases assessed during 1999-2000 to 2003-04, as detailed in the following table:

**(Amount in lakh of rupees)**

| Sl. No. | Name of Divisions | No. of cases | Period involved | Delay in months | Amount involved | Audit observations |
|---|---|---|---|---|---|---|
| 1. | Kolhapur, Nariman Point, Pune-I and Pune-II | 7 | Between 1990-91 and 2000-01 | Between 16 and 60 | 541.14 | Assessing authority failed to lodge claim with proper authority viz. BIFR, DRT, official liquidator etc. |
| 2. | Churchgate, Enforcement (D), Nariman Point and Thane | 4 | Between 1989-90 and 2000-01 | Between 14 and 57 | 1003.38 | Non/ delay in issue of RRC's to appropriate authority by assessing authority. |
| 3. | Nariman Point and Pune-I | 2 | Between 1993-94 and 1999-2000 | Between 42 and 62 | 21.95 | No follow up of RRC's sent to other States/ authorities |
| 4. | Kolhapur, Pune-II and Thane | 4 | Between 1987-88 and 2001-02 | Between 17 and 63 | 133.45 | Non disposal of attached properties by the Sales Tax Department. |
| 5. | Nariman Point and Pune-I | 3 | Between 1995-96 and 1998-99 | Between 25 and 45 | 51.55 | Sales tax appellate authority vacated stay/had not given stay in two cases but the sales tax authority did not initiate action to recover the amount. |
| 6. | Kolhapur | 1 | 1992-93 | 47 | 8.12 | The assessing officer passed assessment orders after disposal/ transfer of property by dealer as such no recovery could be effected. |
| 7. | Andheri | 3 | Between 1986-87 and 1992-93 | -- | 10.95 | Recovery records not produced to audit. Consequently, correctness of dues and adequacy of action taken for recovery could not be verified |
| | **Total** | **24** | | | **1770.54** | |

The matter was reported to the Department and Government in June 2005; their reply has not been received (December 2005).

## 2.5 Underassessment of tax under package schemes of incentives

As per the package scheme of incentives in the BST Act and Rules, an eligible unit is entitled to sales tax incentives such as exemption/deferment of sales tax, purchase tax and central sales tax on purchase of raw materials and/or on sale of finished goods during the period covered by the eligibility and entitlement certificates subject to terms and conditions specified in the schemes. Further, the taxes payable are deferred after reducing set off or refund to which the eligible unit is entitled under the Act or Rules.

**2.5.1** In the assessments/appeal finalised between October 1999 and November 2002 of four dealers in three[14] divisions for the periods between 1992-93 and 1999-2000, it was noticed that in one case set off of Rs 5.56 crore was incorrectly refunded instead of being adjusted against the tax to be deferred. In the remaining three cases, either tax payable was incorrectly computed or set off was incorrectly allowed or not adjusted aggregating to Rs 0.11 crore in working out the amount of tax to be deferred. The mistakes resulted in underassessment of Rs 5.73 crore including interest and penalty of Rs 0.06 crore.

After this was pointed out between May 2000 and October 2003, the Department revised the assessment orders between April 2004 and November 2004 raising additional demand of Rs 5.73 crore including interest and penalty of Rs 0.06 crore. The dealers had filed appeal. Report on developments in appeal has not been received (December 2005).

The matter was reported to Government in April 2005 and May 2005; Government concurred with the action taken by the Department (December 2005).

*2.5.2* An industrial unit covered under the Package Scheme of incentives could purchase raw materials without payment of tax, by furnishing a declaration in Form BC to the selling dealer. The purchases were exempted from tax provided they were used in the manufacture of finished goods in the unit. For failure to do so, purchase tax at the prescribed rate was leviable for contravention of recitals of declaration.

It was noticed in the assessment in March 2003 for the period 1 April 1999 to 31 March 2000 of a dealer holding eligibility certificate in Aurangabad Division, that purchases made on declaration in Form BC were not used in manufacture in the unit. This resulted in contravention of recitals of declaration rendering the dealer liable to purchase tax which was not levied by the assessing authority. The omission resulted in underassessment of tax of Rs 14.78 lakh including interest of Rs 7.57 lakh.

After this was pointed out in August 2003, the Department reassessed the dealer in August 2003 raising additional demand for Rs 14.78 lakh including interest of Rs 7.57 lakh. The dealer paid Rs 3.99 lakh (August 2004 and September 2004) and balance Rs 10.79 lakh was waived under amnesty scheme (December 2005).

[14] Aurangabad, Ghatkopar and Kolhapur (2)

The matter was reported to Government in April 2005; Government concurred with the action taken by the Department (December 2005).

## 2.6 Short levy of sales tax

Under the provisions of the BST Act, the rate of tax leviable on any commodity is determined with reference to the relevant entry in Schedule B or C of the Act after deducting from the gross turnover, resales of goods purchased by a dealer from other registered dealers, provided the goods were resold in the same form in which they were purchased. Further, the State Government may by notification, exempt any class of sales or purchases from payment of whole or any part of the tax payable under the provisions of the Act subject to such conditions as may be prescribed. Besides, turnover tax, additional tax and interest are also leviable as per the provisions of the Act.

It was noticed in the assessments finalised between June 1999 and January 2004 of 53 dealers in 14[15] divisions for the periods between 1990-91 and 2000-01 that due to application of incorrect rate of tax/ exemption/ computation of taxable turnover, levy of concessional rate of tax or incorrect allowance of resales, there was underassessment of Rs 4.23 crore including interest and penalty of Rs 1.48 crore. A few illustrative cases are given in the following table:

**(Amount in lakh of rupees)**

| Sl. No. | Division | Period Month of assessment | Name of commodity | Taxable turnover | Percentage rate of tax | | Underassessment | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Leviable | Levied | Tax | TOT | Additional tax/ Surcharge | Interest | Total |
| 1. | Ghatkopar | 1998-99 March 2002 | Bulk drugs | 528.21 | 13 | 2 | 58.10 | -- | -- | 10.46 | 68.56 |
| | | 1990-91 March 2000 | Telephone system/ boards | 15.12 | 15 | -- | 2.27 | 0.19 | 0.27 | 20.31 | 23.04 |
| 2. | Mandvi | 1998-99 April 2001 | Tea | 1768.12 | 8 | 4 | 70.73 | -- | -- | 54.93 | 125.66 |
| 3. | Nashik | 1999-2000 January 2003 | Adhesive | 575.56 | 13 | 8 | 28.78 | -- | 2.88 | 11.30 | 42.96 |

After this was pointed out between August 2000 and August 2004, the Department revised the assessments/reassessed the dealers between April 2003 and January 2005 raising additional demand for Rs 4.23 crore including interest and penalty of Rs 1.48 crore. Twenty nine dealers paid Rs 0.84 crore between August 2003 and January 2005 and Rs 1.65 crore was waived in 26 cases under Amnesty Scheme, 2004. In two cases, Rs 0.80 lakh was adjusted against refund due. Six dealers had filed appeal. Report on recovery in the

[15] Andheri (11), Aurangabad, Bandra (3), Borivali (5), Churchgate (3), Ghatkopar (10), Kolhapur (2), Mandvi (4), Nashik (5), Nariman Point, Pune-I, Pune-II, Thane (4) and Worli (2)

remaining cases and developments in appeal has not been received (December 2005).

The matter was reported to Government in April 2005 and May 2005. Government concurred with the action taken by Department in 35 cases; their reply in the remaining cases has not been received (December 2005).

## 2.7 Excess grant of set off

**2.7.1** According to the BST Act and Rule 41D made thereunder, a manufacturer who has paid tax on the purchase of iron and steel, goods specified in Schedule 'C' to the Act and used them within the State in the manufacture of taxable goods for sale or export or in the packing of goods so manufactured, was allowed set off of taxes paid at prescribed rates.

It was noticed in the assessments between October 1999 and January 2004 of 44 dealers in 13 divisions[16] for the periods between 1993-94 and 2000-01 that excess set off was allowed due to mistake in computation resulting in underassessment of Rs 67.20 lakh including interest of Rs 14.27 lakh. A few illustrative cases are detailed in the following table:

**(Amount in lakh of rupees)**

| Sl. No. | Division | Period Month of assessment | Nature of irregularity | Underassessment including interest |
|---|---|---|---|---|
| 1. | Kolhapur | 1998-99 February 2003 | Set off was incorrectly worked out as Rs 19.39 lakh instead of Rs 14.67 lakh due to application of incorrect rate of reduction. | 8.26 |
| | | 1999-2000 March 2003 | Set off was incorrectly allowed at Rs 19.19 lakh instead of at Rs 11.78 lakh due to mistake in computation. | 9.61 |
| 2. | Thane | 1998-99 March 2003 | Set off on manufactured goods transferred to branches outside Maharashtra was incorrectly allowed. | 6.10 |

After this was pointed out between June 2000 and July 2004, the Department revised/rectified between July 2003 and October 2005 the assessments/cases and raised additional demand for Rs 67.20 lakh including interest of Rs 14.27 lakh. Department recovered/adjusted Rs 32.50 lakh in 32 cases and Rs 17.59 lakh was waived in 19 cases under the amnesty scheme between February 2002 and January 2005. Four dealers had filed appeal. Report on developments in appeal and recovery in the remaining cases has not been received (December 2005).

[16] Andheri (4), Bandra (3), Borivali (2), Ghatkopar (3), Kolhapur (8), Mazgaon, Mandvi, Nashik (3), Nariman Point, Pune-I (4), Pune-II (3), Thane (8) and Worli (3).

The matter was reported to Government in April 2005. Government concurred with the action taken by Department in 35 cases; their reply in the remaining cases has not been received (December 2005).

**2.7.2** Under the provisions of the BST Act, a dealer who purchases goods on a declaration issued under any notification under Section 41 and contravenes the recitals of the declaration is liable to pay purchase tax at the rates set out in the schedule on the turnover of such goods. However if any tax was paid by the dealer on purchases which are liable to purchase tax for contravention of recitals of declaration, the tax paid on purchases shall be remitted as set off against the purchase tax levied.

It was noticed in the assessments finalised in March 2000 and June 2000 of two dealers in Ghatkopar and Kolhapur divisions for the periods 1990-91 and 1998-99 that remission of purchase tax levied was granted in excess of that admissible. This resulted in underassessment of Rs 1.77 crore including interest of Rs 1.11 crore.

After this was pointed out in October 2000 and September 2001, the Department reassessed the dealers in August 2004 and September 2004 raising additional demand for Rs 1.77 crore including interest of Rs 1.11 crore. In one case the dealer paid Rs 8.33 lakh in September 2004 and Rs 14.32 lakh was waived under the amnesty scheme. Report on recovery of the balance amount has not been received (December 2005).

The matter was reported to Government in April 2005 and May 2005. Government concurred with the action taken by the Department in one case; their reply in the other case has not been received (December 2005).

**2.7.3** Under the provisions of the BST Act and Rule 42H made thereunder, a dealer having turnover of sales in excess of Rs 1 crore (Rs 50 lakh from 1 October 1996 and Rs 40 lakh from 15 May 1997) was entitled to set off of tax paid on purchases of goods for the period from 1 October 1995 to 31 March 1999. The set off was admissible provided purchase price of the goods was not allowed as deduction from turnover of sales. Set off was also not admissible on purchases sold on declarations in Form 14B preceding the sale occasioning the export of the goods out of the territory of India.

It was noticed in the assessments finalised between August 1999 and September 2002 of 10 dealers in six[17] divisions for the periods between 1996-97 and 1998-99 that set off was incorrectly computed or allowed on goods sold on declaration in Form 14B. This resulted in underassessment of Rs 23.56 lakh including interest of Rs 6.95 lakh.

After this was pointed out between June 2000 and February 2004, the Department rectified/revised between July 2003 and November 2004 the assessments raising additional demand for Rs 23.56 lakh including interest of Rs 6.95 lakh. In the case of two dealers, Department adjusted dues of Rs 4.31 lakh against refund payable. Two other dealers paid Rs 0.66 lakh and the balance of Rs 0.48 lakh was waived under Amnesty Scheme. Five dealers had filed appeal. Report on recovery in the remaining case and developments in appeal has not been received (December 2005).

[17] Andheri, Bandra (2), Borivali, Churchgate (4), Mazgaon and Nariman Point.

The matter was reported to Government in April and May 2005. Government concurred with the action taken by the Department in nine cases; their reply in the remaining case has not been received (December 2005).

**2.7.4** Under the provisions of Rule 42L of the BST Rules, a dealer in foreign liquor is entitled to set off of taxes paid on purchases effected from 1 May 2000, in respect of foreign liquor as specified in entry 22 in Part-II of Schedule C. Besides, interest is leviable as per the provisions in the Act.

It was noticed in the assessments finalized between January 2003 and February 2004, of three dealers in Borivali and Pune-II divisions for the period 1 April 2000 to 31 March 2001, that set off was incorrectly allowed on purchase of foreign liquor held in stock or sales effected prior to 1 May 2000. This resulted in underassessment of Rs 26.80 lakh including interest of Rs 10.42 lakh.

After this was pointed out in August 2003 and April 2004, the Department revised in August 2004 and September 2004, the assessments raising additional demand for Rs 26.80 lakh including interest of Rs 10.42 lakh. Two dealers paid Rs 3.38 lakh and the balance Rs 2.28 lakh was waived under the amnesty scheme. Report on recovery in the remaining case has not been received (December 2005).

The matter was reported to Government in April 2005. Government concurred with the action taken by the Department in two cases; their reply in the remaining case has not been received (December 2005).

**2.7.5** Under the provisions of Rule 41F of the BST Rules, a manufacturer is entitled to full set off of taxes paid or deemed to have been paid on purchases of goods used by him within the State in the manufacture of specified goods for sale. Set off is not admissible on the purchases used in the manufacture of non-specified goods.

It was noticed in the assessments between September 2000 and August 2002 of five dealers in Andheri and Aurangabad divisions, for the periods between 1995-96 and 1999-2000, that set off was incorrectly granted on purchases used in the manufacture of non-specified goods viz. medicines and drugs, plastic granules and plastic powder and soaps. This resulted in underassessment of Rs 25.87 lakh including interest and penalty of Rs 2.07 lakh.

After this was pointed out between July 2001 and February 2003, the Department revised between January 2004 and October 2004 the assessments raising additional demand of Rs 25.87 lakh including interest and penalty of Rs 2.07 lakh. One dealer paid Rs 19.88 lakh between February 2002 and September 2004 and four dealers paid Rs 2.38 lakh in August 2004 and January 2005 and the balance of Rs 3.61 lakh was waived under the amnesty scheme.

The matter was reported to Government in April 2005; Government concurred with the action taken by the Department (December 2005).

**2.7.6** According to the BST Act and Rule 43C made thereunder, a registered dealer is entitled to set off of taxes paid or deemed to have been paid on the goods purchased from other registered dealers provided the goods so purchased are resold within a period of nine months from the date of their

purchase in the same form in which they were purchased either in the course of export or in the course of inter-State trade or commerce. Where the goods are transferred outside the State within India, otherwise than by way of sale, set off is reduced by four *per cent* of purchase price of goods including packing materials. Further, interest is leviable as per the provisions of the Act.

It was noticed in the assessments finalised between March 2000 and February 2003 of seven dealers in five[18] divisions for the periods between 1995-96 and 1999-2000 that set off was incorrectly computed at Rs 43.13 lakh instead of Rs 38.10 lakh resulting in underassessment of Rs 6.59 lakh including interest and forfeiture of tax of Rs 1.56 lakh.

After this was pointed out between June 2000 and August 2003, the Department rectified/revised the assessments between January 2003 and September 2004 raising additional demand for Rs 6.59 lakh including interest and forfeiture of tax of Rs 1.56 lakh. Three dealers paid Rs 1.82 lakh between March 2003 and February 2005 and the balance Rs 1.58 lakh was waived under the amnesty scheme. One dealer had filed appeal. Report on recovery in the remaining cases and developments in appeal have not been received (December 2005).

The matter was reported to Government in May 2005. Government concurred with the action taken by the Department in four cases; their reply in the remaining cases has not been received (December 2005).

## 2.8 Non/short levy of interest/penalty

Under the provisions of the BST Act, if a dealer does not pay tax within the time he is required to pay it or any tax remains unpaid on the date prescribed for filing of the last return in respect of a period of assessment, he shall be liable to pay simple interest at the rate of two *per cent* of the amount of tax for each month or part thereof from the date following the date of the period of assessment till the date of payment or the order of assessment whichever is earlier. The Act also provides for levy of penalty not exceeding the amount of tax payable for concealment of turnover liable to tax. The provisions are also applicable for levy of interest and penalty under the Central Sales Tax Act, 1956.

