

**REPORT
OF THE
COMPTROLLER AND
AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2007

(REVENUE RECEIPTS)

GOVERNMENT OF MAHARASHTRA

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Preface

This report for the year ended 31 March 2007 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 2006-07 as well as those noticed in earlier years, which could not be included in previous reports.

Overview

This Report contains 32 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty, etc., involving Rs. 854.63 crore. Some of the major findings are mentioned below:

1. General

- The total receipts of the State during the year 2006-07 amounted to Rs. 61,383.63 crore, of which the revenue raised by the State Government was Rs. 46,805.74 crore and receipts from the Government of India were Rs. 14,577.89 crore. The revenue raised constituted 76 per cent of the total receipts of the State. The receipts from the Government of India included Rs. 6,022.76 crore on account of the State's share of divisible Union taxes and Rs. 8,555.13 crore as grants-in-aid and registered an increase of 20.89 per cent and 114.90 per cent respectively over 2005-06.

{Paragraph 1.1}

- At the end of 2006-07, arrears in respect of some taxes administered by the departments of Finance and Home amounted to Rs. 30,836.47 crore, of which sales tax etc., alone accounted for Rs. 30,824.22 crore.

{Paragraph 1.5}

- In respect of the taxes administered by the Finance Department, such as sales tax, motor spirit tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts etc., 12,46,503 assessments were completed during 2006-07, leaving a balance of 17,24,381 assessments as on 31 March 2007.

{Paragraph 1.6}

- Test-check of the records of sales tax, State excise, motor vehicles tax, stamp duty and registration fees, land revenue and other departmental offices conducted during the year 2006-07 revealed under assessment, short levy and loss of revenue, etc., amounting to Rs. 545.16 crore in 16,020 cases. The departments concerned accepted under assessment, short levy, etc., of Rs. 54.37 crore in 12,626 cases pointed out in 2006-07 and earlier years and recovered Rs. 41.78 crore.

{Paragraph 1.10}

- At the end of June 2007, 10,481 paragraphs involving Rs. 916.41 crore relating to 4,664 inspection reports issued upto 31 December 2006 remained outstanding.

{Paragraph 1.11}

- During the years between 2001-02 and 2005-06, the departments/ Government accepted audit observations involving Rs. 1,910.95 crore, out of which an amount of Rs. 770.85 crore was recovered till 31 March 2007.

{Paragraph 1.15}

2. Sales Tax

- Incorrect application of rate of composition tax in cases of four dealers and non-registration/assessment of a dealer under the Works Contract Act resulted in under assessment of tax of Rs. 2.51 crore, including interest.

{Paragraph 2.2}

- Incorrect grants of set off under various provisions of the Act and Rules resulted in under assessment of tax of Rs. 1.91 crore.

{Paragraph 2.3}

- Non-levy of purchase tax resulted in under assessment of tax of Rs. 1.38 crore, including interest.

{Paragraph 2.4}

- Non/short levy of interest and penalty resulted in under assessment of tax of Rs. 95.61 lakh.

{Paragraph 2.5}

- Inclusion of inadmissible refunds (Rs. 386.49 crore) and incorrect adjustment of non-VAT tax revenue items (Rs. 17.54 crore) resulted in excess claim to that extent for compensation of loss of revenue due to introduction of VAT.

{Paragraph 2.11}

3. Stamp Duty and Registration Fees

- Review of "Concessions in Stamp Duty" revealed the following:

Revenue remitted during 2002-07 on account of grant of concessions in stamp duty could not be quantified by the Inspector General of Registration in the absence of a centralised database.

{Paragraph 3.2.6}

Non-installation of a system to obtain periodical information from the Registrar of Companies resulted in unintended extension of concession of stamp duty amounting to Rs. 72.53 crore.

{Paragraph 3.2.7}

Absence of a penal provision and withdrawal of concession already availed of in case of subsequent violation of conditions for grant of concession led to undue extension of concession of stamp duty of Rs. 12.82 crore.

{Paragraph 3.2.8.2 & 3}

Internal control mechanism was weak as is evidenced by arrears in annual inspection of registration offices by Deputy Inspectors General of Registration, Assistant Inspectors General of Registration and Joint District Registrars which ranged between 53 and 61 per cent.

{Paragraph 3.2.10}

Failure to levy stamp duty on the market value of immovable properties led to short levy of stamp duty of Rs. 28.74 crore.

{Paragraph 3.2.11}

- Stamp duty of Rs. 1.86 crore was short levied due to undervaluation and incorrect computation of market value of property.

{Paragraphs 3.3 and 3.4}

4. State Excise

- Short recovery of licence fees of Rs. 2.04 crore due to application of pre-revised rates.

{Paragraph 4.2}

5. Other Tax Receipts

- Review of "Levy and collection of electricity duty, tax and fees" revealed the following:

Non-maintenance of records for monitoring the receipt of returns in form 'A', 'B' & 'C' led to non-levy and consequent non-realisation of revenue of Rs. 87.72 crore.

{Paragraph 5.2.6.1}

Failure of the department to link the Government notification of April 2001 with the date of installation of the windmills led to short payment of electricity duty of Rs. 88.99 lakh.

{Paragraph 5.2.6.2}

Failure of the department to scrutinise the returns in form 'B' & 'C' led to short levy of electricity duty of Rs. 2.72 crore.

{Paragraph 5.2.6.3}

Failure of the department to correlate the information vide form 'A' & 'C' led to short realisation of revenue of Rs. 1.29 crore.

{Paragraph 5.2.6.4}

Failure to carry out inspections of lifts and electrical installations resulted in non-realisation of inspection fees, totalling Rs. 7.44 crore.

{Paragraph 5.2.8.1 and 5.2.8.2}

Interest of Rs. 85.14 lakh was not levied for delayed payments of duty by six consumers.

{Paragraph 5.2.11}

- Non-enrolment of persons liable for enrolment under the Profession Tax Act resulted in under assessment of Rs. 345.80 crore.

{Paragraph 5.3}

- Non/short remittance of education and employment guarantee cess collected by the Jalgaon, Mumbai and Nagpur Municipal Corporations, into the Government account amounted to Rs. 36.68 crore.

{Paragraph 5.6}

- Non-remittance of tax on buildings (with larger residential premises) collected by the Mumbai, Solapur and Pune Municipal Corporations amounted to Rs. 1.73 crore.

{Paragraph 5.8}

6. Non-Tax Receipts

- Review of "Forest receipts" revealed the following:

Non-preparation of working plans as well as failure to follow prescriptions in the working plans resulted in deferment of revenue of Rs. 147.63 crore.

{Paragraph 6.2.8}

Failure to enforce the conditions of contracts for exploitation of bamboo led to loss of revenue of Rs. 10.94 crore.

{Paragraph 6.2.9.2}

Apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears of Rs. 26.28 crore.

{Paragraph 6.2.10.3}

Arrears in inspection of forest offices by the internal audit wing and failure of the department to take corrective action on observations made by it indicated the failure of a vital internal control.

{Paragraph 6.2.11}

Delay in invitation of tenders for sale of *tendu* leaves led to the loss of revenue of Rs. 19.74 crore.

{Paragraph 6.2.12}

- Non-accounting of loans to 12 co-operative mills resulted in non-recovery of principal and interest of Rs. 88.67 crore and Rs. 19.66 crore respectively.

{Paragraph 6.3}

- Maharashtra State Road Transport Corporation had not paid interest of Rs. 74.58 crore on the share capital of Rs. 723.64 crore.

{Paragraph 6.4}

7. Other topics of interest

- Net present value of Rs. 501.50 crore for use of forest land for non-forestry purpose was not recovered from users leading to loss of Rs. 51.71 crore on account of interest.

{Paragraph 7.2}

CHAPTER I: GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Maharashtra during the year 2006-07, the 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:

(Rupees in crore)

Sl. no.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	◦ Tax revenue	22,799.45	25,162.16	30,605.75	33,540.24	40,099.24
	◦ Non-tax revenue ¹	4,249.48 (4,517.47)	2,964.76 (3,548.94)	3,505.22 (4,118.83)	5,167.92 (5,935.05)	6,706.50 (7,518.25)
	Total	27,048.93 (27,316.92)	28,126.92 (28,711.10)	34,110.97 (34,724.58)	38,708.16 (39,475.29)	46,805.74 (47,617.49)
II.	Receipts from the Government of India					
	◦ State's share of divisible Union taxes	2,279.97	3,389.49	3,595.03	4,982.00	6,022.76
	◦ Grants-in-aid	1,506.15	2,269.93	2,693.72	3,981.00	8,555.13
	Total	3,786.12	5,659.42	6,288.75	8,963.00	14,577.89
III.	Total receipts of the State	30,835.05 (31,103.04)	33,786.34 (34,370.52)	40,399.72 (41,013.33)	47,671.16 (48,438.29)	61,383.63 (62,195.38)
IV.	Percentage of I to III	88	83	84	81	76

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 76 per cent of the total revenue receipts (Rs. 46,805.74 crore) against 81 per cent in the preceding year. The balance 24 per cent of receipts during 2006-07 was from the Government of India.