It was noticed in the assessments finalised between June 1999 and January 2004 of six dealers in five[19] divisions for the periods between 1996-97 and 2000-01 that interest was either not levied/short levied or penalty action deferred. This resulted in underassessment of interest and penalty of Rs 2.18 crore. A few illustrative cases are detailed in the following table:

[18] Andheri (3), Bandra, Ghatkopar, Mandvi and Mazgaon.
[19] Bandra, Kolhapur, Nashik, Pune-II and Worli (2).

**(Amount in lakh of rupees)**

| Sl. No. | Division | Period Month of assessment | Interest/ penalty | | Underassessment | Remarks |
|---|---|---|---|---|---|---|
| | | | Leviable | Levied | | |
| 1. | Nashik | 1997-98 March 2001 | 14.80 | 7.40 | 7.40 | Interest was levied for 18 months instead of 36 months. |
| 2. | Pune-II | 1998-99 March 2002 | 177.91 | 5.40 | 172.51 | Interest for delayed payment of taxes was short levied under BST Act and not levied under CST Act. |
| 3. | Worli | 1996-97 March 2000 | 20.83 | Nil | 20.83 | Penalty on assessed dues was deferred. |

After this was pointed out between January 2001 and July 2004, the Department levied interest and penalty of Rs 2.18 crore. Two dealers paid Rs 0.78 lakh in November 2004 and balance Rs 3.31 lakh was waived under the amnesty scheme. In two other cases of Worli Division, claims were stated to have been lodged (November 2003 and December 2003) with the official liquidator and BIFR. The remaining two dealers had filed appeal.

The matter was reported to Government in April 2005 and May 2005. Government concurred with the action taken by the Department in five cases; their reply in the remaining case has not been received (December 2005).

## 2.9 Short levy of tax due to incorrect allowance of deduction

Under the provisions of the Maharashtra Works Contract (Re-enacted) Act, 1989, value of goods, if purchased from registered dealers in the State and used in the same form in which they were purchased was allowed deduction from turnover of sales upto 30 April 1998. Otherwise, tax at the rate of four *per cent* was leviable on value of declared goods and in respect of other goods at the rate of tax applicable under the BST Act or 10 *per cent* depending on whether the goods are covered by the Schedule to the Act or not respectively. The rate of tax applicable to goods manufactured and used in the execution of works contract was as enumerated in the Schedule to the Act.

It was noticed in the assessment of June 1999 of a dealer in Andheri Division for the period 1997-98 that indirect import of goods worth Rs 2.24 crore were incorrectly allowed as deduction. Also, purchases from registered dealers of mild steel pipes and plates *etc.*, valued at Rs 3.13 crore used in the fabrication of goods used in works contracts were incorrectly allowed as deduction. This resulted in underassessment of Rs 1.92 crore including interest and penalty of Rs 1.19 crore.

After this was pointed out in January 2001, the Department reassessed in January 2005 the dealer and raised additional demand of Rs 1.92 crore including interest and penalty of Rs 1.19 crore. Report on recovery has not been received (December 2005).

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

## 2.10 Underassessment of tax

Under the provisions of the Central Sales Tax Act, 1956, the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall be deemed to be in the course of export and is exempt from tax. Provided, the last sale or purchase took place and was for the purpose of complying with the agreement or order for such export and the selling dealer produces a certificate in Form H (Form 14B in case of a dealer within the State) duly filled and signed by the exporter alongwith evidence of export of goods. Further, it has been judicially[20] held that packing materials which are used as ordinary mode for packing and transportation of goods are not the subject matter of export and hence not eligible for exemption from tax.

It was noticed in the assessments finalised between June 1999 and March 2002 of 22 dealers in 11[21] divisions for the periods between 1993-94 and 1999-2000 that sales of goods of Rs 6.21 crore was exempted from tax though not supported by prescribed certificate *viz.*, Form H or Form 14B. The sales were either ineligible or were not supported by documentary evidence in relation to the export or incorrectly exempted eventhough the goods were used in the packing of goods for export. This resulted in underassessment of Rs 62.41 lakh including interest and penalty of Rs 21.82 lakh.

After this was pointed out, the Department raised between February 2004 and December 2004 additional demand for Rs 62.41 lakh including interest and penalty of Rs 21.82 lakh. Ten dealers paid Rs 3.47 lakh in April 2004 and January 2005 and the balance Rs 6.09 lakh was waived under amnesty scheme. Six dealers had filled appeal. In one case, action was time barred resulting in loss of revenue of Rs 7.85 lakh. Report on developments in appeal and recovery in the remaining cases has not been received (December 2005).

The matter was reported to Government in April 2005. Government concurred with the action taken by the Department in 17 cases; their reply in the remaining cases has not been received (December 2005).

## 2.11 Incorrect determination of taxable turnover

Under the BST Act and Rules made thereunder, sales of goods covered by Schedule C to the Act by resellers exceeding the prescribed turnover limit during the previous year, were not allowed as deduction from the taxable turnover but liable to value added tax in respect of sales during the period from 1 October 1995 to 31 March 1999. When the sales turnover was

[20] Packwell Industries Pvt. Ltd, v/s State of Tamil Nadu (51 STC 329)

[21] Andheri (3), Borivali (2), Churchgate, Ghatkopar, Kolhapur, Mandvi, Mazgaon, Nariman Point, Pune-II, Thane (2) and Worli (8).

subjected to tax, the rules provided for grant of set off of tax paid on the purchases, provided, set off was not claimed under any other rule.

It was noticed in the assessments finalised between June 2000 and March 2002 of 10 dealers in six[22] divisions for the periods 1997-98 or 1998-99 that as against turnover of sales of Rs 3.06 crore, turnover of sales of Rs 0.65 crore were subjected to tax due to incorrect deduction of sales from the taxable turnover or incorrect computation of turnover of sales resulting in underassessment of Rs 42.39 lakh including interest and penalty of Rs 14.01 lakh.

After this was pointed out between July 2001 and February 2003, the Department revised between December 2003 and January 2005 the assessment orders or reassessed the dealers raising additional demand of Rs 42.39 lakh including interest and penalty of Rs 14.01 lakh. Four dealers paid Rs 10.45 lakh between July 2004 and February 2005 and the balance of Rs 7.68 lakh was waived under amnesty scheme. One dealer had filed appeal. Report on recovery in the remaining cases and developments in appeal have not been received (December 2005).

The matter was reported to Government in April 2005. Government concurred with the action taken by the Department in five cases; their reply in the remaining cases has not been received (December 2005).

## 2.12 Short/non levy of central sales tax

Under the provisions of the Central Sales Tax Act, 1956, tax on sales in the course of inter State trade or commerce supported by valid declaration is leviable at the rate of four *per cent* of the sale price. Otherwise, tax at twice the rate applicable to the sales inside the State in respect of declared goods and in respect of goods other than declared goods at 10 *per cent* or at the rate of tax applicable to sale or purchase of goods inside the State under the Sales Tax Act of the appropriate State whichever is higher is leviable. Further, interest is also leviable as per the provisions of the BST Act.

It was noticed in the assessments finalised between March 2000 and September 2003 of six dealers in five[23] divisions for the periods between 1996-97 and 1999-2000 that in respect of inter State sales of Rs 2.40 crore due to incorrect application of rate of tax or turnover of sales being excluded or sales not supported by declaration/supported by invalid declaration there was underassessment of Rs 26.90 lakh including interest and penalty of Rs 9.85 lakh. A few illustrative cases are detailed in the following table:

[22] Andheri (3), Aurangabad, Ghatkopar (2), Nariman Point, Pune-I (2) and Worli.
[23] Andheri, Ghatkopar, Kolhapur, Mandvi (2), and Worli.

**(Amount in lakh of rupees)**

| Sl. No. | Division | Period Month of assessment | Taxable turnover | Tax | | Underassessment | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Leviable | Levied | Tax | Interest and penalty | Total |
| 1. | Mandvi | 1996-97 March 2000 | 121.98 | 15.25 | 4.88 | 10.37 | 7.26 | 17.63 |
| | | 1999-2000 May 2001 | 31.37 | 3.80 | 1.26 | 2.54 | 0.72 | 3.26 |
| 2. | Worli | 1997-98 March 2001 | 29.33 | 3.54 | 1.13 | 2.41 | 0.87 | 3.28 |

After this was pointed out between July 2000 and January 2004, the Department raised between February 2004 and January 2005 additional demand for Rs 26.90 lakh including interest and penalty of Rs 9.85 lakh. Four dealers paid Rs 4.06 lakh between March 2004 and October 2004 and balance Rs 1.95 lakh was waived in the cases of three dealers under amnesty scheme. In one case, Department granted administrative relief of Rs 3.26 lakh and in another case of Mandvi Division, claim was stated to have been lodged (March 2005) with Debt Recovery Tribunal.

The matter was reported to Government in April and May 2005; Government concurred with the action taken by the Department (December 2005).

## 2.13 Non levy of tax on packing material

Under the provisions of the BST Act, the rate of tax leviable on packing material was the same as that applicable to the sales or purchases of the goods packed during the period 1 April 1989 to 30 September 1995. Further, the State Government by notification with effect from 1 December 1990 exempted sales tax in excess of six *per cent* on sales of bottles containing Indian made foreign liquor (IMFL). Besides, additional tax, turnover tax and interest was also leviable as per provisions of the Act.

It was noticed in the assessment of a dealer in Nariman Point Division for the period 1 April 1995 to 31 March 1996, that sales tax leviable at six *per cent* on sales of bottles of IMFL purchased from outside Maharashtra State was not levied during the period between 1 April 1995 and 30 September 1995. This resulted in underassessment of Rs 22.92 lakh including interest of Rs 6.07 lakh.

After this was pointed out in January 2000, the Department revised in July 2004, the assessment raising demand of Rs 22.92 lakh including interest of Rs 6.07 lakh. The dealer had filed appeal. Report on developments in appeal has not been received (December 2005).

The matter was reported to Government in April 2005; Government concurred with the action taken by the Department (December 2005).

## 2.14 Short levy of tax due to incorrect exemption

Under the provisions of the BST Act, the State Government by notification exempted, between 1 October 1995 and 31 March 1999, tax in excess of eight *per cent* on the turnover of sale of goods on which the rate of sales tax was less than 16 *per cent* subject to certain conditions. The conditions required that the dealer file monthly return and pay tax at the rate of eight *per cent* on the difference between sale price and the purchase price, when set-off of tax paid on the purchases is not claimed. Besides, interest and penalty was leviable as per the provisions of the Act.

It was noticed in the assessments finalised in September 2001 and October 2002 of two dealers in Nashik and Worli divisions for the periods 1997-98 and 1998-99 that tax in excess of eight *per cent* was incorrectly exempted though one dealer had neither filed monthly returns nor paid tax. In the other case, tax was incorrectly computed. This resulted in underassessment of Rs 5.10 lakh including interest and penalty of Rs 2.03 lakh.

After this was pointed out in January 2003 and May 2003, the Department reassessed/revised in June 2004 and September 2004 the dealer/the assessment order raising additional demand of Rs 5.10 lakh including interest of Rs 2.03 lakh. One dealer paid Rs 0.24 lakh in September 2004 and balance Rs 0.50 lakh was waived under amnesty scheme. Report on recovery in the remaining case has not been received (December 2005).

The matter was reported to Government in April 2005. Government concurred with the action taken by the Department in one case; their reply in the remaining case has not been received (December 2005).

## 2.15 Revenue in risk

Under the package scheme of incentives in the BST Act and the Rules made thereunder, an eligible unit is entitled to sales tax incentives such as exemption/deferment of sales tax, purchase tax and central sales tax on purchases of raw materials and/or on sales of finished goods during the period covered by the eligibility and entitlement certificates subject to terms and conditions specified in the schemes.

A manufacturer of chemicals in Kolhapur Division was holding exemption certificate for the period from 15 January 1994 to 31 March 1996 under the package scheme of incentives. The registration certificate of the dealer was cancelled in January 2000. In the assessment (July 1998) for the period 1995-96, sales of Rs 34.82 lakh within the State and inter State sales of Rs 47.89 lakh were exempted from tax even though the nature of goods manufactured and sold and eligible for exemption were not specified in the assessment record. Also, sales of zinc ingot of Rs 27.99 crore were allowed as resales without corresponding purchases from registered dealers on or before the date of sale. Further, other income of Rs 1.77 crore was also not subjected to tax.

After the above omissions were pointed out in September 2000, the Department reassessed the dealer in November 2004 after a lapse of four years

despite the registration certificate having been cancelled in January 2000, raising additional demand for Rs 6.71 crore (Rs 6.60 crore under BST Act and Rs 0.11 crore under the CST Act). The delay in reassessment of the dealer after the closure of business resulted in the Department running the risk of recovery of Rs 6.71 crore.

The Department stated in August 2005 that the Dy. Commissioner of Sales Tax was directed to recover the dues as arrears of land revenue. Report on action taken has not been received (December 2005).

The matter was reported to Government in May 2005; Government concurred with the action taken by the Department (December 2005).

# CHAPTER III
# TAXES ON MOTOR VEHICLES AND STAMP DUTY AND REGISTRATION FEES

## 3.1 Results of audit

Test check of records relating to taxes on motor vehicles and stamp duty and registration fees conducted during the year 2004-05 revealed short/non levy of duty, loss of revenue *etc.*, amounting to Rs 65.73 crore in 844 cases as detailed below:

| Sl. No. | Category | No. of cases | Amount (in crore of rupees) |
|---|---|---|---|
| **A.** | **TAXES ON MOTOR VEHICLES** | | |
| 1. | Non /short levy of tax due to incorrect application of rates | 418 | 0.84 |
| 2. | Miscellaneous | 3 | 0.99 |
| 3. | Review on "**Assessment and collection of taxes and other receipts in the Motor Vehicles Department**" | 1 | 21.62 |
| | **Total:** | **422** | **23.45** |
| **B.** | **STAMP DUTY AND REGISTRATION FEES** | | |
| 1. | Non levy of stamp duty on instruments executed by co-operative societies | 89 | 4.36 |
| 2. | Incorrect grant of exemption of stamp duty and registration fees | 60 | 1.20 |
| 3. | Short levy due to misclassification of documents | 106 | 3.56 |
| 4. | Short levy due to undervaluation of property | 109 | 0.84 |
| 5. | Other irregularities | 58 | 32.32 |
| | **Total:** | **422** | **42.28** |
| | **Grand Total:** | **844** | **65.73** |

During the year 2004-05, the Department accepted and recovered underassessment, non/short levy *etc.*, amounting to Rs 0.87 crore in 768 cases, of which Rs 0.10 crore in 129 cases had been pointed out during 2004-05 and the rest in earlier years.

One review on "**Assessment and collection of taxes and other receipts in the Motor Vehicles Department**" involving Rs 21.62 crore and few illustrative cases involving Rs 4.25 crore are given in the following paragraphs:

# SECTION A
# TAXES ON MOTOR VEHICLES

## 3.2 Review on "Assessment and collection of taxes and other receipts in the Motor Vehicles Department"

### *3.2.1 Highlights*

Arrears of Bombay Motor Vehicles Tax, goods tax and passengers tax pending collection as on 31 March 2004 amounted to Rs 198.38 crore.

*(Paragraph 3.2.8)*

Arrears of Rs 55.33 crore were not processed for recovery as arrears of land revenue.

*(Paragraph 3.2.9)*

Non/short levy of tax in respect of 1,809 vehicles amounted to Rs 2.82 crore.

*(Paragraph 3.2.10)*

Four fleet owners had not remitted to Government, passengers tax of Rs 40.77 crore collected from the public during the period between 1980-81 and 2003-04.

*(Paragraph 3.2.13)*

### *3.2.2 Recommendations*

Government may consider the following suggestions for improvement of collection of tax and enforcement of the provisions of the Act.

- prescribe a time limit after which arrears be recovered as arrears of land revenue,
- prescribe deterrent fines for violation of the provisions of law at the rates prescribed in the Motor Vehicles Act, 1988,
- enforce more efficiently road inspections for detection of defaulters,
- review the need for a provision to levy interest in lieu of discretionary levy of penalty in the Bombay Motor Vehicles (Taxation of Passengers Act), 1958.

### *3.2.3 Introduction*

Motor vehicles taxes are levied and collected in the State under the provisions of the Bombay Motor Vehicles Tax Act (BMVT Act), 1958, the Bombay Motor Vehicles (BMV) (Taxation of Passengers), Act, 1958 and the Rules made thereunder. Besides, fees for licence, registration, fitness certificate, permit, appeal and amounts for compounding of offences are levied and

collected under the provisions of the Motor Vehicles Act (MV Act), 1988 and the Rules made thereunder by the Central Government and the State Government.

Under the BMVT Act and the Rules made thereunder, tax at the prescribed rate is leviable on all vehicles used or kept for use in the State. The Act further provides that the tax leviable shall be paid in advance by the registered owner of the vehicle. The vehicles are classified into transport[1] and non-transport. With effect from 1 December 1997, one time tax (OTT) is leviable in respect of two, three and four wheeler vehicles as a percentage of cost at the time of registration of the vehicle and in respect of Light Motor Vehicles (LMVs) and other transport vehicles the registered owner was given the option to pay annual tax or OTT equivalent to seven times the annual rate of tax. Payment of OTT was made compulsory for LMVs (RLW[2] upto 7,500 kg) from 30 May 2001. Interest at the rate of two *per cent* of the amount of tax for each month is payable in case of default in payment of tax dues.

The Regional Transport Officers (RTOs) and Dy. Regional Transport Officers (Dy. RTOs) are responsible for registration of vehicles falling within their jurisdiction. Registration Register (RR) and Cash Balance Review Register (CBR) are maintained in each office. RR indicates all the details of vehicles and vehicle owners i.e. name and address. In the CBR one leaf is kept for each vehicle wherein details of the tax assessed, the amount of tax paid from time to time, period of non use accepted, exemption granted if any, etc., are noted. Separate registers are maintained for each category of vehicles namely transport and non transport. In respect of two, three and four wheeler vehicles registered in the name of a company, OTT is three times of that payable by individuals. In respect of vehicles used for carriage of passengers, motor vehicles tax is payable quarterly or annually on the basis of seating capacity of the vehicle.

### *3.2.4 Organisational set-up*

The Secretary (Transport) is the administrative authority at the Government level. The Transport Commissioner, Maharashtra State, Mumbai is the head of the Motor Vehicles Department and is assisted by an Additional Commissioner, a Joint Commissioner and seven Deputy Commissioners of Transport at Mumbai. For administration and enforcement of the provisions of the Acts, the State is divided into 13 regions[3] each under the charge of a

[1] Transport vehicle means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle. All vehicles not covered under the transport category are non transport vehicles.

[2] RLW: Registered Laden Weight

[3] Amravati, Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nagpur, Nagpur (Rural), Nanded, Nashik, Pune and Thane.

RTO. Thirty two sub-offices[4] under the charge of Dy. RTO are also functioning in the State. Besides, there are 22 border check posts[5].

### *3.2.5 Audit Objectives*

A test check of records was conducted to ascertain:

- the correctness of levy and collection of taxes, fees and interest under Acts and Rules administered by the Motor Vehicles Department;
- whether arrears of revenue are pursued and recovered according to the provisions of law,
- whether internal control mechanism was in existence in the Department and its adequacy and effectiveness.

### *3.2.6 Scope of Audit*

A test check of records was conducted between August 2004 and March 2005 with a view to examine the correctness of assessments and collection of taxes and other revenue, in the office of the Transport Commissioner, Mumbai, 11 Regional Transport offices[6], 14 Deputy Regional Transport offices[7] and five border check posts[8] for the years from 1999-2000 to 2003-04. The selection of the units was done keeping in view the revenue collection and geographical location of the units so as to cover all regions in the State. The results of test check are detailed in the following paragraphs.

### *3.2.7 Trend of Revenue*

The budget estimates, actuals and percentage increase/decrease of revenue for the years 1999-2000 to 2003-04 were as under:

**(Amount in crore of rupees)**

| Year<br>Head of account | Budget estimates | Actuals | Variation increase (+) decrease (-) | Percentage of variation |
|---|---|---|---|---|
| 1. | 2. | 3. | 4. | 5. |
| **1999-2000** | | | | |
| Taxes on vehicles | 587.00 | 708.03 | (+) 121.30 | (+) 21 |
| Taxes on goods and passengers | 398.20 | 331.94 | (-) 66.26 | (-) 17 |
| **2000-2001** | | | | |
| Taxes on vehicles | 715.00 | 785.84 | (+) 70.84 | (+) 10 |
| Taxes on goods and passengers | 396.00 | 100.23 | (-) 295.77 | (-) 75 |
| **2001-2002** | | | | |
| Taxes on vehicles | 920.00 | 947.79 | (+) 27.79 | (+) 3 |

[4] Ahmednagar, Akluj, Akola, Ambejogai, Baramati, Beed, Bhandara, Buldhana, Chandrapur, Gadchiroli, Gondia, Hingoli, Jalgaon, Jalna, Kalyan, Latur, Malegaon, Nandurbar, Osmanabad, Parbhani, Pen, Pimpri-Chinchwad, Ratnagiri, Sangli, Satara, Shrirampur, Sindhudurg, Solapur, Vashi, Wardha, Washim and Yavatmal.

[5] Achad, Billoli, Borgaon, Chandgad, Chorwad, Deglur, Deori, Dharni, Gawali, Hadakhed, Insuli, Kagal, Kharapi, Mandrup, Manegaon, Moravade. Navapur, Omerga, Pimpalkutti, Purnad, Rajura and Warud.

[6] Aurangabad, Amravati, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nagpur (U), Nashik, Pune and Thane.

[7] Ahmednagar, Akola, Buldhana, Chandrapur, Gadchiroli, Gondia, Kalyan, Parbhani, Pen, Pimpri-Chinchwad, Sangli, Satara, Wardha and Yavatmal.

[8] Achad, Borgaon, Chandgad, Hadakhed and Kagal.

| | | | | |
|---|---|---|---|---|
| Taxes on goods and passengers | 1198.01 | 1027.39 | (-) 170.62 | (-) 14 |
| **2002-2003** | | | | |
| Taxes on vehicles | 1025.00 | 941.23 | (-) 83.77 | (-) 8 |
| Taxes on goods and passengers | 578.80 | 245.03 | (-) 333.77 | (-) 58 |
| **2003-2004** | | | | |
| Taxes on vehicles | 1140.00 | 1205.97 | (+) 65.97 | (+) 6 |
| Taxes on goods and passengers | 659.90 | 231.91 | (-) 427.99 | (-) 65 |

The increase in budget estimates and actuals of taxes on goods and passengers during 2001-02 was due to provision for book adjustment of passengers tax due from Maharashtra State Road Transport Corporation (MSRTC) against dues payable by Government to them.

The decrease in passengers tax collection was due to non remittance of passengers tax to Government by different municipal transport authorities and drop in the number of passengers travelling in MSRTC buses.

### *3.2.8 Arrears of revenue*

Arrears of revenue pending collection as on 31 March 2004 in respect of various taxes as furnished by the Department were as follows:

**(Amount in crore of rupees)**

| Year | BMV Tax | Goods Tax[9] | Passengers Tax | Total |
|---|---|---|---|---|
| Upto 1999-2000 | 81.52 | 1.12 | 9.86 | 92.50 |
| 2000-2001 | 10.14 | Nil | 5.53 | 15.67 |
| 2001-2002 | 19.39 | Nil | 7.90 | 27.29 |
| 2002-2003 | 20.42 | Nil | 8.65 | 29.07 |
| 2003-2004 | 25.02 | Nil | 8.83 | 33.85 |
| **Total** | **156.49** | **1.12** | **40.77** | **198.38** |

The stages at which the dues were pending collection were not made available by the Department. The reasons for the accumulation of arrears were stated to be continuance of assessment and levy of taxes in respect of vehicles which are scrapped, under non use/repairs or having migrated without communication from the registered owners. The reply of the Department was not tenable as the Department had not taken action to identify/verify the correctness of arrears in such cases.

During the ARC meeting the Government representative stated that the arrears which were not recoverable would be identified and details would be furnished. The details have not been received (December 2005).

### *3.2.9 Lack of monitoring and internal control*

- ***Recovery of tax dues as arrears of land revenue.***

The BMVT Act provides for seizure and detention of a motor vehicle in case of non payment of tax as well as action for recovery of dues as arrears of land revenue. In such cases the Department issues demand notices to the registered owner of the motor vehicle stating that in the event of non payment of tax

[9] Goods tax was repealed from 1 April 1980; however the accounting head has not been changed.

within 10 days of receipt of the notice, recovery would be effected as per provisions of the Maharashtra Land Revenue Code (MLR Code), 1966.

The Transport Commissioner's office stated in August 2005 that Planning, Monitoring and Review (PM&R) meetings were held wherein targets for recovery of arrears prescribed were reviewed.

In accordance with Revenue and Forests Department's resolution dated 17 January 1991, the Collectors of the districts notified between January 1993 and November 2000 that the RTOs and Dy. RTOs shall exercise the powers under the MLR Code, for purpose of recovery of motor vehicles tax dues.

RTO Aurangabad and RTO Thane were notified for exercise of powers under the MLR Code in July 1993 and July 1996. However, RTO Aurangabad and RTO Thane stated in March 2005 and April 2005 respectively that no order of delegation of powers had been issued by the respective Collectors. It was noticed on perusal of records that RTO Aurangabad was referring the cases to the Revenue Department for recovery of dues. RTO Thane did not furnish the details of cases to audit in which RRCs were issued. When targets for recovery of arrears as stated were being reviewed, it was not clear how the offices were ignorant of the delegation of powers under MLR Code.

No effective system exists in the Transport Commissioner's office to evaluate action taken by subordinate offices for reduction of arrears. This indicated that powers delegated to the department were not being exercised efficiently.

Analysis of data collected from 20 offices[10] revealed that arrears of tax aggregating Rs 70.78 crore in respect of 4,64,958 cases were pending collection as of 31 March 2004, for recovery as arrears of land revenue. However only 57,214 cases involving tax of Rs 15.45 crore were processed under MLR Code for revenue recovery, out of which only Rs 1.73 crore was recovered in 2,001 cases. The remaining 4,07,744 cases involving Rs 55.33 crore were not processed for recovery under MLR Code as shown in Annexure II. The agewise analysis was not made available.

It was noticed that demand notices were issued in many cases involving arrears for more than one year but no action was initiated under MLR Code. No specified system or time limit was prescribed for initiating action under MLR Code.

In reply to audit observations, the Department indicated that owners and vehicles were not traceable and shortage of staff was the reason for not taking recourse to RRC procedure for recovery of dues.

- Further, as per information furnished by 18 offices, only 7,530 motor vehicles had been seized between April 1999 and March 2004 for default in payment of tax dues. Of this 1,488 vehicles were auctioned to recover Rs 2.76 crore. No action was taken to realise the dues either from the owners or by sale or by auction of the remaining 6,042 vehicles as detailed in Annexure III.

[10] Ahmednagar, Akola, Amravati, Aurangabad, Buldana, Chandrapur, Gadchiroli, Gondia, Kalyan, Kolhapur, Mumbai (W), Nagpur, Nashik, Parbhani, Pen, Sangli, Satara, Shrirampur, Wardha and Yavatmal.

- ***Non recovery of composite tax***

As per the provisions of the Central Motor Vehicles Rules, 1989 the intending national permit holder is required to pay to the home State, prescribed authorisation fee alongwith the bank draft in respect of composite tax payable to the States in which the permission for operation is granted.

In order to keep watch over the demand, recovery and computation of arrears and for execution of follow up action for realisation of composite tax due from other States, the Department was required to maintain the details of all the permits issued from time to time by other States.

Scrutiny of records in the office of the Transport Commissioner, Mumbai revealed that the intimation regarding National Permits issued by other States for operating vehicles in Maharashtra State was neither given by those States nor was it called for by the State Transport Authority (STA). Also, the letters forwarding demand drafts received from other States did not indicate the period of authorisation. In the absence of this basic information, composite tax due from other States could not be determined.

As per Government of Maharashtra Notification dated 30 January 2001, composite tax of Rs 5,000 was recoverable in one installment in advance from National Permit holders of other States operating in Maharashtra.

Test check of records relating to composite tax in the office of the Transport Commissioner revealed that as against composite tax of Rs 39 lakh recoverable, tax of Rs 19.77 lakh was recovered. Composite tax in the form of demand drafts ranging between Rs 1,500 to Rs 3,000 was being accepted by the Department from Punjab State which was in contravention of the Government instruction of 30 January 2001. This resulted in short realisation of tax of Rs 19.23 lakh as detailed in the following table:

**(Amount in lakh of rupees)**

| Year | Cases | Composite Tax | | Short realisation of Composite Tax |
|---|---|---|---|---|
| | | Recoverable | Recovered | |
| 2001-2002 | 221 | 11.05 | 5.90 | 5.15 |
| 2002-2003 | 271 | 13.55 | 6.67 | 6.88 |
| 2003-2004 | 288 | 14.40 | 7.20 | 7.20 |
| **Total** | **780** | **39.00** | **19.77** | **19.23** |

After this was pointed out the Transport Commissioner stated that the matter was under correspondence with STA Punjab without any fruitful result.

### *3.2.10 Non/ short levy of tax*

Test check of records in 25 offices[11] between 1999-2000 and 2003-04 revealed that in respect of 1,809 vehicles, tax was either not recovered or recovered short for periods between March 1999 and June 2004 resulting in underassessment of Rs 2.82 crore. The short/non recovery of tax was mainly due to incorrect application of rate and failure to review the records.

After this was pointed out, the Department recovered between May 2002 and March 2005, Rs 0.27 crore in 254 cases. Report on recovery in the remaining cases has not been received (December 2005).

### *3.2.11 Non submission of monthly returns to State Transport Authority by owners of tourist buses*

The MV Act provides for levy of fine extending to Rs 100 for first offence and upto Rs 300 for second or subsequent offence where no penalty is provided for contravention of the provisions of the Act or Rules.

The power to grant permits to tourist buses which were previously delegated to the RTOs was withdrawn from April 2002. Permits in respect of tourist buses (except tourist taxi cabs) are being issued by STA, Mumbai. Four hundred and eighty five permits were issued and 400 were renewed during the years 2002-03 and 2003-04 by the STA.

The tourist permit granted to a tourist vehicle by the STA, Mumbai, provide for submission of a quarterly return by a permit holder to the STA in the prescribed form giving details of trips made during each month, duration of journey, route of journey, distance travelled, number of passengers, fare charges, starting point and the point of destination etc.

During test check of records it was revealed that neither transport permit holders submitted the return nor was it called for by the Department. In the absence of this return, it could not be ascertained in audit how the department verified the fulfillment of the conditions prescribed. No action was taken to cancel/suspend the permit.

After this was pointed out, the Department stated in June 2005 that no renewal of permit or authorisation will be effected unless the defaulting permit holder paid the compounding fee of Rs 100. Report on recovery has not been received (December 2005).

### *3.2.12 Reduction of fine for overloading resulting in forgoing of revenue*

As per Section 194 of the MV Act, for the offence of overloading of a vehicle, minimum fine of Rs 2,000 and an additional fine of Rs 1,000 per tonne of excess load was leviable w.e.f. November 1994.

Government of Maharashtra notified on 24 June 1996 a minimum fine of Rs 2,000 and additional fine of Rs 500 per tonne as compounding fee for overloading. The rates were reduced to Rs 100 per tonne from Rs 2,000 for overloading upto two tonnes and an additional Rs 150 per tonne for excess

[11] RTOs: Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nanded, Nashik, Pune and Thane.
Dy. RTOs: Ahmednagar, Beed, Jalgaon, Jalna, Kalyan, Latur, Nandurbar, Osmanabad, Pen, Pimpri-Chinchwad, Parbhani, Ratnagiri, Sangli, Satara and Solapur.

thereof vide notification dated 9 August 2001. Reasons for reduction of the compounding fee were neither furnished by Government nor was relevant file made available to audit.

Test check of records in 14 RTOs/Dy. RTOs[12] revealed that reduction in the rates of fine/compounding fee resulted in Government forgoing revenue of Rs 49.85 lakh for the month of March 2004 alone. It was also noticed that there was an increase in the cases of overloading registered in the State as detailed below:

| Year | Whole of Maharashtra[13] |
|---|---|
| 1999-2000 | 7,865 |
| 2000-2001 | 11,749 |
| 2001-2002 | 20,918 |
| 2002-2003 | 76,323 |
| 2003-2004 | 2,29,355 |

Despite Government of India's instructions (March 2003) for strict adherence of the provisions in the MV Act to curb the tendency of overloading, State Government had not revised the rates to bring it at par with those notified in the MV Act.

At the minimum fine of Rs 2,000 and Rs 1,000 per tonne for excess load as per the MV Act, the revenue forgone during the two years 2002-03 and 2003-04 would amount to Rs 85.59 crore in respect of 3,05,678 cases registered in the State.

During the ARC meeting, the Principal Secretary agreed to propose to Government revision of fine to bring it at par with those notified in the MV Act and rates as applicable in other States.

### *3.2.13 Incorrect retention of Government money*

As per Section 4 read with Section 5 of the BMV (Taxation of Passengers), Act, every stage carriage operator is required to file a monthly return in the prescribed form and pay passengers tax and surcharge to the tax officer on or before the prescribed date, failing which the tax officer at his discretion can levy penalty not exceeding 25 *per cent* of the tax due in addition to the tax leviable.