1.1.1 The following table presents the details of tax revenue raised during the period 2002-03 to 2006-07 :

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 2006-07. Figures under the heads '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 and 0045 - other taxes and duties on commodities and services' - share of net proceeds assigned to the State booked in the Finance Accounts under tax revenue have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

Audit Report (Revenue Receipts) for the year ended 31 March 2007

(Rupees in crore)

Sl. no.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/decrease (-) in 2006-07 over 2005-06
1.	Sales tax						
	◦ State sales tax etc.	11,746.21	12,795.01	16,399.62	17,358.56	21,583.06	(+) 24.34
	◦ Central sales tax	1,742.14	2,530.95	2,417.10	2,318.18	2,547.66	(+) 9.90
2.	State excise	1,938.68	2,324.42	2,218.87	2,823.85	3,300.70	(+) 16.89
3.	Stamp duty and registration fees	2,823.11	3,354.06	4,116.49	5,265.86	6,415.72	(+) 21.84
4.	Taxes and duties on electricity	1,149.18	629.72	1,673.76	1,660.87	1,577.19	(-) 5.04
5.	Taxes on vehicles	941.23	1,205.97	1,177.14	1,309.11	1,841.06	(+) 40.63
6.	Taxes on goods and passengers	245.03	231.91	427.75	504.63	224.48	(-) 55.52
7.	Other taxes on income and expenditure- taxes on professions, trades, callings and employments	1,028.56	1,018.77	1,076.57	1,157.70	1,246.72	(+) 7.69
8.	Other taxes and duties on commodities and services	798.90	710.86	737.73	712.40	878.31	(+) 23.29
9.	Land revenue	386.41	360.49	360.72	428.97	484.17	(+) 12.87
10.	Service tax	--	--	--	0.11	0.17	(+) 54.55
	Total	22,799.45	25,162.16	30,605.75	33,540.24	40,099.24	

The reasons for the significant variations in the receipts during 2006-07 over those of the previous year were as follows:

Sales tax: The increase was due to book adjustments carried out for the previous years in respect of deferred sales tax converted into loans under the Package Scheme of Incentives (PSI).

Stamp duty and registration fees: The increase was due to more receipts under 'sale of non-judicial stamps', which increased by 82.20 *per cent* over the previous year.

Taxes on vehicles: The increase was mainly due to revision of the 'one time tax' on four wheelers from four to seven *per cent*.

Taxes on goods and passengers: The decrease was due to non-adjustment of subsidy sanctioned on account of concessional passenger fares.

Other taxes and duties on commodities and services: The increase was mainly due to increase in rates by 50 *per cent* as compared to previous year under 'entertainment tax' and more receipts under 'tax on hotels and lodging houses', which increased by 41.59 *per cent* over the previous year.

Land revenue: The increase was mainly due to recovery of arrears.

The other departments did not inform (October 2007) the reasons for variation despite being requested (June 2007).

1.1.2 The following table presents the details of the non-tax revenue raised during the period 2002-03 to 2006-07 :

(Rupees in crore)

Sl. no.	Head of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+)/ decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	1,777.27	356.91	737.46	1,737.24	2,503.92	(+) 44.13
2.	Dairy development	800.51	774.73	676.10	612.25	611.87	(-) 0.06
3.	Other non-tax receipts	245.07	547.93	584.56	614.21	696.03	(+) 13.32
4.	Forestry and wild life	104.58	86.33	88.62	92.02	121.37	(+) 31.90
5.	Non-ferrous mining and metallurgical industries	400.61	475.50	574.80	698.00	819.44	(+) 17.40
6.	Miscellaneous general ² services (including lottery receipts)	290.14	113.65	117.17	390.69	801.64	(+) 105.19
7.	Power	85.79	1.32	5.16	174.61	133.83	(-) 23.35
8.	Major and medium irrigation	113.05	230.69	335.68	372.39	444.93	(+) 19.48
9.	Medical and public health	95.89	91.53	107.98	126.92	159.20	(+) 25.43
10.	Co-operation	63.01	60.06	48.86	55.76	64.46	(+) 15.60
11.	Public works	54.31	65.26	64.29	88.82	154.09	(+) 73.49
12.	Police	152.77	102.75	96.63	106.60	101.84	(-) 4.47
13.	Other administrative services	66.48	58.10	67.91	98.41	93.88	(-) 4.60
Total		4,249.48	2,964.76	3,505.22	5,167.92	6,706.50	

The significant increases in receipts during 2006-07 over those of the previous year were mainly due to the following:

² Net of expenditure on prize winning lottery tickets.

Interest receipts: More receipts from the public sector and other undertakings, which increased by 72.31 *per cent* over the previous year.

Forestry and wild life: More receipts from the sale of timber and other forest produce, which increased by 35.73 *per cent* over the previous year.

Medical and public health: The increase was mainly due to raising the salary limit for entitlement upto Rs. 10,000 p.m. from Rs. 7,500 p.m. besides recovery of Rs. 20.95 crore which pertained to the previous year.

Public works: More receipts under 'Other Receipts' such as lapsed deposits, fines and penalties to contractors etc., which increased by 140.71 *per cent* over the previous year.

The other departments did not inform (October 2007) the reasons for variations despite being requested (June 2007).

1.2 Variations between the budget estimates and actuals

The variations between the budget estimates and the actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	Sales tax and other taxes ³	26,314.51	24,130.72	(-) 2,183.79	(-) 8.30
2.	State excise	3,100.00	3,300.70	(+) 200.70	(+) 6.47
3.	Stamp duty and registration fees	5,600.00	6,415.72	(+) 815.72	(+) 14.57
4.	Taxes and duties on electricity	1,502.22	1,577.19	(+) 74.97	(+) 4.99
5.	Taxes on vehicles	1,410.10	1,841.06	(+) 430.96	(+) 30.56
6.	Taxes on goods and passengers	525.00	224.48	(-) 300.52	(-) 57.24
7.	Other taxes on income and expenditure – taxes on professions, trades, callings and employments	1,100.00	1,246.72	(+) 146.72	(+) 13.34
8.	Other taxes and duties on commodities and services	962.43	878.30	(-) 84.13	(-) 8.74
9.	Land revenue	940.00	484.17	(-) 455.83	(-) 48.49
10.	Interest receipts	1,048.34	2,503.92	(+) 1,455.58	(+) 138.85
11.	Dairy development	549.80	611.87	(+) 62.07	(+) 11.29
12.	Other non-tax receipts	633.45	696.04	(+) 62.59	(+) 9.88
13.	Forestry and wild life	146.73	121.37	(-) 25.36	(-) 17.28
14.	Non-ferrous mining and metallurgical industries	722.10	819.44	(+) 97.34	(+) 13.48

³ Other taxes totalling Rs. 168.34 crore, included tax on sale of motor spirits and lubricants, surcharge on sales tax and tax on purchase of sugarcane.

Sl. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
15.	Miscellaneous general services				
	◦ Lottery receipts ⁴	135.60	41.28	(-) 94.32	(-) 69.56
	• Other receipts	124.62	760.36	(+) 635.74	(+) 510.14
16.	Power	96.23	133.83	(+) 37.60	(+) 39.07
17.	Major and medium irrigation	609.80	444.93	(-) 164.87	(-) 27.04
18.	Medical and public health	139.00	159.20	(+) 20.20	(+) 14.53
19.	Co-operation	57.33	64.46	(+) 7.13	(+) 12.44
20.	Public works	81.71	154.09	(+) 72.38	(+) 88.58
21.	Police	126.71	101.84	(-) 24.87	(-) 19.63
22.	Other administrative services	97.00	93.88	(-) 3.12	(-) 3.22
23.	Service tax	--	0.17	(+) 0.17	--
	Total	46,022.68	46,805.74		

The reasons for variations between the budget estimates and actuals as reported by the concerned departments were as follows:

Taxes on vehicles: The increase was mainly due to revision of the 'one time tax' on four wheelers from four to seven *per cent*.

Taxes on goods and passengers: The decrease was due to non-adjustment of subsidy sanctioned on account of concessional passenger fares.

Land revenue: The decrease was mainly due to less receipts under the heads 'Land Revenue Tax', 'Rates and Cesses on Land' and 'Other Receipts'.

Interest receipts: The increase was mainly due to more receipts on loans given to the Maharashtra State Electricity Board.

Lottery receipts: The decrease was due to non-implementation of the anticipated revision in the lottery structure.

Power: The increase was due to more receipts of lease money recoverable from the Maharashtra State Electricity Board in respect of hydro-power projects.