Scrutiny of records in the office of the Transport Commissioner, Mumbai revealed that passengers tax and surcharge of Rs 40.77 crore collected by the fleet owners in the bus fares during various periods upto 31 March 2004 was not credited to Government account as detailed in the following table:

[12] Ahmednagar, Aurangabad, Dhule, Kalyan, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nashik, Parbhani, Pen, Sangli, Satara and Thane.

[13] Source: Motor Transport Statistics of Maharashtra, 2003-04

**(Amount in crore of rupees)**

| Sl. No. | Name of the fleet owner | Period | Amount not remitted | | Total |
|---|---|---|---|---|---|
| | | | Passengers tax | Surcharge | |
| 1. | BEST | 2001-2002 | Nil | 1.66 | 1.66 |
| | | 2002-2003 | Nil | 1.18 | 1.18 |
| | | 2003-2004 | Nil | 0.65 | 0.65 |
| | | **Total** | **Nil** | **3.49** | **3.49** |
| 2. | Kolhapur Municipal Transport | Upto 1996-97 | 0.73 | 0.52 | 1.25 |
| | | 2000-2001 | 0.19 | 0.23 | 0.42 |
| | | 2001-2002 | 0.40 | 0.45 | 0.85 |
| | | 2002-2003 | 0.50 | 0.47 | 0.97 |
| | | 2003-2004 | 0.50 | 0.44 | 0.94 |
| | | **Total** | **2.32** | **2.11** | **4.43** |
| 3. | Pune Municipal Transport | Upto 1998-99 | 2.57 | 2.40 | 4.97 |
| | | 1999-2000 | 2.62 | 1.02 | 3.64 |
| | | 2000-2001 | 3.09 | 2.02 | 5.11 |
| | | 2001-2002 | 3.17 | 2.04 | 5.21 |
| | | 2002-2003 | 3.50 | 2.34 | 5.84 |
| | | 2003-2004 | 3.95 | 2.49 | 6.44 |
| | | **Total** | **18.90** | **12.31** | **31.21** |
| 4. | Pimpri-Chinchwad Municipal Transport | 2001-2002 | Nil | 0.18 | 0.18 |
| | | 2002-2003 | 0.35 | 0.31 | 0.66 |
| | | 2003-2004 | 0.51 | 0.29 | 0.80 |
| | | **Total** | **0.86** | **0.78** | **1.64** |
| | **Grand Total** | | **22.08** | **18.69** | **40.77** |

Despite tax being collected from the passengers and the operators being defaulters, Government has not made any provision for levy of interest in the Act. The need for a provision to levy interest in addition to the discretionary provision for levy of penalty needs to be examined.

Reasons adduced by the municipal authorities to the Department for non remittance of passengers tax were lower collection than anticipated, price hike in diesel, oil, lubricants, unauthorised carriage of passengers in non transport vehicles, etc., leading to financial crunch. The reply is not tenable as the tax was already recovered from the public in the fare and has been unauthorisedly retained by the fleet owners.

During the ARC meeting, the Principal Secretary accepted the audit observation and stated that proposal for levying interest in lieu of discretionary penalty would be proposed for consideration of Government. Report on action taken has not been received (December 2005).

### *3.2.14 Non inspection of transport vehicles*

Under the provisions of the MV Act and the Rules made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter on payment of prescribed fee applicable to the

category of the vehicle. Departmental instructions provide that the number of vehicles due for inspection every month be worked out and notices issued for physical production of the vehicles.

As per information made available by 25 offices, the total number of inspections actually conducted were far less than the number of inspections required to be conducted during the years from 1999-2000 to 2003-04 as shown in Annexure IV.

After this was pointed out, the Department stated that the inspections could not be conducted due to non production of motor vehicles for renewal of fitness as the vehicles were either under repairs or tax was in arrears or were sold or had migrated out of the State/region or were under non use. The Department, however, did not have any record to substantiate the reasons advanced.

The reply of the Department was not tenable as the information relating to non inspection of vehicles was furnished by the Department itself and the number of vehicles under repairs or non use or those migrated was not available with it. In the absence of this vital information, audit was unable to ascertain the efficacy of monitoring inspection of motor vehicles by the Department.

Further, the Department was of the opinion that obtaining fitness certificate was the responsibility of the vehicle owner. There is no provision in the MV Act for issue of notice for renewal of fitness. Government may consider incorporation of appropriate provision in this regard in the Maharashtra Motor Vehicles Rules, 1989.

Non inspection of motor vehicles in the offices had not only resulted in vehicles plying without valid fitness certificate jeopardising public safety but also non recovery of Rs 16.65 crore on account of inspection fees calculated at the minimum rate of Rs 50 per inspection for the period upto 31 March 2001 and Rs 200 thereafter.

During discussion in the ARC meeting Government accepted to propose for a provision in the Act/Rules for issuance of notices to registered owners for production of vehicles for renewal of fitness.

### *3.2.15 Non prescribing of fees for temporary registration.*

The MV Act prohibits plying of any vehicle in a public place without temporary/ permanent registration.

Scrutiny of records in 25 offices[14] revealed that 6,30,280 vehicles were temporarily registered during the years from 1999-2000 to 2003-04 by the registering authorities or motor vehicle manufacturers (being prescribed authority) in the course of dispatch of vehicles to various regions/States. Unlike the Bengal Motor Vehicles Rules, 1989, the Maharashtra Motor Vehicles Rules, 1989 does not prescribe a fee for temporary registration though there is a provision in the MV Act (Section 211) to levy fee for rendering of services. Even at the minimum rate of Rs 100 per vehicle,

[14] RTOs: Amravati, Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nagpur, Nashik, Pune and Thane.
Dy. RTOs: Ahmednagar, Akola, Buldana, Chandrapur, Gadchiroli, Gondia, Kalyan, Parbhani, Pimpri-Chinchwad, Sangli, Satara, Shrirampur, Wardha and Yavatmal.

Government could have collected revenue of Rs 6.30 crore in respect of temporary registrations made during five years in the 25 offices test checked.

During discussion in the ARC meeting, the Principal Secretary to the Government stated that the legislation in other States would be examined and action taken within three months.

### *3.2.16 Non levy of compounding fee at higher rate for second or subsequent offence in respect of emission of excess smoke.*

In terms of Section 190(2) of the MV Act, any person who drives in any public place, a motor vehicle which violates the standard prescribed in relation to road safety in respect of emission of smoke, is punishable for the first offence with a fine of Rs 1,000 and for any second or subsequent offence with a fine of Rs 2,000. However Government of Maharashtra vide notification dated 24 June 1996, fixed the rate of compounding fee of Rs 500 each from registered owner and driver for first and subsequent offence in case of a vehicle challaned for the offence of emitting excess smoke.

Scrutiny of records of prosecution wing in RTO Pune for the period 1999-2000 to 2003-04 revealed that 1,940 vehicles were challaned for second offence, 439 vehicles for third offence and 168 vehicles for fourth and subsequent offences. As higher fine is not provided for subsequent offence in the State, RTO Pune continued to recover the compounding fee at the same rate of Rs 500 each from registered owner and driver. The requisite data in respect of other offices was not made available as data of prosecution wing (excluding RTO Kolhapur) has not been computerised. Thus, apart from the revenue loss of Rs 33.86 lakh in respect of cases of offence registered by RTO, Pune, there was an increase in the number of offences as seen from the following statistical data published by the Transport Commissioner, Maharashtra State, Mumbai[15].

| Year | MVs checked by PUC squad (whole of Maharashtra) | MVs detected by PUC* squad | Percentage of violation |
|---|---|---|---|
| 1999-2000 | 6,04,880 | 70,489 | 11.65 |
| 2000-2001 | 5,72,978 | 98,067 | 17.12 |
| 2001-2002 | 5,87,346 | 1,02,879 | 17.52 |
| 2002-2003 | 6,48,885 | 1,10,953 | 17.10 |
| 2003-2004 | 5,14,017 | 1,01,416 | 19.73 |

*PUC means pollution under control

The Principal Secretary during the ARC meeting accepted to submit a proposal for consideration of Government for levying fees at the rates prescribed in the MV Act.

### *3.2.17 Non compounding and non launching of prosecution under on road enforcement function*

On road enforcement is an important function of the Motor Vehicles Department. The MVT Act prescribes the procedure for compounding of offences. The rate of compounding amount prescribed for each type of

[15] Source: Motor Transport Statistics of Maharashtra, 2003-04

offence is notified by Government from time to time. The Transport Commissioner issued on 26 April 2002, instructions to all field offices for systematisation of enforcement work and quick disposal of the pending checking reports.

In 26 offices, out of 27 offices test checked the number of offences detected and pending during the years from 1999-2000 to 2003-04 varied between 23,369 to 39,414 as detailed in Annexure V.

The total pendency of cases as on 31 March 2004 was 1,50,101. Even at the minimum rate of Rs 100 for compounding of an offence the revenue that could have been realised would amount to Rs 1.50 crore. The Department stated that prosecution could not be launched due to inadequate staff and department's inability to ensure physical presence of the accused in the absence of powers to arrest.

### *3.2.18 Delay in implementation of Government of India orders*

Government of India by notification dated 28 March 2001 enhanced the registration fees, fees for certificate of fitness, fees for driving licence etc. with effect from 1 April 2001. Similarly, the fee for international driving permit was enhanced from 10 October 2003. Transport Commissioner, Maharashtra, however, notified the enhanced rates on 10 April 2001 (effective from 11 April 2001) and 22 October 2003 respectively.

Delay in notifying the enhanced rates by the Transport Commissioner resulted in loss of revenue of Rs 46.49 lakh in 77,128 cases during the period from 1 April 2001 to 10 April 2001 and 10 October 2003 to 21 October 2003 in respect of fees recovered in the 25 offices[16].

After this was pointed out, the Transport Commissioner stated that notification of 28 March 2001 was received on 10 April 2001 and that of 10 September 2003 on 18 October 2003.

### *3.2.19 Irregular grant of certificate of fitness*

Under the provisions of the MV Act and the Central Motor Vehicles Rules, 1989, no vehicle is deemed to be validly registered unless a certificate of fitness is granted by the Motor Vehicles Department. An application of fitness is to be accompanied by a tax clearance certificate from the RTO/Dy. RTO having jurisdiction.

During audit of records in the RTO Pune and RTO Pimpri-Chinchwad, it was noticed that certificates of fitness were issued to the buses owned by Pune Municipal Transport and Pimpri-Chinchwad Municipal Transport, even though passengers tax amounting to Rs 26.25 crore and Rs 1.63 crore respectively for periods between 1999-2000 and 2003-2004 was not paid.

After this was pointed out, the Department stated that stop operation notices were issued, but being a public transport system they could not be stopped

[16] RTOs: Amravati, Aurangabad, Dhule, Kolhapur, Mumbai (C), Mumbai (E), Mumbai (W), Nagpur, Nashik, Pune and Thane.
Dy.RTOs: Ahmednagar, Akola, Buldhana, Chandrapur, Gadchiroli, Gondia, Kalyan, Parbhani, Pimpri-Chinchwad, Sangli, Satara, Shrirampur, Wardha and Yavatmal.

from operation. The reply was not tenable as the rules do not provide for renewal when tax is in arrears.

### *3.2.20 Acknowledgement*

The audit findings as a result of test check of records were reported to Government/ Department in June 2005 with a specific request to attend the meeting of the Audit Review Committee (ARC) for State Revenue Receipts. The meeting of the ARC was held on 31 August 2005 and their view point has been duly incorporated in the review.

### *3.2.21 Conclusion*

The review revealed that the Department had not taken adequate action to recover the dues under the BMV Act, as arrears of land revenue and the fines prescribed by the State Government for overloading and emission of excess smoke were lower than that prescribed in the MV Act. The Department also does not have data of vehicles plying on roads without fitness certificate.

## 3.3 Fraudulent registration of motor vehicles in Transport Offices

Under Motor Vehicles Act, 1988, a motor vehicle registered in any State shall not require to be registered again elsewhere in India except in the case of motor vehicle kept in another State for a period exceeding 12 months and a certificate/mark of registration issued under this Act in respect of such vehicle shall be effective throughout India.

Analysis of computerised database of registration of vehicles maintained online on Transport Office On Line System (TOOLS) at six regional transport offices (RTOs) revealed that out of 15,43,730 registration records, engine and chassis numbers were duplicate in 704 cases as detailed under:

| RTO Code | Name of RTO | Total number of vehicles registered as on date of audit | No. of cases with duplicate engine and chassis number | No. of cases verified from records |
|---|---|---|---|---|
| 31 | Nagpur | 51,993 | 32 | 6 |
| 20 | Aurangabad | 2,06,832 | 10 | 4 |
| 09 | Kolhapur | 2,35,118 | 118 | 24 |
| 12 | Pune | 5,84,608 | 448 | 4 |
| 04 | Thane | 3,94,280 | 62 | 30 |
| 27 | Amravati | 70,899 | 34 | 30 |
| | **Total** | **15,43,730** | **704** | **98** |

Manual verification of related records in respect of 98 cases (*i.e.* 49 vehicles) revealed that vehicles with the same engine and chassis number were

registered twice and assigned two registration marks by RTOs. There were 17 pairs of registration of vehicles with identical owners and 32 pairs with different owners.

Lacunae/discrepancies in vehicle registration system in RTOs existed in the form of absence of input controls and validations. As the system did not restrict acceptance of identical engine/chassis number and subsequent generation of registration marks (numbers), fraudulent registration went unchecked.

In reply, the RTOs assured to verify the matter in detail under intimation to audit.

The matter was brought to the notice of Government; their reply has not been received (December 2005).

## 3.4 Non recovery on account of inspection fees

Under the provisions of the Motor Vehicle Act, 1988 and Rules made thereunder, a transport vehicle shall not be deemed to be validly registered unless it carries a certificate of fitness. A fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and is required to be renewed every year thereafter on payment of the prescribed fee applicable to the category of the vehicle. Departmental instructions provide that the number of vehicles due for inspection be worked out every month and notices issued for physical production of the vehicles.

Analysis of computerised database of fitness of vehicle at five RTOs revealed that the system was not designed to automatically generate notices for production of vehicles for inspection after expiry of certificate of fitness. 61,436 transport vehicles were not inspected by the RTOs for grant or renewal of fitness certificate as detailed below:

**(Amount in lakh of rupees)**

| Sl. No. | Name of RTO office | Office code | No. of transport vehicles not inspected | No. of occasions of non renewal of fitness | Inspection fees not recovered |
|---|---|---|---|---|---|
| 1. | Nagpur | 31 | 4,696 | 11,000 | 5.50 |
| 2. | Aurangabad | 20 | 4,864 | 9,731 | 4.87 |
| 3. | Kolhapur | 09 | 8,594 | 26,111 | 13.06 |
| 4. | Pune | 12 | 8,486 | 51,281 | 25.64 |
| 5. | Thane | 04 | 34,796 | 91,660 | 45.83 |
| **Total** | | | **61,436** | **1,89,783** | **94.90** |

Non inspection of motor vehicles by RTOs not only resulted in the vehicles plying without valid fitness certificates but also loss of revenue of Rs 94.90

lakh on account of inspection fees calculated at the lowest rate of Rs 50 per inspection per vehicle.

After this was pointed out, the Department stated that the matter would be examined in detail and result intimated to audit.

The matter was brought to the notice of Government; their reply has not been received (December 2005).

## SECTION B
## STAMP DUTY AND REGISTRATION FEES

### 3.5 Short levy of stamp duty on mortgage deed

As per the Bombay Stamp Act, 1958 (ACT), stamp duty on mortgage deed, where possession of the property is not given by the mortgagor, is levied at the rate of one *per cent* of amount secured subject to a minimum of Rs 100 and maximum of Rs 10 lakh.

**3.5.1** In sub registry-III Nagpur, a document was executed in August 2002 for securing a loan of Rs 7 crore. Since the document was a mortgage deed, stamp duty of Rs 7 lakh was to be levied as against which only Rs 1.74 lakh was levied. This resulted in short levy of stamp duty of Rs 5.26 lakh.

After this was pointed out in April 2003, the Inspector General of Registration (IGR), Pune accepted the audit observation in May 2004. Report on recovery has not been received (December 2005).

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

**3.5.2** In sub registry Nandurbar, a document was registered in November 2002 as deed of modification and transfer of second further charge for securing an additional loan of Rs 14.05 crore. Since the document was a mortgage deed, stamp duty of Rs 10 lakh by considering entire amount of loan including further charge was required to be levied. However only Rs 2.27 lakh was levied against stamp duty of Rs 10 lakh. This resulted in short levy of stamp duty of Rs 7.73 lakh.

After this was pointed out in June 2003, the IGR, Pune accepted the audit observation and directed the authorities concerned to effect the recovery in August 2004. Report on recovery has not been received (December 2005).