1.3 Analysis of collection

The break-up of the total collection at the pre-assessment stage and after regular assessments of sales tax, motor spirit tax, profession tax, entry tax and luxury tax for the year 2006-07 and the corresponding figures for the preceding two years as furnished by the department, was as under:

⁴ Net of expenditure on prize winning tickets.

(Rupees in crore)

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	2004-05	13,213.18	826.32	34.58	368.14	13,705.93	96
	2005-06	20,771.12	342.81	23.89	1,661.76	19,476.06	107
	*2006-07	25,259.71	389.34	25.67	1,799.49	23,875.23	106
Motor spirit tax	2004-05	4,978.04	Nil	Nil	Nil	4,978.04	100
	2005-06	**					
	2006-07	**					
Profession tax	2004-05	1,061.34	8.99	Nil	0.06	1,070.27	99
	2005-06	1,123.26	27.66	Nil	0.20	1,150.72	98
	*2006-07	1,203.04	38.66	2.4	0.35	1,243.75	97
Entry tax	2004-05	6.80	4.86	0.02	Nil	11.68	58
	2005-06	8.81	2.87	0.03	0.01	11.70	75
	*2006-07	3.66	2.25	Nil	Nil	5.91	62
Luxury tax	2004-05	142.33	4.64	0.37	0.02	147.33	97
	2005-06	113.47	0.47	0.05	0.02	113.97	100
	*2006-07	192.96	0.88	0.26	Nil	194.10	99

The above table shows that collection of revenue at the pre-assessment stage ranged between 58 and 107 *per cent* during 2004-05 to 2006-07.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, the expenditure incurred on their collection and the percentage of such expenditure to the gross collection during the years 2004-05, 2005-06 and 2006-07 were as follows:

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

** Motor spirit tax was merged into the Maharashtra Value Added Tax with effect from 1 April 2005.

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2005-06
1.	Sales tax	2004-05 2005-06 2006-07	18,816.72 19,676.74 24,130.72	122.01 135.92 139.19	0.65 0.69 0.58	0.91
2.	State excise	2004-05 2005-06 2006-07	2,218.87 2,823.85 3,300.70	30.12 31.98 42.22	1.35 1.14 1.28	3.40
3.	Motor vehicles taxes	2004-05 2005-06 2006-07	1,177.14 1,309.11 1,841.06	41.06 38.91 41.06	3.49 2.97 2.23	2.67
4.	Stamp duty and registration fees	2004-05 2005-06 2006-07	4,116.49 5,265.86 6,415.72	41.69 96.25 60.73	1.01 1.83 0.95	2.87

1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs. 30,836.47 crore, of which Rs. 4,897.81 crore were outstanding for more than five years, as mentioned in the following table:

(Rupees in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than five years as on 31 March 2007	Remarks
1.	Sales tax etc.	30,824.22	4,893.98	Stay orders were granted by the appellate authorities for Rs. 8,428.18 crore; recovery proceedings for Rs. 18,530.98 crore were not initiated as the time limits were not over and the remaining amount was under different stages of recovery.
2.	State excise	5.63	1.84	Recoveries amounting to Rs. 3.08 crore were pending in the courts. Out of balance of Rs. 2.55 crore, Rs. 2.03 crore was in the process of recovery under the Land Revenue Act. The remaining Rs. 52 lakh was recoverable at the departmental level.
3.	Sale of jail articles	6.62	1.99	Suitable instructions were issued to the subordinate offices for speedy recovery of arrears.
	Total	30,836.47	4,897.81	

⁵ Figures as per the Finance Accounts.

1.6 Arrears in assessment

The details of cases pending assessment for the years 2004-05, 2005-06 and 2006-07, cases due for assessment during the years, cases disposed of during the years and the number of cases pending finalisation at the end of these years 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 under:

Name of tax	Year	Opening balance	New cases due for assessment	Total assessments due	Disposal			Balance at the end of the year	Percentage of column 9 to 5
					Cases not to be assessed ⁶	Cases disposed	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Finance Department									
Sales tax	2004-05	20,06,005	8,51,216	28,57,221	--	5,75,307	5,75,307	22,81,914	80
	2005-06	22,81,914	14,81,169	37,63,083	--	2,47,176	2,47,176	35,15,907	93
	2006-07	35,15,907	Nil ⁷	35,15,907	16,74,602	9,21,801	25,96,403	9,19,504	26
Motor spirit tax	2004-05	8,137	229	8,366	--	915	915	7,451	89
	2005-06	7,451	1,357	8,808	--	475	475	8,333	95
	2006-07	8,333	Nil ⁸	8,333	223	500	723	7,610	91
Profession tax	2004-05	7,76,082	2,50,287	10,26,369	--	3,67,633	3,67,633	6,58,736	64
	2005-06	6,58,736	2,20,750	8,79,486	--	1,72,393	1,72,393	7,07,093	80
	2006-07	7,07,093	2,28,437	9,35,530	--	3,08,041	3,08,041	6,27,489	67
Purchase tax on sugarcane	2004-05	1,419	--	1,419	--	419	419	1,000	70
	2005-06	1,000	162	1,162	--	58	58	1,104	95
	2006-07	1,104	93	1,197	--	488	488	709	59
Entry tax	2004-05	15	42	57	--	35	35	22	39
	2005-06	22	68	90	--	51	51	39	43
	2006-07	39	528	567	--	201	201	366	65
Lease tax	2004-05	5,709	1,164	6,873	--	1,205	1,205	5,668	82
	2005-06	5,668	1,398	7,066	--	606	606	6,460	91
	2006-07	6,460	Nil ⁹	6,460	189	720	909	5,551	86
Luxury tax	2004-05	6,624	1,874	8,498	--	1,447	1,447	7,051	83
	2005-06	7,051	1,888	8,939	--	1,456	1,456	7,483	84
	2006-07	7,483	1,019	8,502	--	1,212	1,212	7,290	86
Tax on works contracts	2004-05	1,20,693	38,317	1,59,010	--	15,836	15,836	1,43,174	90
	2005-06	1,43,174	38,236	1,81,410	--	8,483	8,483	1,72,972	95
	2006-07	1,72,972	Nil ¹⁰	1,72,972	3,570	13,540	17,110	1,55,862	90
Total	2004-05	29,24,684	11,43,129	40,67,813	--	9,62,797	9,62,797	31,05,016	
	2005-06	31,05,016	17,45,028	48,50,044	--	4,30,653	4,30,653	44,19,391	
	2006-07	44,19,391	2,30,077	46,49,468	16,78,584	12,46,503	29,25,087	17,24,381	

⁶ These cases were not to be assessed according to the Government Resolution dated 5 January 2007.

^{7, 8, 9, 10} No cases were identified for assessment by the department after the implementation of Value Added Tax.

The department informed (October 2007) that the huge pendency in assessments was due to diversion of manpower for implementation of the Maharashtra Value Added Tax (VAT) Act.

1.7 Evasion of tax

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

(Rupees in crore)

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2006	Cases detected during 2006-07	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalization as on 31 March 2007
					No. of cases	Amount of demand	
1.	Sales tax	3,812	1,001	4,813	2,379	404.51	2,434
2.	State excise	--	1	1	1	0.01	--

1.8 Write-off and waiver of revenue

During the year 2006-07, demands for Rs. 2.43 crore in 12,868 cases and Rs. 7.08 lakh in 26 cases, relating to Sales Tax and State Excise were written off by the departments as irrecoverable due to the following reasons :

(Rupees in lakh)

Sl. No.	Reasons	Sales tax		State excise	
		No. of cases	Amount	No. of cases	Amount
1.	Whereabouts of defaulters not known	12,270	234.85	7	4.83
2.	Defaulters no longer alive	--	--	9	0.74
3.	Defaulters not having any property	596	5.79	4	0.63
4.	Defaulters adjudged insolvent	--	--	2	0.30
5.	Other reasons	--	--	--	--
6.	Remission of penalty	2	2.83	4	0.58
	Total	12,868	243.47	26	7.08

1.9 Refunds

The number of refund cases pending at the beginning of the year 2006-07, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2006-07, as reported by the departments were as under:

(Rupees in crore)

Sl. no.	Particulars	Sales tax and works contracts		Taxes and duties on electricity		State excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	2,902*	96.23	31	4.13	121	0.56
2.	Claims received during the year	42,573	1,855.92	178	10.16	31	0.77
3.	Refunds made during the year	39,694	1,799.84	183	10.29	65	0.26
4.	Balance outstanding at the end of the year	5,781	152.31	26	4.00	87	1.07

1.10 Results of audit

Test check of the records relating to 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 2006-07 revealed under assessments/short levy/loss of revenue amounting to Rs. 545.16 crore in 16,020 cases. During the course of the year, the departments accepted under assessments of Rs. 54.37 crore in 12,626 cases pointed out in 2006-07 and earlier years and recovered Rs. 41.78 crore. No replies had been received in respect of the remaining cases (October 2007).

This report contains 32 paragraphs including three reviews relating to non/short levy of taxes, duties, interest and penalty etc., involving Rs. 854.63 crore. The departments/Government accepted audit observations involving Rs. 461.86 crore, of which Rs. 2.77 crore had been recovered upto October 2007. No replies have been received in the other cases (October 2007).

1.11 Response of the Government to audit observations

The Principal Accountant General (Audit)-I, Mumbai and the Accountant General (Audit)-II, Nagpur arrange to conduct periodical inspections of the various offices of the Government departments to test check transactions of the tax and non-tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These

* Reconciled position furnished by the department.

inspections are followed by inspection reports (IRs) issued to the heads of offices, with copies to the next higher authorities. The Government of Maharashtra, Finance Department's circular dated 10 July 1967 provides for response by the executive to the IRs issued by the Accountants General (AsG), within one month, after ensuring action in compliance of the observations made during audit inspections. Serious irregularities are also brought to the notice of the heads of departments by the offices of the AsG. Half yearly reports are sent to the Secretaries of the concerned departments in respect of the pending IRs to facilitate the monitoring of audit observations.

Inspection reports issued upto 31 December 2006, pertaining to offices under the Finance; Home; Revenue and Forests; Industries, Energy and Labour; Housing; Urban Development; Co-operation and Textiles; Irrigation; Agriculture, Animal Husbandry, Dairy Development and Fisheries; Public Health; Public Works and Education and Employment departments disclosed that 10,481 observations relating to 4,664 IRs involving Rs. 916.41 crore, remained outstanding at the end of June 2007. Of these, 1,763 IRs containing 3,293 observations involving Rs. 365.83 crore had not been settled for more than four years. The year-wise position of the outstanding IRs and paragraphs is detailed in the Annexure-I.

In respect of 1,213 paragraphs relating to 455 IRs involving Rs. 118.34 crore, issued upto December 2006, 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 from various departments, revealed that the heads of the offices and the heads of the departments (Secretaries) had failed to send replies to a large number of IRs/paragraphs, indicating that proper action was not being taken to rectify the defects, omissions and irregularities pointed out in the IRs issued by the AsG. The Secretaries of the departments, who were informed of the position through half yearly reports, did not ensure prompt and timely action. Such inaction could result in the perpetuation of serious financial irregularities and loss of revenue to the Government, despite these having been pointed out in audit.

The details of outstanding IRs were reported to the Government in August 2007; their reply had not been received (October 2007).

1.12. Departmental audit committee meetings

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

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 in respect of all the audit observations outstanding for more than a year, leading to their settlement. During the year 2006-07, four meetings each were convened by the Finance Department and the Revenue and Forests Department. Meetings were not held by the Home; Urban Development;

Industries, Energy and Labour; Housing; Relief and Rehabilitation and Irrigation departments. This indicated that the Government departments did not make effective use of the machinery created for settling outstanding audit observations.

1.13 Response of the departments to draft audit paragraphs

The Finance Department issued directions to all the departments in July 1967 to send their responses 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 were forwarded by the respective Audit offices to the Secretaries of the concerned departments through demi-official letters, drawing their attention to the audit findings and requesting them to send their response within the prescribed time. The fact of non-receipt of replies from the Government was invariably indicated at the end of each 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 2007 were forwarded to the Secretaries of the respective departments between April and August 2007 through demi-official letters. Replies to most of the paragraphs have not been received. Such paragraphs (clubbed into 32 paragraphs) have been included in this report.

1.14 Follow-up on Audit Reports - summarised position

According to the instructions issued by the Finance Department, all the departments were required to furnish explanatory memoranda, 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.

A review of the outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) which were still to be discussed by the PAC, disclosed that as on 30 September 2007, the departments had not submitted remedial explanatory memoranda on 58 paragraphs for the years from 1997-98 to 2004-05 (excluding 1999-2000)* as detailed below:

* 1999-2000 – Explanatory memoranda were received and the Audit Report discussed.

Sl. no.	Name of the department	1997-98	1998-99	2000-01	2001-02	2002-03	2003-04	2004-05	Total
1.	Revenue and forests	4	2	--	5	1	6	5	23
2.	Finance	--	--	--	--	--	1	--	1
3.	Home	1	--	--	1	1	1	1	5
4.	Urban development	--	--	1	2	2	2	2	9
5.	Industries, energy & labour	--	--	--	1	2	1	1	5
6.	Housing	--	--	--	2	2	2	1	7
7.	Relief and rehabilitation	--	3	--	1	1	--	--	5
8.	Public Works	--	1	--	--	--	--	--	1
9.	Medical and public health	--	--	--	--	--	1	--	1
10.	Co-operation	--	--	--	--	--	1	--	1
	Total	5	6	1	12	9	15	10	58

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 162 selected paragraphs pertaining to the Audit Reports for the years from 1986-87 to 1999-2000 and their recommendations on 82 paragraphs were incorporated in their 27th Report (1994-95), 9th Report (1995-96), 12th, 13th, 14th and 18th Reports (1996-97), 21st Report (1997-98), 5th Report (2000-01), 12th Report (2002-03), 5th Report (2006-07) and 6th Report (2007-08). However, ATNs had not been received in respect of 50 recommendations of the PAC from the departments concerned as mentioned in the following table:

Audit Report (Revenue Receipts) for the year ended 31 March 2007

Year	Name of the department					Total
	Home	Finance	Revenue and Forest	Industries, Energy and Labour	Relief and Rehabilitation	
1986-87	--	--	1	--	--	1
1987-88	--	1	--	--	--	1
1988-89	--	1	--	--	--	1
1989-90	1	2	4	--	--	7
1990-91	7	4	2	--	--	13
1991-92	1	--	--	1	1	3
1992-93	1	--	1	1	--	3
1993-94	3	1	2	--	--	6
1995-96	--	--	1	--	--	1
1996-97	--	--	1	--	2	3
1997-98	--	1	3	--	--	4
1998-99	--	1	5	--	--	6
1999-2000	--	--	--	--	1	1
Total	13	11	20	2	4	50

1.15 Recovery of revenue of accepted cases

During the period from 2001-02 to 2005-06, the departments/Government accepted audit observations involving Rs. 1,910.95 crore, out of which an amount of Rs. 770.85 crore had been recovered till 31 March 2007 as mentioned below:

(Rupees in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2001-02	493.85	206.13	97.77
2002-03	1,999.22	553.98	52.61
2003-04	1,246.50	693.77	590.02
2004-05	555.47	333.92	27.97
2005-06	1,332.03	123.15	2.48
Total	5,627.07	1,910.95	770.85

Despite the matter being taken up with the concerned Secretaries as well as the Chief Secretary a number of times, the position relating to recovery of dues as pointed out by Audit, remains highly unsatisfactory.

CHAPTER II : SALES TAX

2.1 Results of audit

Test check of the records of the Sales Tax Department conducted during the year 2006-07, revealed under assessment/short levy/loss of revenue amounting to Rs. 13.08 crore in 633 cases, which broadly fell under the following categories:

(Rupees in crore)

Sl. no.	Category	No. of cases	Amount
1.	Non/short levy of tax	315	4.51
2.	Incorrect allowance of set-off	156	1.37
3.	Non/short levy of interest/penalty	27	0.17
4.	Omission to forfeit tax collected in excess	11	0.09
5.	Other irregularities	124	6.94
	Total	633	13.08

During 2006-07, the department accepted under assessments and other deficiencies involving Rs. 15.55 crore in 1,032 cases, out of which 89 cases involving Rs. 26 lakh were pointed out during 2006-07 and the rest during the earlier years. The department recovered Rs. 2.96 crore. In 11 other cases involving revenue of Rs. 7.14 lakh, action was stated to be time barred.

A few illustrative cases involving a financial effect of Rs. 8.97 crore are mentioned in the following paragraphs against which an amount of Rs. 14.52 lakh had been recovered upto October 2007.

2.2 Short levy of tax under the Works Contract Tax Act

2.2.1 Under the provisions of the Maharashtra Sales Tax on the transfer of property in goods involved in the execution of the Works Contracts Tax (WCT) (Re-enacted) Act, 1989 and the Rules made thereunder, the rate of composition tax was two *per cent* from May 1998 (one *per cent* for April 1998) of the total contract value in respect of construction contracts¹ and three *per cent* of the total contract value for other contracts. The composition tax in respect of all types of contracts was revised to three *per cent* for the year 2000-01 and four *per cent* thereafter. Besides, interest and penalty were also leviable as per the provisions of the BST Act.

During test check of the records of three divisions² between September 2002 and September 2006, it was noticed in the assessments of four dealers finalised between September 2001 and December 2005 for the period between 1998-99 and 2001-02 that due to incorrect application of rate of composition tax, there was under assessment of tax of Rs. 2.44 crore including interest.