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

### 3.6 Short levy of stamp duty due to under valuation of property

As per the Act, stamp duty and registration fee on conveyance deed is leviable on the true market value of the property at the rates applicable to the area in which the property is situated. These rates are prescribed in the ready

reckoner. It is an annual statement of rates of property prescribed by Government.

In sub registry–II, Amravati and Andheri (at Bandra), Mumbai 12 instruments of conveyance deed were registered between 2000 and 2002 and stamp duty and registration fee of Rs 13.75 lakh was charged on the consideration of Rs 1.42 crore set forth in the instruments instead of Rs 25.16 lakh leviable on the true market value of Rs 2.60 crore determined with reference to the rates prescribed in the ready reckoner. This resulted in short levy of stamp duty and registration fee of Rs 11.41 lakh.

After this was pointed out between February 2002 and July 2003 the Department accepted the short levy and stated in October 2004 that Rs 0.03 lakh had been recovered. Report on recovery of the balance amount has not been received (December 2005).

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

## 3.7 Short realisation of stamp duty on lease deed

As per the Act, stamp duty on lease deed for the lease period exceeding 29 years is levied at the rate[17] prescribed in the Schedule I to the Act.

In sub registry Borivali-I, Mumbai, a lease deed was executed in October 2002 for a period of 30 years for a consideration of Rs 1.91 crore. Stamp duty of Rs 19.06 lakh was to be levied, against which only Rs 1.91 lakh was levied. This resulted in short levy of stamp duty of Rs 17.15 lakh.

After this was pointed out in May 2003, the IGR, Pune accepted the audit observation in October 2004 and stated that the concerned authority had been directed to recover the amount short levied. Report on recovery has not been received (December 2005).

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

## 3.8 Short levy of stamp duty due to incorrect determination of market value

As per the Act, stamp duty and registration fee on conveyance deed is leviable on the true market value of the property at the rates applicable to the area in which the property is situated. Further, Section 32-A of the Act specifies that if the registering officer while registering any instrument, had reason to believe that the market value of the property had not been truly set forth, he may, before registering such instrument, refer it to the Collector for determination of the true market value of the property. Provided further, that, whenever a certificate about market value of property has been issued under the provisions of the Income Tax Act, then value stated in such certificate

[17] 10 *per cent* on 10 times of the amount of average annual rent and premium as per Article 36(a)(iv),(c) and 25 of the Act.

shall be the true value of the property. However, this provision to charge stamp duty based on value certified under the Income Tax Act was withdrawn in December 2001.

In sub-registry–II (City), Mumbai in respect of an instrument of conveyance deed registered in June 2002, stamp duty and registration fee of Rs 0.70 crore was charged on the consideration of Rs 7.01 crore as certified by the income tax authority. Since the provision to charge stamp duty on the value certified by the income tax authority was withdrawn in December 2001, stamp duty of Rs 1.25 crore was leviable on the true market value of the property of Rs 12.51 crore calculated as per the ready reckoner. Thus, undervaluation of the property resulted in short levy of stamp duty of Rs 0.55 crore.

After this was pointed out in July 2003, the IGR accepted the audit observation and instructed the Deputy IGR to take action under the Act. Further reply has not been received (December 2005).

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

## 3.9 Incorrect determination of stamp duty on lease deed

Under the Act, the stamp duty on lease deed depending on the lease period is to be levied based on the total consideration which includes lease rent, advance, premium and other charges paid by the lessee; such as Government revenue, cesses, municipal rates or taxes, which are by law recoverable from the lessor.

In sub-registry-I Andheri (at Bandra), Mumbai, a lease deed was executed in January 2003 for a period of 80 years for a premium of Rs 112.34 crore. While arriving at the total consideration, ground rent payable by the lessee was omitted. Thus, stamp duty of Rs 14.37 crore was leviable on total consideration of Rs 143.73 crore including ground rent. Instead, only Rs 12.03 crore was levied on consideration of Rs 120.30 crore. This resulted in short levy of stamp duty of Rs 2.34 crore.

After this was pointed out in December 2004, the IGR Pune accepted in April 2005 the audit contention and instructed the sub-registrar to take necessary action. Report on recovery has not been received (December 2005).

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

# CHAPTER IV : LAND REVENUE

## 4.1 Results of audit

Test check of records of land revenue conducted during the year 2004-05 revealed underassessment, short levy, loss of revenue *etc.*, amounting to Rs 241.13 crore in 332 cases which broadly fall under the following categories:

| Sl. No. | Category | No. of cases | Amount (in crore of rupees) |
|---|---|---|---|
| 1. | Non /short /incorrect levy of NAA, ZP/VP cess, conversion tax and royalty | 221 | 27.86 |
| 2. | Non/short /incorrect levy of increase of land revenue | 22 | 4.56 |
| 3. | Non/short levy of occupancy price *etc.* | 62 | 5.61 |
| 4. | Short levy of measurement fees, sanad fees *etc.* | 26 | 0.84 |
| 5. | Review on **"Allotment and utilisation of Government land"** | 1 | 202.26 |
| | **Total** | **332** | **241.13** |

During the course of the year 2004-05, the Department accepted underassessments, short levy etc., of Rs 3.52 crore in 299 cases which had been pointed out in earlier years and recovered the same.

A few illustrative cases involving financial effect of Rs 0.18 crore and a review, **"Allotment and utilisation of Government land"** involving financial effect of Rs 202.26 crore are given in the following paragraphs:

## 4.2 Short levy of land revenue

Under the Maharashtra Land Revenue Code, 1966, land revenue is assessed with reference to the use of land. Non agricultural assessment (NAA) remains in force during the guarantee period mentioned in the assessment order. After the expiry of guarantee period, the assessment is to be revised in accordance with new rates notified in the official gazette, subject to the condition that the rates do not exceed two/six times the old NAA for residential and other non-agricultural purposes respectively. The rates of NAA were revised in September 2001 by the Government with retrospective effect from 1 August 2001.

Scrutiny of records in July 2004 in Basmath tahsil revealed that in 37 cases land admeasuring 4,61,414 sq. mtrs. was being used for non agricultural purpose. The tahsildar continued recovery at pre-revised rates which resulted in short levy of NAA amounting to Rs 9.47 lakh for the period from 1 August 2001 to 31 July 2004.

After this was pointed out in July 2004, the Department accepted the short levy in December 2004. However, action taken to recover the amount has not been received (December 2005).

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

## 4.3 Non levy of non agricultural assessment and increase of land revenue.

As per the Maharashtra Land Revenue Code, 1966 read with GR dated 19 December 1988, NAA at prescribed rates shall be leviable from the date of the use of land for that purpose or from the date after six months of the date of acquisition which ever is earlier in respect of land allotted to corporations or bodies for non agricultural purposes. Further, increase of land revenue (ILR) under the Maharashtra ILR and Special Assessment Act, 1974 is also payable at 100 *per cent* of land revenue in case land holding is 12 hectares or more.

In Ausa tahsil (district Latur), it was noticed that Maharashtra State Electricity Board held land admeasuring 31,258 sq. mtrs. for non agricultural purpose. The tahsildar had neither assessed nor levied NAA and ILR. This resulted in non levy/recovery of NAA and ILR amounting to Rs 9.02 lakh for the period from 1 August 2002 to 31 July 2004.

After this was pointed out in November 2004, the Department accepted the omission. Details of recovery have not been received (December 2005).

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

## 4.4 Review on "Allotment and utilisation of Government land"

### *4.4.1 Highlights*

Incorrect grant of land at concessional rates resulted in loss of revenue in the form of lease rent/occupancy price of Rs 53.18 crore in three cases.

*(Paragraph 4.4.8)*

Land admeasuring 39,912.96 sq. mtrs. having market value of Rs 7.69 crore in nine cases was not used for the purpose for which it was granted.

*(Paragraph 4.4.9)*

Sale/transfer of Government land admeasuring 78,89,508.39 sq. mtrs without obtaining the permission of Government resulted in non/short levy of unearned income of Rs 133.16 crore.

*(Paragraph 4.4.10)*

Penal occupancy price of Rs 1.22 crore was not/short levied in respect of land admeasuring 2,621 sq. mtrs. in two collectorates.

*(Paragraph 4.4.11)*

In two collectorates transfer/licence fee for permitting sale/transfer/sub letting premises built on Government land amounting to Rs 37 lakh was not levied in four cases.

*(Paragraph 4.4.13)*

In Mumbai, a landholder did not surrender 10 *per cent* of the tenements built on the land granted under ULC Act resulting in unintended benefit of Rs 13.69 crore.

*(Paragraph 4.4.14)*

### *4.4.2 Recommendations*

Government may consider the following steps to improve the effectiveness of the system in vogue for allotment of lands,

- adopt ready reckoner for valuation of land,
- introduce a mechanism to track changes in the allottees,
- ensure that registers regarding allotment of Government lands are maintained in prescribed formats and
- introduce a Control Register for each collectorate to ensure recovery of Government dues promptly.

### *4.4.3 Introductory*

Under the Maharashtra Land Revenue Code (MLR Code), 1966, Government is entitled to allot any land vested in it on such terms and conditions, as it deems fit. The allotment of land includes revenue free allotment, allotment on payment of occupancy price also called market value, allotment on lease hold

rights and allotment of land acquired by Government under Land Acquisition Act, 1894. Besides, under Section 23 of the Urban Land (Ceiling and Regulation) Act, 1976 (ULC Act), State Government can allot land acquired by it under Section 10 of the ULC Act.

### *4.4.4 Organisational set up*

The monitoring and control of allotment of Government land at Government level is done by Principal Secretary, Revenue & Forests Department, Government of Maharashtra, Mumbai. The superintendence of the allotment of land is vested with 35 collectors in the State. They are assisted by sub divisional officers and tahsildars in their respective districts. However, in respect of nine[1] Urban Agglomerates (U As) declared by the Government of India under ULC Act, 1976, the Additional/Deputy Collector and competent authority (Urban Land Ceiling) under the Urban Development Department perform the function of allotment of land.

### *4.4.5 Audit objectives*

Test check of the records of allotment of land by Government was conducted with a view to ascertain:

- whether revenue from allotment of land is collected in accordance with the applicable rules and codal provisions,
- whether in cases where allotment of land was made at concessional/ nominal rate, the allottees continue to deserve such concession/ nominal rate,
- the effectiveness of the administrative machinery to ensure compliance of rules.

### *4.4.6 Audit methodology*

In 15[2] out of 35 districts of the State, 338 allotment orders collected from Mantralaya out of 969 issued during the period from 1999-2000 to 2003-04 were selected for detailed scrutiny at the collectorates between November 2004 and April 2005.

### *4.4.7 Trend of revenue*

As per the Maharashtra Budget Manual, budget estimates should be prepared as close an approximation to the actuals as possible, in consultation with the Accountant General wherever necessary, based on existing rates of occupancy price, lease rent etc., and receipts of previous years after considering any extra revenue that may be realised in the ensuing year. The budget estimates and revenue realised by the Department during the years 1999-2000 to 2003-04 were as under:

[1] Greater Bombay, Kolhapur, Nagpur, Nashik, Pune, Sangli, Solapur, Thane and Ulhasnagar

[2] Amravati, Aurangabad, Chandrapur, Gondia, Jalgaon, Kolhapur, Mumbai (City and Suburban), Nagpur, Nashik, Pune, Raigad, Sangli, Solapur and Thane.

**(Amount in crore of rupees)**

| Year | Budget Estimates | Actuals | Variations (+) Excess (-) Shortfall |
|---|---|---|---|
| 1999-2000 | 145.00 | 177.87 | (+) 32.87 |
| 2000-2001 | 92.00 | 214.72 | (+) 122.72 |
| 2001-2002 | 92.00 | 260.46 | (+) 168.46 |
| 2002-2003 | 313.02 | 386.41 | (+) 73.39 |
| 2003-2004 | 338.06 | 360.49 | (+) 22.43 |

It would be seen from the above that, there were wide variations between the budget estimates and the actual realisation. This indicates that the budget estimates were not prepared on realistic basis. After this was pointed out, Government stated in May 2005 that the estimates are prepared based on actual receipts of previous years. The reply was not tenable, as the budget estimates framed were less than the actuals of previous years, except for the year 2002-03.

### *4.4.8 Incorrect grant of land at concessional rates*

As per Government instructions of February 1983 and May 1984, land may be granted within municipal corporation limits for playground of private educational institutions and for school/college buildings at 10 *per cent* and 25 *per cent* respectively of the market value of 1 February 1976. Further, the MLR (Disposal of Government land) Rules, 1971 allows grant of land free of occupancy price/revenue for sites for the construction of schools/colleges, hospitals, dispensaries, other public works from which no benefit is expected, for playgrounds, educational institutions and gymnasiums recognised by the Government.

In three collectorates[3], it was noticed that land admeasuring 2,39,763.21 sq. mtrs., in three cases was incorrectly granted between March 2000 and August 2003 at concessional rates for gymkhana for present and past MLAs/MPs/IAS officers, golf course, hostels and playgrounds for other than educational institutions. This resulted in loss of revenue of Rs 53.18 crore in the form of lease rent/occupancy price as detailed below:

[3] Mumbai (City), Pune and Nagpur.

| Sl No | Name of Allottee/ Collectorate Month of order | Area in Sqm | Purpose for which concessional rate is entitled | Purpose for which concessional rates are extended | Lease Rent / Occupancy price(In crore of rupees) | | |
|---|---|---|---|---|---|---|---|
| | | | | | Leviable | Levied | Balance |
| 1 | Legislature Gymkhana, Mumbai city December 2002 | 18,685.00 | Private institutions, Charitable Public Trusts & Z.P's for construction of schools, colleges, hospitals and other public works from which no profit is expected and playgrounds for educational institutions and gymnasium | Gymkhana for present and past MLAs, MPs and IAS officers | 39.23 | Nil | 39.23 |
| 2 | M/s Poona Club Limited , Pune March 2000 | 1,70,878.21 | Playground for educational institutions | Golf course | 13.98 | 0.23 | 13.75 |
| 3 | M/s Ogawa Society, Nagpur August 2003 | 50,200.00 | Playground for educational institutions | Hostels and playground for other than educational institutions | 0.20 | Nominal rate of Re1 | 0.20 |
| | **Total** | **2,39,763.21** | | | **53.41** | **0.23** | **53.18** |

Government stated in August 2005 that the case of Ogawa society would be reconsidered for necessary action and in the remaining cases, appropriate action would be taken after verification of facts.

### *4.4.9 Breach of conditions of allotment of land*

Under the provisions of MLR (Disposal of Government Lands) Rules, 1971 allotted land shall be liable to be resumed by Government, if it is not used for the purpose for which it is granted by such date as the Collector may fix in this regard.

In Raigad collectorate, it was observed that land admeasuring 19,200 sq. mtrs. was allotted in December 1999 for bus depot. But, the land was not used at all requiring the resumption of land by Government. Further, land admeasuring 19,712.96 sq.mtrs. granted by Nagpur Improvement Trust (NIT)[4] for educational activities, hostels, samaj bhavan, office buildings, housing for devotees and dharamashala at 25 *per cent* of the market value were used for commercial purposes for which full market value is recoverable. Thus for breach of conditions, Government land valued at Rs 7.69 crore as detailed below was required to be resumed by Government.

[4] The first audit of NIT was conducted during the period from 1.10.2003 to 26.2.2004.

| Sl. No | Name of allottee / collectorate | Area in Sqm | Allotment Month/Year/ Purpose/period of development | Lease Rent/ Occupancy Price | Present position | Market Value of the Plot (in crore of rupees) |
|---|---|---|---|---|---|---|
| 1 | M/s MSRTC Khandad Mangaon, Raigad | 19,200.00 | December 1999 Bus depot to be developed within three years | Nominal rate of Re.1/- | Not yet developed | 1.25 |
| 2 | Amar Seva Mandal, Nandanvan, Nagpur | 2,138.85 | 1994, Educational activities | Rs 0.03 crore | Marriage/ reception hall | 0.09 |
| 3 | Sheshrao Wankhede's 56th Birthday foundation, Nagpur | 2,931.23 | 1983, Hostel and cultural hall | Rs 0.02 crore | Exhibition & marriage hall | 0.08 |
| 4 | Mahatma Phule Edn. Institute, Nagpur | 3,250.30 | 1962, Hostel for students | Rs.5,719 | Marriage hall | 1.14 |
| 5 | Maratha Vidya Prasarak Mandal, Nagpur | 2,914.40 | 1965, Educational activities | Rs.5,760 | Shops & marriage hall | 1.02 |
| 6 | Jain Kalar Society, Nagpur | 4,058.62 | 1960, Hostel | Rs.5,000 | Marriage hall | 1.42 |
| 7 | Shahu Samaj, Nagpur | 1,114.96 | 1982, Samaj Bhavan | Rs.18,000 | Marriage hall | 0.39 |
| 8 | Mathadi Hamal Tr. Workers, Nagpur | 1,375.60 | 1978, Office building | Rs.22,210 | Marriage hall | 0.96 |
| 9 | Parampujya Parmatma Ek Sewak Mandal, Nagpur | 1,929.00 | 1984, Housing for devotees | Rs 0.01 crore | Marriage hall | 1.34 |
| **Total (Sl.No.2 to 9)** | | **19,712.96** | | | | **6.44** |
| **Grand Total** | | **39,912.96** | | | | **7.69** |

Government stated in August 2005 that appropriate action would be taken after verifying the facts and in case of NIT the facts would be verified by referring the matter to Divisional Commissioner, Nagpur.