After the cases were pointed out, the department revised the assessments/rectified the mistakes between February 2006 and February 2007, raising additional demands including penalty. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.2.2 Under the provisions of the WCT Act and the Rules made thereunder, every dealer was required to obtain a certificate of registration under the Act if the turnover of sales or purchases exceeded Rs. 2 lakh in a year. Tax at the rate specified in the schedule to the Act was leviable on the turnover of sales involving transfer of property of goods in the execution of works contracts. Besides, interest and penalty were leviable as per the provisions of the BST Act.

Scrutiny of the records of Ghatkopar division in March 2004 revealed that a dealer registered under the BST Act, purchased taxable goods valued as Rs. 36.40 lakh during 1998-99 to 2001-02 for utilisation in job work. Further scrutiny, however, revealed that the dealer was not registered under the WCT Act and no action was taken by the assessing officer (AO) to register him and assess the tax payable on the basis of the particulars of purchases available in the records of the dealer submitted under the BST Act. Thus, goods valued as Rs. 36.40 lakh escaped tax amounting to Rs. 7.42 lakh including interest.

After the case was pointed out, the department accepted the audit observation and assessed the dealer in November 2006 raising an additional demand of Rs. 7.59 lakh including penalty, against which the dealer filed an appeal. The

¹ Construction contracts include contracts for buildings, roads, runways, bridges, flyover bridges, railway overbridges, dams, tunnels, canals, barrages, diversions, rail tracks, causeways, subways, water supply schemes, sewerage works, drainage works, swimming pools, water purification plants etc.

² Andheri, Bandra and Nariman Point (2).

report on development in respect of the appeal had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply had not been received (October 2007).

2.3 Incorrect grant of set-off

2.3.1 According to the Bombay Sales Tax (BST) Act, 1959 and Rule 41D of BST Rules, 1959, a manufacturer who had paid tax on purchase of goods specified in entry 6 of Schedule 'B' and 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 tax paid on purchases at the prescribed rates. Where the manufactured goods were transferred to the branches otherwise than as sale, set-off was to be allowed proportionately. Besides, interest and penalty were leviable as per the relevant provisions of the BST Act.

2.3.1.1 During test check of the records of 12 divisions³ between March 2003 and June 2006, it was noticed that in the assessments finalised between March 2002 and January 2006 of 24 dealers for the period between 1996-97 and 2002-03, set-off was incorrectly granted either on purchases which did not qualify for set-off or due to mistakes in computation. This resulted in under assessment of tax of Rs. 95.24 lakh, including interest. A few illustrative cases are mentioned in the following table:

(Rupees in lakh)

Sl. no.	Division No. of dealer	Period Month of assessment	Nature of irregularity	Under assessment including interest
1.	<u>Andheri</u> 1	<u>1999-2000</u> August 2004	Set-off was incorrectly allowed without verifying the purchase invoices and details of tax paid purchases from the books of accounts of the dealer.	58.77
2.	<u>Nashik</u> 1	<u>1999-2000</u> March 2003	Set-off on manufactured goods transferred to branches outside Maharashtra was incorrectly calculated, resulting in excess set-off.	7.73
3.	<u>Bandra</u> 1	<u>1999-2000</u> April 2003	Set-off was incorrectly allowed without identification of goods purchased against form '31'* or on surcharge and turnover tax.	5.22

³ Andheri (4), Bandra (2), Borivali, Ghatkopar, Kolhapur, Mazgaon, Nashik (2), Nariman Point, Pune-I (4), Pune-II (5), Thane and Worli.

* A certificate issued by the selling dealer confirming that sale price is inclusive of the tax leviable.

2.3.1.2 During test check of the records of the Sales Tax Officer (STO), Yavatmal, it was noticed in May 2005 that while finalising (March 2004) assessment of a dealer manufacturing sugar for the period 1999-2000, set-off of Rs. 15.97 lakh on purchase of goods valued as Rs. 74.88 lakh was allowed by the AO though a certificate in form '31' had not been furnished by the dealer in support of the payment of tax. This incorrect grant of set-off resulted in under assessment of tax of Rs. 17.17 lakh, including interest.

After the cases were pointed out, the department revised the assessments or reassessed the dealers between February 2005 and January 2007 and raised additional demands totalling Rs. 1.13 crore including penalty. Two dealers paid Rs. 2.08 lakh. A report on recovery in the remaining cases had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply has not been received (October 2007).

2.3.2 According to Rule 43C of the BST Rules, a registered dealer was entitled to set-off of taxes paid on the turnover of purchases of goods from other dealers registered in Maharashtra provided the goods so purchased are resold within a period of nine months from the dates 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. Besides, interest and penalty were leviable as per the relevant provisions of the State Act.

During test check of the records of four divisions⁴ between May 2003 and March 2006, it was noticed in the assessments of eight dealers, finalised between August 2002 and April 2005 for the period between 1999-2000 and 2002-03, that set-off was incorrectly allowed on purchases which did not qualify for set-off or were incorrectly computed. This resulted in under assessment of tax of Rs. 55.65 lakh, including interest.

After the cases were pointed out, the department revised/rectified the assessments between August 2004 and January 2007, raising additional demands totalling Rs. 55.67 lakh including penalty. Against this, two dealers paid Rs. 1.58 lakh. A report on recovery in the remaining cases had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.3.3 Under the provisions of Rule 42L of the BST Rules, a dealer was entitled to set-off of tax paid on purchases effected from 1 May 2000 in respect of Indian made foreign liquor and from 1 April 2002 in respect of fermented liquor (beer) as specified in entry 22 in Part II of Schedule C. Besides, interest and penalty were leviable as per the relevant provisions of the State Act.

During test check of the records of three divisions⁵ between January 2004 and November 2005, it was noticed in the assessments finalised between December 2002 and April 2004 of five dealers for the period 2000-01 to 2001-02 that set-off was incorrectly allowed on purchases which did not qualify for

⁴ Andheri (2), Borivali (3), Churchgate and Nariman Point (2).

⁵ Ghatkopar, Thane (2) and Worli (2).

set-off or set-off was incorrectly calculated. This resulted in under assessment of tax of Rs. 10.23 lakh, including interest.

After the cases were pointed out, the department rectified the mistakes between November 2004 and December 2006 and raised additional demands totalling Rs. 10.24 lakh, including penalty. Against this, two dealers paid Rs. 4.23 lakh. A report on recovery in respect of the remaining cases had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply had not been received (October 2007).

2.3.4 Under the provisions of Rule 41F⁶ of the BST Rules, a manufacturer was entitled to full set-off of tax paid on purchases of goods used by him within the State in the manufacture of specified goods for sale. Besides, interest and penalty were leviable as per the relevant provisions of the State Act.

During test check of the records of three divisions⁶ between April 2004 and March 2005, it was noticed in the assessments of three dealers, finalised between April 2003 and January 2004 for the period between 1997-98 and 2001-02, that set-off was either incorrectly computed or allowed on purchases used in the manufacture of goods such as IV⁷ sets, lead sheets and lead ingots which did not fall under the category of specified goods. This resulted in under assessment of tax of Rs. 7.29 lakh, including interest.

After the cases were pointed out, the department revised the assessment orders between October 2005 and January 2007, raising additional demands totalling Rs. 7.32 lakh, including interest and penalty. A report on recovery had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply had not been received (October 2007).

2.3.5 Under the provisions of Rule 42H of the BST Rules, 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 the purchase of goods. With effect from 1 April 1999, a dealer holding a trade mark or patent in respect of goods sold by him was entitled to set-off of tax paid on the purchases. Besides, interest and penalty were leviable as per the relevant provisions of the State Act.

During test check of the records of four divisions⁸ between December 2003 and February 2006, it was noticed in the assessments finalised between August 2002 and January 2005 of four dealers for periods falling between 1 April 1996 and 31 March 2001 that set-off was allowed in excess due to mistake in computation of purchases consumed in sales. This resulted in under assessment of tax of Rs. 5.63 lakh, including interest.

After the cases were pointed out, the department rectified/revised the assessments between July 2005 and January 2007 and raised additional

⁶ Andheri, Mandvi and Nashik.

⁷ Intravenous sets

⁸ Andheri, Bandra, Ghatkopar and Pune-I.

demands totalling Rs. 5.68 lakh, including interest and penalty. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.4 Non-levy of purchase tax

2.4.1 Under the provisions of the BST Act and the Rules made thereunder, where a dealer purchased any goods specified in Schedule B or C from an unregistered dealer, then unless the goods so purchased were resold, purchase tax was leviable on the turnover of such purchases at the rates set out against each good in the schedules to the Act. Besides, interest/penalty was payable as per the provisions of the Act.

During test check of the records of Mumbai Enforcement B and Nariman Point divisions in August 2003 and June 2004, it was noticed in the assessments of two dealers finalised in July 2002 and March 2004 for the period 1 April 1998 to 31 March 1999, that on the turnover of purchases of Rs. 7.75 crore effected from unregistered dealers which were not resold, purchase tax which was leviable was not levied. This resulted in under assessment of tax of Rs. 1.13 crore, including interest.

After the cases were pointed out, the department rectified the assessments in May and August 2006, raising additional demands totalling Rs. 1.13 crore, including interest and penalty. In one case, the department issued a revenue recovery certificate (RRC) under the Maharashtra Land Revenue (MLR) Code for the recovery of dues. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.4.2 Under the provisions of the BST Act, the Government, by a notification issued in October 1995, exempted certain classes of purchases from payment of tax, subject to certain conditions. If the conditions were not complied with, purchase tax was leviable on the purchase price of the goods at the rates specified in the schedule to the Act. The amount of tax paid on such purchases was to be set-off against the purchase tax so leviable. Besides, surcharge and interest at prescribed rates were also leviable as per the provisions of the Act.

During test check of the records of Andheri division between September 2003 and July 2004, it was noticed in the assessments of a dealer finalised in February 2003 and June 2003 for the period 1999-2000 and 2000-01 that raw material worth Rs. 2.28 crore purchased by a manufacturer on declarations in form G⁹ were exempted from payment of tax. Further scrutiny revealed that these goods were not used within the SEEPZ in the manufacture of goods for export outside the territory of India as required under the notification. Thus, the tax exemption allowed was incorrect, resulting in non-levy of purchase tax of Rs. 15.31 lakh including surcharge and interest.

⁹ Form G entitles a registered dealer in Santacruz Electronic Export Processing Zone (SEEPZ) to purchase goods without payment of tax subject to certain conditions.

After the case was pointed out, the department revised the assessments in January 2006, raising an additional demand of Rs. 23.05 lakh including surcharge with interest and penalty. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.4.3 Under the provisions of the BST Act, if a dealer had purchased any goods specified in Part I of Schedule C of the Act and used such goods in the manufacture of taxable goods and had despatched those manufactured goods to his own place of business or to his agent's place of business situated outside the State within India, then such a dealer was liable to pay purchase tax at the rate of two *per cent* on the turnover of such purchases with effect from 1 October 1995. Besides, surcharge and interest were leviable as per the provisions of the Act.

During test check of the records of Ghatkopar, Nariman Point and Nashik divisions between December 2002 and May 2005, it was noticed in the assessments of three dealers finalised between May 2001 and March 2005, that purchase tax was not levied on purchase of goods valued as Rs. 4.31 crore during the period falling between 1 April 1998 and 31 March 2002. This resulted in under assessment of tax of Rs. 9.21 lakh including interest.

After the cases were pointed out, the department rectified/revised the assessments in two cases and reassessed the third dealer between May 2005 and May 2006, raising additional demands totalling Rs. 9.21 lakh, including interest. In one case, the department adjusted Rs. 34,000 against the refund payable. A report on recovery in the remaining cases had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.5 Non/short levy of interest/penalty

Under the BST Act, if any tax remained unpaid on the date prescribed for filing of the last return in respect of the period of assessment, the dealer was required to pay simple interest at the rate of two *per cent* (1.25 *per cent* with effect from July 2004) 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 was earlier. The Act also provided for levy of penalty if a dealer concealed the particulars of any transaction liable to tax. If the amount of tax paid by the dealer was found to be less than 80 *per cent* of the amount of tax assessed, then he was deemed to have concealed the turnover liable to tax and penalty not exceeding the amount of tax due was leviable. The provisions were also applicable for levy of interest and penalty under the Central Sales Tax (CST) Act.

During test check of the records of Borivali and Nariman Point divisions between June 2004 and January 2006, it was noticed in the assessments of three dealers finalised between October 2003 and March 2005 for the period between 1995-96 and 1998-99, that two dealers paid tax of Rs. 2.38 crore

belatedly. The delays ranged between 82 and 91 months, for which interest was either not levied or levied short. In another case, the dealer concealed turnover of Rs. 24.19 lakh, being purchases from unregistered dealers during the period 1998-99 and also paid less than 80 per cent of the total tax levied for which penalty upto Rs. 53.86 lakh was leviable but was not levied. This resulted in non/short levy of interest of Rs. 67.01 lakh and penalty upto Rs. 53.86 lakh.

After the cases were pointed out, the department levied interest and penalty of Rs. 67.01 lakh and Rs. 28.60 lakh respectively. Of this, in one case, the department issued an RRC to recover the dues under the MLR Code. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.6 Short levy of sales tax

Under the provisions of the BST Act, the rate of tax leviable on any commodity was determined with reference to the relevant entry in Schedule B or C of the Act. Further, the State Government, by notification from time to time, exempted certain sales or purchases from payment of tax in full or any part thereof, which was payable under the provisions of the Act, subject to such conditions as were prescribed. Besides, turnover tax, surcharge and interest were also leviable as per the provisions of the Act.

During test check of the records of 11 divisions¹⁰ between July 2001 and March 2006, it was noticed in the assessments of 30 dealers finalised between March 2001 and March 2005, for the period between 1996-97 and 2002-03, that there was under assessment of tax of Rs. 94.46 lakh, due to application of incorrect rates of tax, incorrect exemptions, non-levy of tax, incorrect levy of concessional rates of tax and incorrect deductions from the turnover of sales. A few illustrative cases are mentioned in the following table:

¹⁰ Andheri (4), Bandra (4), Churchgate (2), Ghatkopar (2), Mandvi (2), Nashik (2), Nariman Point (5), Pune-I (2), Pune-II (4), Thane and Worli (2).

(Rupees in lakh)											
Sl. No.	Division No. of dealer	Period Month of assessment	Name of commodity	Nature of irregularity	Taxable turnover	Rate of tax		Under assessment			Total
						Leviable	Levied	Tax	SC	Interest	
1.	Nariman Point 1	1997-98 March 2001	Cakes and pastries	Counter sales of cakes and pastries in a five star hotel were taxed at eight per cent instead of 20 per cent.	199.16	20	8	23.90	--	2.84	26.74
2.	Mandvi 1	2000-01 and 2001-02 April 2003	Lead sheets	Incorrect classification of a commodity led to tax being levied at a lower rate.	81.08	13	4	7.30	0.73	1.81	9.84
3.	Ghatkopar 1	1998-99 and April 1999 to February 2000 July 2001	Indian made foreign liquor (IMFL)	Payment of tax at reduced rates was incorrectly allowed to unregistered dealers instead of the full rate of tax.	55.29	20	8	6.63	--	9.66	16.29
4.	Nashik 1	18.3.99 to 31.3.99 and April 1999 to July 1999 November 2003	Country liquor, Wine, IMFL		14.31	13	Nil	1.86	--	--	1.86
					1.27	8	Nil	0.10	--	--	0.10
					15.87	20	8	1.91	--	3.44	5.35
5.	Pune-I 1	1999-2000 June 2003	Mouth freshener	Mouth freshener was incorrectly classified as 'raw saunf' and taxed at four per cent.	43.63	13	4	3.93	0.39	1.64	5.96
Total											66.14

After the cases were pointed out, the department rectified/revised the assessments or reassessed the dealers between July 2005 and January 2007, raising additional demands totalling Rs. 95.80 lakh, including interest, penalty and forfeiture of tax, against which one dealer paid Rs. 41,000 while three dealers filed appeals. A report on recovery in respect of the remaining cases and the developments in the cases in appeal had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

2.7 Irregular exemption on sales against form 14B/H

Under the provisions of the CST Act, the last sale or purchase of any goods preceding the sale occasioning the export of those goods out of the territory of India is deemed to be in the course of export and is exempt from tax, provided the last sale or purchase takes place and is 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 in and signed by the exporter, along with evidence of export of such goods. Further, it has been judicially¹¹ held that packing material which is used as the ordinary mode for packing and transportation of goods is not the subject matter of export and hence is not eligible for exemption from tax.

During test check of the records of 10 divisions¹² during July 2002 and January 2006, it was noticed in the assessments of 15 dealers finalised between June 2001 and August 2004 for the period between 1994-95 and 2002-03, that sale of goods of Rs. 7.50 crore were exempted from levy of tax though the claims were not supported by the prescribed certificates/complete certificates or documentary evidence in relation to the exports. In respect of one dealer, packing materials used as the ordinary mode for packing of goods to be exported out of India were incorrectly exempted from tax. This resulted in under assessment of tax of Rs. 76.68 lakh including interest.