### *4.4.10 Non/short levy of unearned income*

Under the provisions of MLR (Disposal of Government Lands) Rules, 1971, allotted land shall not be disposed of by the grantee without obtaining permission of the Government. As per GR of November 1957, the Collectors may grant permission for sale of such land on payment of a sum equal to 50 *per cent* of the unearned income *i.e.,* difference between the sale price approved by the Collector and the original price paid to Government including the value of improvements made in the plot by the grantee. In case of sale without permission of Government, the grantees were required to pay 62.5 *per cent* to 75 *per cent* of the unearned income. Further, these provisions are also



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applicable to transfer of ownership of a Government company having more than 51 *per cent* holdings by Government to a private company as defined in Rule 81-H of the Maharashtra Land Acquisition Manual.

In four Collectorates[5], it was noticed that six allottees sold/transferred between 1999 and 2004, Government lands admeasuring 78,89,508.39 sq. mtrs. held by them without obtaining Government permission and were required to pay 75 *per cent* of the unearned income to Government. But, the allottees have not paid unearned income of Rs 133.16 crore to Government till date as detailed below.

| Sl No | Name of Allottee / Collectorate | Area in Sqm. | Name of the new allottee | Date of transfer/ Date of demand | Whether Govt. permission obtained | Whether unearned income(U.I) demanded | If so, whether paid | Balance if any (amt. in crore) | If not demanded amt. of U.I (amt. in crore) |
|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
| 1 | M/s Modern Food Inds (a Govt.Co) Mumbai Sub-urban | 22,264 | M/s Modern Food Inds.(Not a Govt.Co.) | April 2000 | No | No | -- | -- | 21.06 (75%) |
| 2 | M/s Hotel Centaur, Juhu (a Govt.Co) Mumbai Sub-urban | 1,810.02 | M/s Tulip Hospitality (not a Govt. Co.) | March 2002 | No | No | No | | 2.14 (75%) |
| 3 | M/s Prasanna Metallics Thane | 12,137.37 | M/s Sangeshwar ngr CHS & M/s Sukrim Synthetics | Feb 2002 | No | Yes / 50% (as against 75% i.e., Rs. 0.37 crore) | Partly paid (levied Rs. 0.12 crore) | 0.25 (since 75% of U.I is payable ) | -- |
| 4 | M/s Kalyani Steels Pune | 1,00,000 | M/s Kalyani Carpenters S. S. Limited | Sept 1999 | No | No | -- | -- | 16.09 (75%) |
| 5 | M/s. S.M. Dyechem Pune | 3,02,100 | Class II to Cl – I occupant | Feb. 1999 | -- | No / (U.I of 65% is to be demanded) | No | 0.85 | -- |
| 6 | M/s IPCL (a Govt.Co) Raigad | 74,51,197 | M/s IPCL (not a Govt. Co.) | Feb. 2004 | No | No | -- | -- | 92.77 (75%) |
| **Total** | | **78,89,508.39** | | | | | | **Total amount (Col. 9 *plus* 10)** | **133.16** |

Government in two cases (Sl. No.1 and 6), stated in August 2005 that in view of the specific provisions of section 81-H of Land Acquisition Manual, a

[5] Mumbai (Suburban), Pune, Raigad and Thane.

specific reference seeking legal opinion in these cases would be made and in the case at Sl. No. 5 the matter had been submitted to Government for orders. In the remaining cases appropriate action would be taken after verification of facts.

### *4.4.11 Non/short levy of penal occupancy price*

Under the provisions of MLR Code the Government/Collector is empowered to dispose of the lands owned by/ vested in Government subject to payment of occupancy price by the allottee as a consideration for the grant of right to occupy and use the land. Payments of occupancy price have to be made on handing over possession or as instructed in the allotment order.

In Nashik and Thane districts, it was observed that in two cases encroached land admeasuring 2,621 sq. mtrs was allotted in July 2001 and June 2003 to two allottees. However penal occupancy price was either not levied or was levied short due to incorrect application of market rate. This resulted in non/ short realisation of revenue of Rs 1.22 crore.

| Sl. No. | Name of Allottee / Collectorate | Area in Sqm | Date of allotment order | Penal occupancy price (In crore of rupees) | | |
|---|---|---|---|---|---|---|
| | | | | Leviable | Levied | Balance |
| 1 | Boudh Dharma Chakra Parivarthan Samiti. Thane | 960 | June 2003 | 1.20 | 0.008 | 1.20 |
| 2 | M/s Shri Bhramanand Swami Shikshan Prasarak Mandal Nashik | 1,661 | July 2001 | 0.03 | 0.01 | 0.02 |
| **Total** | | **2,621** | | | | **1.22** |

Government stated in August 2005 in one case that the matter would be submitted to the cabinet for necessary action and in the other case appropriate action would be taken after verification of facts.

### *4.4.12 Non levy of lease rent*

Under the provisions of the MLR Code and the Rules framed thereunder, Government land can be leased out to any person for such period and purpose and on such conditions as may be determined in this regard. The grantee of such land shall be called Government lessee and shall pay lease rent for the lease period as per the terms and conditions of the lease.

In three collectorates[6] it was observed that the lease rent of Rs 0.64 crore was not levied in four cases of Government land leased out between October 1999 and July 2002.

Government, stated in August 2005 that in three cases appropriate action would be taken after verification of facts and in the remaining case the matter was under consideration for recovery.

[6] Nagpur, Nashik and Raigad

### *4.4.13 Non levy of transfer/licence fee*

As per Government circular dated 23 November 2001, effective retrospectively from 9 July 1999, rates of transfer fee for granting permission to sell/transfer premises or part of the premises built on Government land has been prescribed. Further, while granting permission to sub lease the premises on rental basis for commercial purpose, license fee at 12.5 *per cent* of the transfer fee is chargeable.

In four cases of Nashik and Pune collectorates, it was noticed that premises admeasuring 27,809.22 sq. ft. were sold/ transferred/ subleased/rented, but transfer/ license fee was not levied resulting in non realisation of revenue of Rs 37 lakh.

Government stated in August 2005 that appropriate action would be taken after verification of facts.

### *4.4.14 Incorrect corrigendum resulting in unintended benefit to the developer*

As per GR of August 1986, land declared surplus under the ULC Act is exempted from acquisition, if the landholder constructs houses for economically weaker sections of society. Further, the GR of October 1992 requires the landholder to surrender 10 *per cent* of the tenements so constructed for allotment to Government nominees, subject to the final decision of the appeal of the Government pending with the Hon'ble Supreme Court.

In Greater Bombay, UA it was noticed that the development of the project in respect of land exempted under the ULC Act, 1976 handed over in October 1989 to the landholder for construction of tenement for economically weaker sections of society was completed in April 2004 and the total built-up area of the project was 2,60,255.45 sq. mtrs. But, 10 *per cent* of the tenements so constructed were not surrendered to the Government due to deletion of this condition by issue of a corrigendum in September 1996 based on the Cabinet sub committee decision of March 1996. Scrutiny, however, revealed that there was no such decision taken by the sub committee. This resulted in unintended benefit of Rs 13.69 crore to the landholder being the difference between the market rate and Government rate in respect of 10 *per cent* tenements.

The Government (Principal Secretary, Revenue) stated in August 2005 that the matter relates to Urban Development Department and will be referred to that Department for appropriate action.

### *4.4.15 Acknowledgement*

Audit findings as a result of test check of records of the department were reported in May 2005 to Government with a specific request for attending meeting of Audit Review Committee. The meeting was held on 24 August 2005. The Principal Secretary, Revenue & Forests Department headed the Government side. The view point of Government has been taken into account and replies incorporated in the relevant paragraphs.

### *4.4.16 Conclusion*

Audit findings show that there is no internal control mechanism to monitor allotment of land. Consequently, in a few cases land was granted at concessional rates to ineligible allottees and could not be utilised for intended purposes. Besides, absence of a proper mechanism to track changes in the allottees resulted in non levy of unearned income.

# CHAPTER V : OTHER TAX RECEIPTS

## 5.1 Results of audit

Test check of records of departmental offices conducted during 2004-05 revealed short realisation or loss of revenue amounting to Rs 566.51 crore in 6,394 cases as detailed below:

| Sl. No. | Nature of receipt | No. of cases | Amount (in crore of rupees) |
|---|---|---|---|
| 1. | State Excise | 649 | 1.95 |
| 2. | Entertainments Duty | 1,132 | 1.29 |
| 3. | State education cess and employment guarantee cess | 392 | 29.77 |
| 4. | Tax on buildings (with larger residential premises) | 651 | 3.81 |
| 5. | Repairs and reconstruction cess | 50 | 0.44 |
| 6. | Profession tax | 3,303 | 0.78 |
| 7. | Electricity duty | 217 | 528.47 |
| | **Total** | **6,394** | **566.51** |

During the course of the year 2004-05, the departments concerned accepted and recovered underassessment *etc.*, in 3,291 cases involving Rs 12.68 crore, of which 475 cases involving Rs 7.80 crore related to 2004-05 and the rest to earlier years.

A few illustrative cases involving Rs 105.20 crore highlighting important observations are given in the following paragraphs:

# SECTION A
# STATE EXCISE

## 5.2 Short recovery of licence fees in respect of FL III licences

Under the provisions of the Bombay Foreign Liquor Rules, 1953, the Commissioner of State Excise notified in January 2002 the revised rates of fees for grant/renewal of licence in Form FL III for sale of imported foreign liquor (potable) and Indian made foreign liquor (potable) at hotels for the year 2002-03. Government pending final decision on implementation of the revised rates, directed in September 2002 recovery of licence fee at 110 *per cent* of the rates for 2001-02 for renewal of licences for the year 2002-03. The revised rates were applicable for renewal of licences for the year 2003-04 as well, for which licensees were required to pay 25 *per cent* of the revised rates pending final decision. The Commissioner of State Excise notified on 30 May 2003, as per directives of Government on 29 May 2003, that the differential licence fees as per revised rates for the year 2002-03 and 2003-04 be paid before 1 July 2003. For default in payment of differential dues, interest was leviable as per rules.

During test check of records in five offices[1], it was noticed that in respect of 234 FL III licence holders, Rs 3.72 crore was recoverable against which only Rs 2.67 crore was recovered in respect of licences renewed for the years 2002-03 and 2003-04. This resulted in short recovery of Rs 1.05 crore. The short recovery was due to failure to review the licence register maintained in the State Excise Department.

After this was pointed out between July 2003 and February 2004, the Department recovered Rs 47.95 lakh alongwith interest of Rs 5.77 lakh in 172 cases between July 2003 and December 2004. Report on recovery of the balance amount has not been received (December 2005).

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

# SECTION B
# ENTERTAINMENTS DUTY

## 5.3 Non/short recovery of entertainments duty from cable operators

Under the Bombay Entertainments Duty (ED Act) Act, 1923 with effect from 1 May 1998, entertainments duty (ED) is payable by cable operators at the flat rate of Rs 15 or Rs 10 or Rs 5 (increased to Rs 30 or Rs 20 or Rs 10 with effect from 1 April 2000) per television set per month depending on whether the area is a municipal corporation, A and B class municipality or other area.

[1] Superintendent of State Excise: Jalgaon, Kolhapur, Mumbai, Parbhani and Solapur.

Test check of records in 26 offices[2] in 10 districts[3] revealed that in respect of 342 cable operators, ED amounting to Rs 49.25 lakh was neither paid by the operators nor any demands were raised for various periods between April 1999 and March 2003. Further, in respect of 61 cable operators, ED of Rs 14.20 lakh was recovered short for the periods between April 2001 and March 2004. The underassessment was due to failure to review the register containing data of connections serviced by each cable operator, ED recoverable and payments made thereagainst.

After this was pointed out between June 2001 and August 2004, the Resident Dy. Collectors/tahsildars recovered between July 2001 and July 2005, ED of Rs 27.17 lakh from 228 cable operators. Report on recovery of the balance amount has not been received (December 2005).

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

## 5.4 Non recovery of entertainments duty from proprietors of dance bars

Under the provisions of the ED Act, ED is payable in advance by the tenth day of every calendar month by the proprietor of every dance bar in respect of every dance performance at the rate of Rs 10,000 per month within the limits of municipal corporation of Brihan Mumbai and Rs 5,000 per month outside the limits of municipal corporation of Brihan Mumbai. A register is being maintained in each office to note the ED recoverable from the proprietors of dance bars and payment made thereagainst.

Test check of records in three offices[4] revealed that in respect of 24 dance bars, ED amounting to Rs 11.40 lakh was neither paid by the proprietors nor demanded by the entertainments duty branch in the tahsils for various periods between April 2001 and March 2003.

After this was pointed out, the tahsildars recovered ED of Rs 5.02 lakh from the proprietors of 15 dance bars between September 2002 and March 2005. Report on recovery of the balance amount has not been received (December 2005).

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

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[2] Tahsildar: Ambernath, Andheri Zone I, II, III & IV, Borivali Zone VII, Kalyan, Kurla Zone VIII & IX
Dy. Collector: Mumbai Zone III & VII
Resident Dy. Collector: Ahmednagar, Akola, Gadchiroli, Jalna, Nashik, Pune Zone A, B, DI/II, F, F1, G, H, J, K, Yavatmal

[3] Ahmednagar, Akola, Gadchiroli, Jalna, Mumbai City and Suburb, Nashik, Pune, Thane and Yavatmal.

[4] Tahsildar Kurla Zone VIII, X and Tahsildar Ulhasnagar

## SECTION C
## STATE EDUCATION CESS AND EMPLOYMENT GUARANTEE CESS

### 5.5 Short/non remittance of cess

Under the provisions of the Maharashtra Education and Employment Guarantee (Cess) Act, 1962 and the Rules made thereunder, cess and penalty recovered by the municipal corporations (MCs) are required to be credited to Government account before the expiry of the following week. If any MC defaults in the payment to the State Government of any sum under the Act, the State Government may after holding such enquiry, fix a period for the payment of such sum. The Act also empowers Government to direct the bank/treasury in which the earnings of the MC are deposited, to pay such sum from such bank account to the State Government. Any such payment made in pursuance of the orders of Government shall be sufficient to discharge such bank/treasury from all liabilities to the MC.

It was noticed that three MCs[5], collected but did not remit revenue amounting to Rs 27.76 crore relating to State education cess (SEC) of Rs 10.31 crore and employment guarantee cess (EGC) of Rs 17.45 crore, during 2002-03 and 2003-04. The State Government had not directed the banks to pay the sums due from the MCs to them. There exists no internal control at apex level in Revenue and Forests Department as there is no provision in the Act/Rules for furnishing of details of cess collected and remitted to Government account.

After this was pointed out between July 2004 and December 2004, the Pune MC credited Rs 2.17 crore relating to the year 2002-03 in January 2005 and Rs 5 crore relating to the year 2003-04 in February 2005 to Government account. The Nagpur MC stated that it had requested the Government for adjustment of dues against the grant payable to it. The Brihan Mumbai MC stated in December 2004 that orders for adjustment of the amount against the grant due to it were awaited. Further report has not been received (December 2005)

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

## SECTION D
## TAX ON BUILDINGS (with larger residential premises)

### 5.6 Non levy of tax

Under the provisions of the Maharashtra Tax on Buildings (with larger residential premises) (Re-enacted) Act, 1979 (MTOB Act), tax is leviable (with effect from 1 April 1974) on all buildings in Brihan Mumbai MC area

[5] Brihan Mumbai (three units Mumbai city, Eastern Suburb (Chembur) and Western Suburb (Bandra)), Nagpur and Pune Municipal Corporations

containing residential premises with floor area exceeding 125 square metres and whose rateable value exceeds Rs 1500. In other corporation areas, tax is leviable in respect of residential premises with floor area exceeding 150 square metres and whose rateable value exceeds Rs 1500. The rate of tax is 10 *per cent* of the rateable value of the residential premises and tax is collected in the same manner in which property tax is collected by the MCs. The MC is required to furnish within three months from the date of expiry of every year to the State Government a return showing the aggregate amount of tax assessed by the assessing authority in respect of that year and the aggregate amount of tax and penalty collected in that year.