After the cases were pointed out, the department raised between July 2004 and January 2007, additional demands totalling Rs. 76.73 lakh including penalty. Three dealers paid Rs. 5.41 lakh under the amnesty scheme while three dealers filed appeals. The reports on the developments in the appeal cases and recovery in the remaining cases had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.8 Non/short levy of turnover tax/surcharge

Under the provisions of the BST Act, as amended on 31 March 1999, turnover tax at the rate of one *per cent* on the turnover of sale of goods specified in Schedule C after deducting resale of goods from such turnover and surcharge at the rate of 10 *per cent* of the tax payable where the aggregate of taxes payable by a dealer exceeded Rs. 1 lakh in any year were leviable. From 1 April 2001, surcharge at the rate of 10 *per cent* of the taxes payable was leviable in all cases. Turnover tax was also leviable on the turnover of sales supported by declarations under the BST Act. Besides, interest and penalty were leviable as per the provisions of the Act.

During test check of the records of six divisions¹³ between November 2003 and February 2006, it was noticed in the assessments of eight dealers, finalised between January 2003 and September 2004 for the period between 1999-2000 and 2001-02, that turnover tax and surcharge were either not levied or levied

¹¹ Packwell Industries Pvt. Ltd v/s State of Tamil Nadu (51 STC 329)

¹² Andheri, Bandra (2), Borivali (2), Enforcement A, Ghatkopar (3), Mandvi, Nariman Point, Pune-II, Thane (2) and Worli.

¹³ Borivali, Ghatkopar (2), Nashik, Nariman Point, Pune-II (2) and Thane.

short. This resulted in under assessment of tax of Rs. 36.57 lakh including interest.

After the cases were pointed out, the department revised the assessments/ reassessed the dealers between May 2005 and September 2006, raising additional demands totalling Rs. 36.63 lakh, including penalty. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.9 Short levy of central sales tax

Under the provisions of the CST Act, tax on sales in the course of inter State trade or commerce supported by valid declarations in form C is leviable at the rate of four *per cent* of the sale price. Otherwise, tax is leviable 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 the sale or purchase of such goods inside the State, whichever is higher. Besides, interest and penalty are leviable as per the relevant provisions of the State Act.

During test check of the records of eight divisions¹⁴ between July 2002 and February 2006, it was noticed in the assessments of 11 dealers finalised between October 2001 and March 2005 for the period between 1997-98 and 2003-04 that inter State sales of Rs. 2.95 crore were subjected to tax at concessional rate though these were either not supported by declarations or were supported by invalid declarations. This resulted in under assessment of tax of Rs. 13.71 lakh including interest.

After the cases were pointed out, the department rectified the assessments between January 2005 and February 2007 and raised additional demands totalling Rs. 13.73 lakh including penalty, against which one dealer paid Rs. 47,000. A report on recovery in the remaining cases had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.10 Incorrect summary assessment

Under the provisions of the BST Act, an AO was empowered to make a summary assessment in respect of a dealer by accepting his returns and satisfying himself that the returns furnished were correct and complete.

During test check of the records of Bandra and Ghatkopar divisions in April 2005 and February 2006, it was noticed in the returns of two dealers accepted for summary assessments in October 2002 and October 2004 for the period between 1998-99 and 2002-03 that there were anomalies in the claims on account of resales/taxable sales as compared to the purchases from the registered dealers during the relevant periods.

¹⁴ Andheri, Bandra (3), Churchgate (2), Ghatkopar, Mazgaon, Nariman Point, Thane and Worli.

After the cases were pointed out, the department accepted the audit observation and revised/rectified the assessments in June and December 2006, raising additional demands totalling Rs. 14.95 lakh, including interest. A report on recovery had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

2.11 Claim for compensation of loss of revenue due to introduction of Value Added Tax

2.11.1 Introduction

Value added tax (VAT) was implemented in Maharashtra with effect from April 2005. The Government of India (GOI) agreed to compensate the State Government for loss of revenue consequent to the implementation of VAT and issued guidelines in June 2006 on the modalities for calculation of compensation claims. As per the guidelines, VAT receipts were to be compared with the revenue of the pre-VAT period, suitably extrapolated on the basis of the average growth of the rate of revenue of the previous five years. Further, motor spirit tax (MST) receipts, tax on liquor and credits on account of input tax (ITC) under VAT adjusted against CST were to be excluded while computing the receipts. These amounts were to be deducted from the total revenue collection for the year 2005-06. The resultant net revenue was to be compared with the projected tax revenue for 2005-06 to arrive at the loss due to the introduction of VAT. The compensation was allowable at 100 *per cent* of such loss of revenue during the year 2005-06. The State Government preferred (September 2006) their final compensation claim of Rs. 3,548.42 crore for the year 2005-06, against which the GOI sanctioned Rs. 1,374.64 crore upto September 2006.

The refunds granted and MST (non-VAT revenue) allowed as per the returns relating to the period from April 2005 to March 2006 in the Nariman Point (Mumbai) and Pune divisions (outside Mumbai) were scrutinised in audit between December 2006 and February 2007. The total amount of refund involved in the compensation claims under VAT was Rs. 1,637.33 crore, of which Rs. 423.46 crore was involved in 719 cases which were test checked in audit. Besides, receipts of Rs. 5,818.53 crore relating to MST in the case of eight oil companies were also test checked.

The important audit findings are mentioned below :

2.11.2 Inclusion of inadmissible refunds in the claim

2.11.2.1 According to the modalities prescribed by the GOI, tax refunds allowed by the department relating to VAT items only are to be taken into consideration for claiming compensation.

The Government of Maharashtra considered the total refunds of Rs. 1,637.33 crore allowed during 2005-06 for compensation. Of this, Rs. 554.80 crore¹⁵

¹⁵ Total refunds granted by the Pay and Accounts Office, Mumbai were Rs. 684.23 crore against which Rs. 129.43 crore pertaining to Raigad division have been excluded.

related to nine divisions¹⁶ of Mumbai and Rs. 410.64 crore related to Pune division. However, as per the information furnished to Audit by the Sales Tax Department, the refunds relating to VAT amounted to Rs. 203.44 crore for Mumbai division and Rs. 375.64 crore for Pune division. This indicated that in these divisions, a total amount of Rs. 386.36 crore[§] related to refunds granted under the Bombay Sales Tax (BST) Act, 1959 which was ineligible for compensation.

In reply, the department stated (March 2007), that refunds were allowed from the total receipts of the department, which included both VAT and BST. These receipts were not separately classified into VAT receipts and BST receipts, because that was neither feasible nor cost effective. The department further stated that this view had been accepted by the GOI. The reply of the department is not tenable as this test check was conducted only after the GOI requested Audit in November 2006 to offer comments on the compensation claim preferred by the Government of Maharashtra. In addition, according to the modalities prescribed by the GOI, only tax refunds relating to VAT items are to be taken into consideration for claiming compensation. The Government of Maharashtra belatedly opened a separate detailed head (00) (02) under sub-head 102 to account for the receipts under VAT in August 2006. Belated opening of the detailed head of account for the VAT receipts led to deposit of tax under both BST and VAT Acts in the same head of account during the period from April 2005 to July 2006.

2.11.2.2 In two cases in Pune division, refunds of Rs. 11.98 lakh for the period from April 2005 to December 2005 and October 2005 to February 2006 were made in January 2006 and March 2006 respectively. Since the refunds were due to the set-off allowed on the purchase of liquor which was a non-VAT item, the refund considered for compensation was incorrect.

The department, while agreeing with the audit observation, stated that the amount involved was negligible. The reply is not tenable as these irregularities were noticed as a result of test check of records of only two divisions. Further reply has not been received (October 2007).

2.11.2.3 In the case of a dealer of Nariman Point division, it was noticed that exemption on branch transfer of Rs. 1.22 crore was allowed under the CST Act. However, as per the CST Act, production of form 'F' had been made mandatory from May 2002. Thus the branch transfer of jewellery of Rs. 1.22 crore, not supported with form 'F', should have been treated as inter State sales and taxed at the scheduled rate of one *per cent*. This resulted in short levy of tax of Rs. 1.22 lakh.

The department, while agreeing with the audit observation, stated that the amount involved was negligible. The reply is not tenable as this irregularity was noticed as a result of test check of records of only two divisions. A report on recovery had not been received (October 2007).

¹⁶ Andheri, Bandra, Borivali, Churchgate, Ghatkopar, Mandvi, Mazgaon, Nariman Point and Worli.

[§] Ineligible amount = Rs. (554.80 - 203.44) crore + Rs. (410.64 - 375.64) crore = Rs. 386.36 crore

2.11.3 Incorrect adjustment of non-VAT tax revenue items

According to the guidelines of the GOI, receipts on account of MST, are to be excluded while computing the compensation claims. The compensation claim preferred by the State Government included a deduction of Rs. 5,818.53 crore on account of MST receipts in respect of eight oil companies, from the total VAT receipts of Rs. 17,229.46 crore during the year 2005-06. Scrutiny of the returns of two companies¹⁷ revealed that as against receipts of Rs. 1,854.24 crore shown in the return, Rs. 1,871.78 crore had been considered for deduction. This resulted in excess deduction of Rs. 17.54 crore from the VAT receipts, leading to an excess claim of compensation to that extent.