It was noticed from assessment records in C ward of Brihan Mumbai MC and in Sangli-Miraj-Kupwad MC that tax amounting to Rs 33.57 lakh in respect of 1,007 properties for the years between 1999-2000 and 2003-04 was not levied and demanded resulting in non-recovery of tax. This indicated absence of monitoring at Mantralaya level.

After this was pointed out between January 2002 and May 2004, the Brihan Mumbai MC raised demand in June 2002 for the year 2000-01 and recovered Rs 0.53 lakh in 52 cases. Report on recovery of the balance amount of Rs 33.04 lakh had not been received (December 2005).

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

## 5.7 Non remittance of tax

Under the provisions of the MTOB Act, tax recovered by a MC on behalf of the State Government shall be credited to the Consolidated Fund of the State within 30 days from the date of its recovery. If any MC defaults in payment to the State Government of any sum under the Act, the State Government may after holding such enquiry, fix a period for payment of such sum. The Act also empowers the Government to direct the bank/treasury in which the earnings of the MC are deposited to pay such sum from such bank account to the State Government. Any such payment made in pursuance of the orders of Government shall be sufficient discharge to such bank/treasury from all liabilities to the MC.

It was noticed in audit that three MCs[6] had not remitted revenue amounting to Rs 3.72 crore collected on account of tax on buildings (with larger residential premises) during the year 2003-04. In none of the cases, the bank/treasury was directed to pay the sum to the State Government. Further, the non remittance of tax by the MCs was not monitored by the Urban Development Department.

After this was pointed out, the Pune MC and Solapur MC stated in September 2004 and July 2004 respectively that the amount would be credited to Government account. The Mumbai MC stated in November 2004 that orders for adjustment of the amount against its dues from the Government were awaited. Further report has not been received (December 2005).

[6] Mumbai (3 units), Pune and Solapur

The matter was reported to Government in May 2005; their reply had not been received (December 2005).

## SECTION E
## REPAIR CESS

### 5.8 Short levy of repair cess

Under the provisions of the Maharashtra Housing and Area Development (MHAD) Act, 1976, repairs and reconstruction cess is leviable at slab rates as a percentage of the rateable value of the buildings in the city of Mumbai as prescribed in the second schedule to the Act. The cess is levied and recovered by the Brihan Mumbai MC and remitted into Government account within 15 days from the date of recovery. The cess was leviable at enhanced rates depending upon the slab of expenditure incurred by the Board on structural repairs upto a maximum of Rs 750 upto April 1998. The maximum permissible limit towards cost of repairs to be borne by the Board was enhanced from Rs 750 to Rs 1,000 per square metre with effect from May 1998 but the rate of cess leviable thereon was not prescribed.

In Mumbai, it was noticed in the assessments of 110 properties, in F (South), G (North) and B wards that the buildings were repaired between May 2000 and March 2003 by incurring expenditure between Rs 500 to Rs 1,000 per square metre. Despite the rates of cess for repairs of expenditure upto Rs 750 per square metre being prescribed, cess was levied at the rate applicable to the lower slab of Rs 300 to Rs 500 per square metre. This resulted in short levy of cess of a minimum of Rs 37.23 lakh for the periods between 2000-01 and 2002-03 at the rates applicable for the permissible expenditure limit upto Rs 750 per square metre.

After this was pointed out between February 2003 and March 2004, the F (South) ward recovered Rs 5.78 lakh in respect of 25 properties between August 2004 and August 2005. Action taken by the other two offices and report on recovery in the remaining cases has not been received (December 2005).

The matter was reported to Government in May 2005; their reply had not been received (December 2005).

## SECTION F
## PROFESSION TAX

### 5.9 Non recovery of profession tax

Under the provisions of the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 and the Rules made thereunder, every person liable to pay profession tax is required to obtain certificate of enrolment from the Profession Tax Officer and pay tax annually at the rates prescribed in the schedule to the Act.

Test check of records in 15 profession tax offices[7] revealed that profession tax amounting to Rs 14.17 lakh in respect of 546 persons enrolled under the schedule to the Act for various periods between 2000-01 and 2002-03 was neither paid by them nor demanded by the Department.

After this was pointed out between May 2002 and January 2004, the Department recovered Rs 2.01 lakh in 108 cases between June 2003 and November 2004. Report of recovery of the balance amount has not been received (December 2005).

The matter was reported to Government in April 2005; their reply had not been received (December 2005).

## SECTION G
## ELECTRICITY DUTY

### 5.10 Non levy of interest

Under the provisions of the Bombay Electricity Duty Act, 1958, every licensee who supplies electricity to consumers is required to collect duty from the consumers together with his own charges and pay it to the State Government by the prescribed date. For failure to pay the duty collected by the prescribed date, interest at the rate of 18 *per cent* per annum for the first three months and at 24 *per cent* per annum thereafter is chargeable on the amount of duty remaining unpaid till the date of payment.

Maharashtra State Electricity Board (MSEB) collected electricity duty aggregating Rs 662.95 crore during the period from March 2004 to January 2005 from consumers but did not remit the amount to Government account. Government by notification dated 14 March 2005 adjusted electricity duty amounting to Rs 448.40 crore due from MSEB against the subsidy payable by it to the Board. Report on recovery of the balance amount of Rs 214.55 crore has not been received. Further, interest amounting to Rs 71.08 crore was not levied and demanded by the Department.

The matter was reported to the Department and Government in May 2005; their reply has not been received (December 2005).

[7] PTO: Amravati, Barshi, Bhiwandi, Chandrapur, Gondia, Jalna, Kalyan, Khamgaon, Mumbai (3), Ratnagiri, Sangli, Sindhudurg and Wardha.

# CHAPTER VI : NON TAX RECEIPTS

## 6.1 Results of audit

Test check of records of non-tax receipts conducted during the year 2004-05 revealed underassessment/short levy/loss of revenue *etc.*, of Rs 265.82 crore in 81 cases, which broadly fall under the following categories:

| Sl. No. | Category | No. of cases | Amount (in crore of rupees) |
|---|---|---|---|
| 1. | Loss of tendu leaves | 8 | 3.77 |
| 2. | Loss of forests revenue | 20 | 151.51 |
| 3. | Loss of revenue due to deterioration in transit in sale, non-extraction/non-lifting of material other than tendu leaves and bamboo | 20 | 13.77 |
| 4. | Miscellaneous | 30 | 50.21 |
| 5. | Others | 2 | 0.04 |
| 6. | Review on **"Receipts of Public Works Department"** | 1 | 46.52 |
| | **Total** | **81** | **265.82** |

During the course of the year 2004-05, the Department accepted underassessments *etc.*, in 5 cases involving Rs 15.24 lakh pertaining to earlier years and recovered Rs 12.49 lakh.

A review on **"Receipts of Public Works Department"**, involving financial effect of Rs 46.52 crore is given in the following paragraphs:

## 6.2 Review on "Receipts of Public Works Department"

### *6.2.1 Highlights*

**Toll receipts of Rs 53.32 crore could not be realised due to non-submission of toll proposals in respect of 35 works to Government.**

*(Paragraph 6.2.9)*

**Discontinuance of toll collection before recovering the entire cost of four bridges resulted in non realisation of revenue of Rs 2.31 crore.**

*(Paragraph 6.2.10)*

**In 43 divisions machinery hire charges amounting to Rs 21.88 crore were short realised *vis-a-vis* the norms fixed.**

*(Paragraph 6.2.12)*

**In 20 public works divisions, there was a loss of revenue of Rs 16.50 crore due to short/non levy of centage charges.**

*(Paragraph 6.2.13)*

**Toll collection charges amounting to Rs 2.33 crore were not claimed from the MSRDC.**

*(Paragraph 6.2.16)*

### *6.2.2 Recommendations*

- Adequate control needs to be exercised to avoid delay in levy of toll. Government may consider evolving a sound system/mechanism to strengthen tax administration in this vital area.
- practice of keeping in abeyance revenue receipts earned but not credited to revenue head by corresponding debit to works expenditure to suppress excess expenditure over allotted grants needs to be discouraged.

### *6.2.3 Introduction*

Public Works Department (PWD) of the Government of Maharashtra is responsible for construction of Government buildings, roads and bridges and their maintenance in the entire State. Besides this, PWD collects various non tax receipts under the provisions of the Maharashtra Public Works Manual read with the Code and Bombay Motor Vehicles Tax Act (BMVT Act), 1958 as well as circulars, notifications, issued by the Department/Government from time to time. As per the BMVT Act, toll is collected on roads and bridges constructed from budgeted funds. As per Government resolution dated 8 March 1989, hire charges are to be recovered from contractors when Government machinery is hired to them and the amount is adjusted when machinery is utilised for departmental work. As per Maharashtra Public Works Manual, centage charges are leviable on works executed by PWD on behalf of other departments, non government works and works of local bodies or authorities.

basis of traffic census resulted in loss of revenue of Rs 10.94 crore as detailed below:

**(Amount in crore of rupees)**

| Name of division | Period | Upset price required to be fixed | Upset price fixed by division | Revenue realised | Loss due to incorrect fixation of upset price |
|---|---|---|---|---|---|
| Thane (Const) | 1-1-2000 to 31-12-2000 | 0.57 | 0.09 | 0.13 | 0.44 |
| | 1-1-2001 to 28-2-2002 | 1.60 | 0.13 | 0.15 | 1.45 |
| | 1-3-2002 to 28-2-2003 | 1.80 | 0.29 | 0.34 | 1.46 |
| | 1-3-2003 to 31-5-2004 | 2.32 | 0.34 | 0.36 | 1.96 |
| **Total** | | **6.29** | **0.85** | **0.98** | **5.31** |
| Latur | 1-12-1999 to 31-12-2000 | 2.37 | 0.76 | 0.87 | 1.50 |
| | 1-1-2001 to 28-2-2002 | 1.50 | 0.80 | 1.21 | 0.29 |
| | 1-3-2002 to 31-3-2003 | 2.88 | 1.15 | 1.15 | 1.73 |
| **Total** | | **6.75** | **2.71** | **3.23** | **3.52** |
| Solapur | 1-9-2001 to 21-8-2002 | 0.81 | 0.26 | 0.17 | 0.64 |
| | 1-9-2002 to 31-8-2003 | 0.81 | 0.27 | 0.25 | 0.56 |
| | 1-9-2003 to 31-8-2004 | 0.81 | 0.30 | 0.29 | 0.52 |
| | 1-9-2004 to 30-4-2005 (proportionate) | 0.68 | 0.27 | 0.29 | 0.39 |
| | | **3.11** | **1.10** | **1.00** | **2.11** |
| **Grand Total** | | | | | **10.94** |

Government confirmed the facts and stated that instructions for fixing upset price will be issued by Government to ensure avoidance of such cases in future.

### *6.2.15 Short/non recovery of cost of blank tender forms*

Government in its circular of June 2001, directed all divisions to double the prevailing cost of tender forms due to increase in cost of advertisement in newspapers and periodicals.

In 33[11] divisions and one circle office at Nagpur, the forms were being sold at pre-revised rates from September 2001 to June 2003. The delay in revising the rates ranged from three to 36 months and resulted in loss of revenue of Rs 3.50 crore for the period from July 2001 to March 2005. This was also not pointed out by the internal audit wing that conducts inspections annually. The above fact indicates that there was lack of monitoring on the part of the Department.

Government confirmed the facts in September 2005 and stated that orders will be issued to maintain divisionwise uniformity.

### *6.2.16 Non-recovery of maintenance and toll collection charges from MSRDC*

The roads constructed from State Government funds were transferred to Maharashtra State Road Development Corporation (MSRDC) in June 1998. As per Government resolution of October 1998, claim for maintenance and toll collection charges of toll works was to be made by the divisions at the beginning of each year from MSRDC and credited into government account. Tolls were being collected by PWD and remitted to MSRDC. A quarterly report showing the amount collected on account of toll was required to be submitted by divisions to the PWD.

In seven PW divisions[12], it was observed that maintenance and toll collection charges amounting to Rs 2.33 crore for the period from April 1999 to March 2004 were not claimed from MSRDC. There was nothing on record to show that the EEs had ever been advised/directed by the higher authority to recoup the amount. This resulted in non realisation of Rs 2.33 crore.

Government confirmed the facts in September 2005 and stated that the amount of maintenance charges for the roads transferred to MSRDC will be recovered from the toll amounts paid to them.

### *6.2.17 Acknowledgement*

The audit findings were discussed in the Audit Review Committee for State Revenue Receipts on 5 September 2005 and the views of the Government have been incorporated in each of the paragraphs.

[11] Akola, Amalner, Aurangabad, Buldhana, Chiplun, Dhule (NH-11), Dhule, Hingoli, Jalgaon, Jalgaon,(NH), Malegaon, Mumbai (Presidency), Miraj, Nashik, Nagpur (NH-13 &14), Nandurbar, Nanded, Nashik (EGS and NH IX), Pune (East), Pune (Integrated, North, Building and NH V), Parbhani, Ratnagiri (South, North ), Shahada, Thane (Construction & NH-3), Yavatmal and Yavatmal Spl.Project.

[12] Amravati, Bhandara , Chandrapur (I) (II), Gadchiroli (I), Solapur, and Washim.

### *6.2.18 Conclusions*

The review revealed that:

- the Department needs further strengthening of control mechanism to monitor the assessment, levy and collection of tolls on roads constructed out of budget fund and its remittance to Government account,
- non implementation of Government instructions about levy of centage charges and doubling the cost of blank tender forms led to short realisation of revenue.

**(RAGHUBIR SINGH)**
**Principal Accountant General (Audit)-I, Maharashtra**

**Mumbai,**
**The** 28 FEB 2006

**Countersigned**

**(VIJAYENDRA N. KAUL)**
**Comptroller and Auditor General of India**

**New Delhi,**
**The** 16 MAR 2006

# ANNEXURES

# YEARWISE DETAILS OF OUTSTANDING INSPECTION REPORTS AND AUDIT OBSERVATIONS UNDER VARIOUS RECEIPTS AS OF 30TH JUNE 2005

(Reference: Paragraph 1.12)

**(Amount in lakh of rupees)**

| Sl. No. | Nature of receipt | Upto 2000-01 | | | 2001-02 | | | 2002-03 | | | 2003-04 | | | 2004-05 | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | IRs | Objs | Amount | IRs | Objs | Amount | IRs | Objs | Amount | IRs | Objs | Amount | IRs | Objs | Amount | IRs | Objs | Amount |
| 1. | Sales Tax | 984 | 2199 | 7284.77 | 244 | 653 | 5616.80 | 279 | 824 | 1422.28 | 363 | 1199 | 1866.67 | 360 | 1331 | 729.77 | 2230 | 6206 | 16920.29 |
| 2. | Land Revenue | 581 | 1027 | 6762.24 | 85 | 159 | 4126.74 | 154 | 412 | 5449.53 | 102 | 395 | 14193.96 | 120 | 428 | 5086.74 | 1042 | 2421 | 35619.21 |
| 3. | Stamps and Registration fees | 257 | 560 | 1647.51 | 64 | 125 | 2623.52 | 120 | 299 | 1848.57 | 176 | 1057 | 3774.70 | 215 | 654 | 3532.99 | 832 | 2695 | 13427.29 |
| 4. | Taxes on Motor Vehicles | 15 | 18 | 32.71 | 17 | 27 | 1042.03 | 22 | 47 | 252.94 | 27 | 66 | 132.29 | 23 | 80 | 205.24 | 104 | 238 | 1665.21 |
| 5. | Forests Receipts | 111 | 241 | 6815.40 | 20 | 62 | 2659.88 | 20 | 44 | 1086.01 | 16 | 51 | 1763.55 | 22 | 78 | 15686.34 | 189 | 476 | 28011.18 |
| 6. | Entertainments duty | 49 | 57 | 21.19 | 31 | 42 | 49.60 | 45 | 67 | 42.03 | 62 | 102 | 91.06 | 60 | 122 | 100.19 | 247 | 390 | 304.07 |
| 7. | State Excise | 6 | 6 | 366.35 | 7 | 7 | 2.63 | 5 | 5 | 4.56 | 27 | 41 | 682.01 | 25 | 44 | 66.75 | 70 | 103 | 1122.30 |
| 8. | Electricity Duty | 3 | 3 | 21.25 | -- | -- | -- | 6 | 8 | 50.24 | 6 | 9 | 6.20 | 19 | 30 | 1044.46 | 34 | 50 | 1122.15 |
| 9. | Tax on Professions | 66 | 105 | 75.97 | 12 | 14 | 29.99 | 33 | 47 | 28.06 | 47 | 73 | 53.24 | 40 | 67 | 61.48 | 198 | 306 | 248.74 |
| 10. | Tax on Residential Premises | 12 | 13 | 33.95 | 6 | 9 | 7.88 | 6 | 7 | 2.25 | -- | -- | -- | 11 | 13 | 274.23 | 35 | 42 | 318.31 |
| 11. | State Education Cess | 24 | 35 | 35.18 | 7 | 11 | 35.33 | 7 | 9 | 10.83 | 11 | 15 | 14.81 | 33 | 59 | 2713.42 | 82 | 129 | 2809.57 |
| 12. | Repair Cess | 2 | 2 | 2.55 | -- | -- | -- | 2 | 2 | -- | 2 | 2 | 22.71 | 5 | 6 | 47.99 | 11 | 12 | 73.25 |
| 13. | Other Non-tax receipts | 118 | 147 | 3177.73 | 5 | 8 | 101.74 | 14 | 15 | 1668.17 | 4 | 5 | 14.33 | 2 | 2 | 0.24 | 143 | 177 | 4962.21 |
| | **Total :** | **2228** | **4413** | **26276.80** | **498** | **1117** | **16296.14** | **713** | **1786** | **11865.47** | **843** | **3015** | **22615.53** | **935** | **2914** | **29549.84** | **5217** | **13245** | **106603.78** |

IRs - Inspection Reports
Objs. - Objections

## Annexure II
## Referred to in Para 3.2.9

(Amount in lakh of rupees)

| Sl. No. | Name of Office | Cases involved for RRCs | Amount involved | Cases processed under MLRC | Amount involved | Cases in which recovery effected | Amount involved | Outstanding | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | cases | Amount |
| 1. | Ahmednagar | 3261 | 35.00 | N. A. | | - | - | 3261 | 35.00 |
| 2. | Akola | 109 | 29.45 | 106 | 26.12 | - | - | 3 | 3.33 |
| 3. | Amravati | 151783 | 1174.30 | 951 | 230.22 | - | - | 150832 | 944.08 |
| 4. | Aurangabad | 3657 | 111.48 | 168 | 20.16 | - | - | 3489 | 91.32 |
| 5. | Buldhana | 7 | 1.24 | 7 | 1.24 | - | - | -- | -- |
| 6. | Chandrapur | 2859 | 86.40 | 102 | 7.73 | - | - | 2757 | 78.67 |
| 7. | Gadchiroli | 16 | 2.17 | 16 | 2.17 | - | - | - | - |
| 8. | Gondia | 176 | 2.95 | 43 | 1.98 | - | - | 133 | 0.97 |
| 9. | Kalyan | 72 | 18.19 | 72 | 18.19 | 15 | 3.00 | -- | -- |
| 10. | Kolhapur | 17502 | 569.21 | 450 | 85.83 | 398 | 62.95 | 17052 | 483.38 |
| 11. | Mumbai (W) | 25981 | 423.87 | 20 | 18.85 | - | - | 25961 | 405.02 |
| 12. | Nagpur | 79553 | 820.98 | 47457 | 490.98 | - | - | 32096 | 330.00 |
| 13. | Nashik | 155023 | 2659.88 | 66 | 19.35 | - | - | 154957 | 2640.53 |
| 14. | Parbhani | 451 | 26.93 | 214 | 13.27 | - | - | 237 | 13.66 |
| 15. | Pen | 1363 | 183.90 | 234 | 86.77 | - | - | 1129 | 97.13 |
| 16. | Sangli | 8011 | 474.55 | 5972 | 436.75 | 1432 | 89.70 | 2039 | 37.80 |
| 17. | Satara | 3402 | 207.75 | 520 | 45.13 | 62 | 10.52 | 2882 | 162.62 |
| 18. | Shrirampur | 8437 | 172.40 | 52 | 12.09 | - | - | 8385 | 160.31 |
| 19. | Wardha | 485 | 13.08 | 485 | 13.08 | 63 | 1.25 | -- | -- |
| 20. | Yavatmal | 2810 | 64.30 | 279 | 15.21 | 31 | 5.62 | 2531 | 49.09 |
| | **Total** | **464958** | **7078.03** | **57214** | **1545.12** | **2001** | **173.04** | **407744** | **5532.91** |

## Annexure III
## Referred to in Para 3.2.9

**(Amount in lakh of rupees)**

| Office | Upto 2001-02 | | | 2002-03 | | | 2003-04 | | | Grand Total | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of vehicles seized | No. of vehicles auctioned | Amount realised | No. of vehicles seized | No. of vehicles auctioned | Amount realised | No. of vehicles seized | No. of vehicles auctioned | Amount realised | No. of vehicles seized | No. of vehicles auctioned | Amount realised |
| Ahmednagar | -- | -- | -- | 74 | 74 | 1.33 | 51 | 51 | 3.62 | 125 | 125 | 4.95 |
| Akola | -- | -- | -- | 3 | 2 | 0.26 | 86 | 84 | 12.68 | 89 | 86 | 12.94 |
| Amravati | -- | -- | -- | 124 | 120 | 16.00 | 103 | 92 | 13.43 | 227 | 212 | 29.43 |
| Aurangabad | 808 | 40 | 2.96 | 366 | 45 | 1.46 | 439 | 9 | 0.79 | 1613 | 94 | 5.21 |
| Jalna | -- | -- | -- | 11 | 11 | 1.70 | 17 | 17 | 3.55 | 28 | 28 | 5.25 |
| Kolhapur | 1330 | 84 | 12.79 | 1085 | 23 | 4.04 | 478 | 30 | 3.77 | 2893 | 137 | 20.60 |
| Mumbai (E) | -- | -- | -- | -- | -- | -- | 28 | 28 | 6.33 | 28 | 28 | 6.33 |
| Mumbai (W) | 98 | 98 | 11.65 | 45 | 45 | 20.48 | 18 | 18 | 7.05 | 161 | 161 | 39.18 |
| Nagpur | 98 | 73 | 13.01 | 23 | 10 | 0.98 | 36 | 16 | 2.55 | 157 | 99 | 16.54 |
| Nashik | -- | -- | -- | 12 | 12 | 2.30 | 22 | 22 | 7.61 | 34 | 34 | 9.91 |
| Parbhani | -- | -- | -- | 15 | 2 | 0.09 | -- | -- | -- | 15 | 2 | 0.09 |
| Pen | -- | -- | -- | -- | -- | -- | 127 | 2 | 0.26 | 127 | 2 | 0.26 |
| Pune | 458 | 58 | 12.33 | 405 | 157 | 31.40 | 318 | 95 | 30.87 | 1181 | 310 | 74.60 |
| Sangli | -- | -- | -- | -- | -- | -- | 26 | 9 | 3.52 | 26 | 9 | 3.52 |
| Satara | -- | -- | -- | 226 | 47 | 13.38 | 260 | 13 | 4.15 | 486 | 60 | 17.53 |
| Shrirampur | -- | -- | -- | 34 | 34 | 12.48 | 17 | 14 | 3.13 | 51 | 48 | 15.61 |
| Wardha | -- | -- | -- | 26 | 6 | 0.04 | 14 | 11 | 1.62 | 40 | 17 | 1.66 |
| Yavatmal | 82 | 3 | 0.31 | 77 | 3 | 0.37 | 90 | 30 | 11.31 | 249 | 36 | 11.99 |
| **Total** | **2874** | **356** | **53.05** | **2526** | **591** | **106.31** | **2130** | **541** | **116.24** | **7530** | **1488** | **275.60** |

## Annexure IV
## Referred to in Para 3.2.14

| Office | MVs due for inspection | | | | | MVs Inspected | | | | | Balance | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003-2004 | 1999-2000 | 2000-2001 | 2001-2002 | 2002-2003 | 2003 2004= |
| Akola | 4568 | 4632 | 4904 | 7432 | 8406 | 3807 | 3924 | 4061 | 5043 | 5247 | 761 | 708 | 843 | 2389 | 315 |
| Amravati | 13419 | 14781 | 15869 | 17178 | 20786 | 5773 | 6053 | 6126 | 6418 | 7280 | 7646 | 8728 | 9743 | 10760 | 135( |
| Aurangabad | 16373 | 15065 | 16742 | 17102 | 16187 | 9824 | 9039 | 10045 | 10261 | 9712 | 6549 | 6026 | 6697 | 6841 | 64 |
| Bhandara | N.A. | N.A. | 1106 | 1284 | 1464 | N.A. | N.A. | 997 | 1012 | 1119 | N.A. | N.A. | 109 | 272 | 3 |
| Buldhana | 3368 | 4025 | 4825 | 5163 | 5328 | 2215 | 2513 | 3340 | 1971 | 4268 | 1153 | 1512 | 1485 | 3192 | 10( |
| Chandrapur | 10496 | 11251 | 11447 | 12171 | 12979 | 8506 | 9412 | 9885 | 10214 | 10519 | 1990 | 1839 | 1562 | 1957 | 24( |
| Dhule | 7339 | 8154 | 9059 | 10065 | 11071 | 6442 | 7158 | 7953 | 8836 | 9719 | 897 | 996 | 1106 | 1229 | 13 |
| Gadchiroli | 932 | 948 | 936 | 998 | 1023 | 521 | 531 | 372 | 533 | 354 | 411 | 417 | 564 | 465 | 6( |
| Gondia | 1632 | 1829 | 1453 | 1486 | 1504 | 1400 | 1230 | 1160 | 1300 | 1387 | 232 | 599 | 293 | 186 | 1 |
| Jalna | 3093 | 3153 | 3187 | 3398 | 3805 | 2475 | 2523 | 2550 | 2718 | 2895 | 618 | 630 | 637 | 680 | 9 |
| Kalyan | N.A. | 36521 | 38591 | 40191 | 42807 | N.A. | 15536 | 16765 | 16338 | 17487 | N.A. | 20985 | 21826 | 23853 | 253 |
| Kolhapur | 22430 | 24861 | 25669 | 26899 | 28807 | 10750 | 12020 | 11790 | 11234 | 12423 | 11680 | 12841 | 13879 | 15665 | 163 |
| Mumbai (C) | N.A. | N.A. | 50472 | 70184 | 42218 | N.A. | N.A. | 36722 | 35419 | 34921 | N.A. | N.A. | 13750 | 34765 | 72 |
| Mumbai (E) | 42148 | 54221 | 66472 | 66338 | 78505 | 31874 | 41166 | 52201 | 51547 | 53803 | 10274 | 13055 | 14271 | 14791 | 247( |
| Nagpur | 36639 | 38200 | 41985 | 43755 | 45305 | 30116 | 35160 | 27797 | 28370 | 28149 | 6523 | 3040 | 14188 | 15385 | 171 |
| Nandurbar | N.A. | N.A. | N.A. | 1000 | 1560 | N.A. | N.A. | N.A. | 967 | 1515 | N.A. | N.A. | N.A. | 33 | |
| Nashik | 35145 | 37244 | 38497 | 40380 | 38900 | 18133 | 19109 | 18629 | 23491 | 18912 | 17012 | 18135 | 19868 | 16889 | 199 |
| Pen | 31992 | 34377 | 38260 | 37740 | 41301 | 28793 | 29211 | 32521 | 34965 | 36345 | 3199 | 5166 | 5739 | 2775 | 49 |
| Pimpri-Chinchwad | N.A. | 15954 | 16421 | 17977 | 18372 | N.A. | 12273 | 11729 | 12276 | 12409 | N.A. | 3681 | 4692 | 5701 | 59( |
| Pune | 101051 | 104769 | 109538 | 113459 | 117718 | 22794 | 25000 | 34687 | 31946 | 32669 | 78257 | 79769 | 74851 | 81513 | 850 |
| Sangli | 11156 | 12436 | 13182 | 13628 | 14857 | 6131 | 5892 | 6397 | 6458 | 6758 | 5025 | 6544 | 6785 | 7170 | 80 |
| Satara | 10376 | 10680 | 10954 | 11460 | 11883 | 8413 | 8665 | 9161 | 9358 | 9274 | 1963 | 2015 | 1793 | 2102 | 26( |
| Shrirampur | 9970 | 10760 | 11554 | 12068 | 10879 | 4760 | 5350 | 5492 | 5530 | 6397 | 5210 | 5410 | 6062 | 6538 | 448 |
| Wardha | 2608 | 2810 | 3160 | 3210 | 3430 | 2365 | 2488 | 2830 | 2980 | 3010 | 243 | 322 | 330 | 230 | 42 |
| Yavatmal | 6698 | 6884 | 7223 | 7884 | 9548 | 2703 | 3562 | 3508 | 4013 | 3473 | 3995 | 3322 | 3715 | 3871 | 607 |
| **Total** | **371433** | **453555** | **541506** | **582450** | **588643** | **207795** | **257815** | **316718** | **323198** | **330045** | **163638** | **195740** | **224788** | **259252** | **25859** |

Information was not furnished by RTO Mumbai (W) and Thane and DTO Ahmednagar.

## Annexure V
## Referred to in Para 3.2.17

| Location of Office | 1999-2000 | | 2000-2001 | | 2001-2002 | | 2002-2003 | | 2003-2004 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Detected | Pending | Detected | Pending | Detected | Pending | Detected | Pending | Detected | Pending |
| Ahmednagar | 2285 | 467 | 2173 | 463 | 2993 | 440 | 3880 | 640 | 4873 | 895 |
| Akola | 2990 | 1394 | 3038 | 1614 | 3090 | 1200 | 3060 | 397 | 5851 | 1987 |
| Amravati | 2737 | 1028 | 4956 | 2225 | 4917 | 1484 | 7682 | 1002 | 5476 | 493 |
| Aurangabad | 4283 | 1129 | 5314 | 1303 | 6417 | 1289 | 7881 | 1031 | 13872 | 957 |
| Bhandara | Nil | Nil | Nil | Nil | 122 | 65 | 685 | 320 | 824 | 337 |
| Buldhana | 2102 | 522 | 2177 | 769 | 2567 | 802 | 3929 | 952 | 3180 | 1056 |
| Chandrapur | 3388 | 1170 | 3017 | 869 | 3007 | 527 | 4424 | 785 | 4058 | 699 |
| Dhule | 2020 | 118 | 2288 | 208 | 2808 | 238 | 2912 | 468 | 3227 | 622 |
| Gadchiroli | 486 | 54 | 784 | 212 | 827 | 255 | 1748 | 890 | 1208 | 849 |
| Gondia | 3127 | 1573 | 2845 | 1328 | 2527 | 770 | 2954 | 859 | 3630 | 1045 |
| Jalna | 2500 | 875 | 2911 | 974 | 3021 | 744 | 3286 | 880 | 3577 | 1003 |
| Kalyan | N.A. | N.A. | N.A. | N.A. | 4249 | 2088 | 3661 | 454 | 5553 | 1938 |
| Kolhapur | 3654 | 1430 | 5282 | 1506 | 5901 | 2274 | 9047 | 2450 | 8454 | 2500 |
| Mumbai (E) | 10934 | 4374 | 11115 | 3465 | 13098 | 3802 | 7671 | 1852 | 9155 | 4855 |
| Mumbai (W) | N.A. | N.A. | N.A. | N.A. | 8859 | 2 | 9762 | 563 | 10017 | 1468 |
| Nagpur | 3376 | 820 | 3468 | 1083 | 4891 | 1389 | 4917 | 1423 | 4987 | 1226 |
| Nashik | 5254 | 348 | 6089 | 339 | 10381 | 1301 | 8903 | 2482 | 10013 | 3136 |
| Pen | 3469 | 1820 | 2080 | 1075 | 4961 | 1895 | 6974 | 1114 | 5690 | 914 |
| Pimpri-Chinchwad | 2946 | 619 | 4671 | 1562 | 4323 | 747 | 6480 | 1355 | 5616 | 832 |
| Pune | 6059 | 1060 | 9156 | 2559 | 13147 | 676 | 17511 | 456 | 15016 | 1173 |
| Sangli | 3545 | 834 | 4047 | 922 | 5065 | 1078 | 5674 | 1353 | 5211 | 1905 |
| Satara | 6258 | 1856 | 7205 | 2133 | 7720 | 2398 | 7538 | 1972 | 6203 | 2020 |
| Shrirampur | 3542 | 581 | 4237 | 609 | 5690 | 513 | 5424 | 435 | 6122 | 932 |
| Thane | N.A. | N.A. | N.A. | N.A. | 5400 | 2160 | 8701 | 3481 | 9412 | 3765 |
| Wardha | 1618 | 432 | 2427 | 1421 | 2737 | 1113 | 2941 | 755 | 2942 | 669 |
| Yavatmal | 2238 | 865 | 2226 | 956 | 2709 | 1151 | 3007 | 953 | 4956 | 2138 |
| **Total** | **78811** | **23369** | **91506** | **27595** | **131427** | **30401** | **150652** | **29322** | **159123** | **39414** |
| **tage of pendency** | **29.65** | | **30.16** | | **23.13** | | **19.46** | | **24.77** | |

Mumbai (C) did not furnish the required information.