After the cases were pointed out, the department accepted the audit observation. A report on final adjustment had not been received (October 2007).

¹⁷ Hindustan Petroleum Corporation Ltd (HPCL) and Indo Burma Petroleum Company (IBP Co.).

CHAPTER III: STAMP DUTY AND REGISTRATION FEES

3.1 Results of audit

Test check of the records relating to stamp duty and registration fees conducted during the year 2006-07 revealed non/short levy of duty and loss of revenue etc. amounting to Rs. 174.34 crore in 567 cases, which broadly fell under the following categories:

(Rupees in crore)

Sl. no.	Category	Number of cases	Amount
1.	Concessions in Stamp Duty (A review)	01	133.49
2.	Non-levy of stamp duty on instruments executed by co-operative societies	58	2.46
3.	Incorrect grant of exemption of stamp duty and registration fees	30	1.90
4.	Short levy due to misclassification of documents	29	10.51
5.	Short levy due to under valuation of property	444	25.66
6.	Other irregularities	05	0.32
	Total	567	174.34

During the year 2006-07, the department accepted under assessments, short levy etc. in 166 cases and recovered Rs. 6.72 crore, of which three cases involving Rs. 5.75 crore were pointed out during 2006-07 and the rest in earlier years.

A review on 'Concessions in Stamp Duty' involving financial effect of Rs. 133.49 crore and a few illustrative cases involving financial effect of Rs. 2.20 crore are mentioned in the following paragraphs.

3.2 Concessions in stamp duty

Highlights

Revenue remitted during 2002-07 on account of grant of concession in stamp duty could not be quantified by the Inspector General of Registration in the absence of a centralised database.

(Paragraph 3.2.6)

Non-installation of a system to obtain periodical information from the Registrar of Companies resulted in unintended extension of concession of stamp duty amounting to Rs. 72.53 crore.

(Paragraph 3.2.7)

Absence of a penal provision and withdrawal of concession already availed of in case of subsequent violation of conditions for grant of concession led to undue extension of concession of stamp duty of Rs. 12.82 crore.

(Paragraph 3.2.8.2 & 3)

Internal control mechanism was weak as is evidenced by the arrears in annual inspection of registration offices by Deputy Inspectors General of Registration, Assistant Inspectors General of Registration and Joint District Registrars which ranged between 53 and 61 per cent.

(Paragraph 3.2.10)

Failure to levy stamp duty on the market value of immovable properties led to short levy of stamp duty of Rs. 28.74 crore.

(Paragraph 3.2.11)

3.2.1 Introduction

Levy of stamp duty (SD) in Maharashtra on different types of instruments¹ is governed by the Bombay Stamp Act, 1958 (BS Act) which empowers the Government to reduce, remit or compound SD in public interest. Concessions in SD have been granted from time to time on instruments relating to information technology (IT) units in the IT sector with a view to generate employment, self employment, promote business and enterprise in the IT industry. For promotion and growth of other industries in the State, similar concession in SD is offered on instruments relating to amalgamation of companies and new industries.

It was decided by audit to review the mechanism for ensuring that the concessions were granted correctly. The review revealed a number of system and compliance deficiencies which have been discussed in the subsequent paragraphs.

¹ Instrument as defined in the Section 2 of the BS Act

3.2.2 Organisational set-up

Principal Secretary, Relief and Rehabilitation (R&R) heads the Registration Department. The overall control and superintendence over collection of SD and registration fees vests with the Inspector General of Registration (IGR), Pune. The IGR is responsible for ensuring correctness of the grant of concessions. He is required to oversee the inspection of the offices of Sub-Registrars (SRs) by deputy inspectors general of registration (DIGs), assistant IGRs and 100 *per cent* check of documents involving concessions in SD by the Joint District Registrars (JDRs). The JDRs are empowered to adjudicate the documents and grant concession in SD. Further, the SRs can also grant concession in SD after verifying the compliance of all the conditions governing the grant of concession. The IGR is assisted by nine² DIGs, three assistant IGRs, Superintendent of Stamps (SOS) at Mumbai, 31³ JDRs and 317 SRs at district and taluka levels.

3.2.3 Scope and methodology of audit

Instruments pertaining to the registration of amalgamated companies, IT sector units and new industries executed between January 2002 and December 2006 in 15⁴ out of 35 registration districts were sampled using the software Interactive Data Extraction and Analysis (IDEA). Selected instruments were scrutinised between January 2007 and May 2007 to determine the correctness of concessions granted.

3.2.4 Audit objectives

The review was conducted with a view to :

- ascertain whether a record of concessions granted in SD was available to monitor the results of concessions for periodically reviewing their continuance or otherwise;
- examine whether the concessions were correctly granted/administered;
- ascertain whether any system exists for obtaining periodical information from the Registrar of Companies (ROC) on amalgamation of companies and increase in share capital for levy of SD to ascertain gaps, if any, in levy of SD; and
- assess the effectiveness of the internal control mechanisms installed by the department to ensure the correctness of the concessions granted.

3.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Registration Department in providing necessary information and records for audit. The draft review report was forwarded to the Government and department in May 2007 and was discussed in the Audit Review Committee meeting held in September 2007. Principal Secretary Relief and Rehabilitation Department represented the Government while Inspector General of

² Including one DIG, Headquarter at Pune

³ There is no post of Joint District Registrar in Gondia, Hingoli, Nandurbar and Washim districts

⁴ Amravati, Aurangabad, Beed, Bhandara, Jalna, Nagpur, Nashik, Mumbai, Mumbai Suburban District, Pune, Raigad, Sangli, Satara, Solapur and Thane

Registration represented the department. Views of the Government/department have been incorporated in relevant paragraphs.

Audit findings

System deficiencies

3.2.6 Absence of database of revenue forgone

The Government in extending concessions decides to forgo revenue in pursuance of certain defined objectives. A reliable database of revenue foregone is, therefore, a pre-requisite for informed decision making. It was noticed in audit that the computerised system for registration of instruments introduced in January 2001 had the facility for recording concessions in SD granted by SR/JDR/SOS at the time of registration of instruments. **The consolidated database with IGR, however, showed that there was no data on revenue remitted due to grant of concessions as the in-built facility in the computerised system was not being used.** Consequently, the revenue remitted during 2002-07 on account of grant of concessions in SD was not quantified by the IGR.

The Government stated (September 2007) that action to update the database has been initiated.

3.2.7 Concession for instruments pertaining to amalgamation, etc. of companies

The Indian Registration Act, 1908 provides that instruments of conveyance should be registered compulsorily after payment of the registration fee. Further, Section 394 of the Companies Act, 1956 provides that every amalgamation order of the High Court (HC) is to be filed with the ROC within 30 days for registration of the amalgamated company. Under the provisions of the BS Act, SD on conveyance, relating to an order of the HC in respect of amalgamation of companies, is leviable at the prescribed rate on the market value of shares/immovable property on the 'appointed date' mentioned in the scheme of amalgamation. Immovable property includes land, benefits to arise out of land and things attached or permanently fastened to anything attached to the earth. SD at the concessional rate is also leviable when the share capital of any company is raised. Maximum duty chargeable was fixed at Rs. 25 crore from 1 May 2002. It was noticed in audit that the department did not have a system for obtaining periodical information from the ROC on amalgamation of companies and increase in share capital of the companies for levy of SD. This resulted in non-levy of SD on instruments of amalgamated companies which amounted to irregular extension of concession beyond what was provided under the various orders. A few cases are discussed in the succeeding paragraphs. **Non-installation of a system to obtain periodical information from the ROC thus resulted in unintended extension of concession amounting to Rs. 72.53 crore as revenue not being recovered at the prescribed concessional rates.**

3.2.7.1 Non-levy of stamp duty on instruments of amalgamation of companies

From the records available with the ROC, it was noticed that 140 cases of amalgamation were registered with the ROC from 2001 to 2006. Cross

checking of these cases with those adjudicated by the SOS revealed that SD was levied only in 21 cases as and when the instruments were presented to his office. In three cases of amalgamation finalised between 2002 and 2004, SD of Rs. 1.80 crore was due. But, in the absence of relevant details from the ROC it was not demanded.

The Government stated (September 2007) that details in respect of these cases have been obtained and notices for recovery had been issued.

3.2.7.2 Failure to collect stamp duty on increase in share capital

In the office of SOS, it was noticed in April 2007 that share capital of a company was increased in 2001 on which SD of Rs. 50 lakh was leviable. However, the SOS did not levy and realise SD in absence of relevant details from the ROC.

The Government stated (September 2007) that SD would be recovered after verification. The Government also stated that consequent upon audit observations, a system of co-ordination of SOS with the ROC had been evolved for collecting periodical information from the ROC relating to amalgamation and revision of share capital of companies.

3.2.7.3 Failure to levy stamp duty prevalent on the 'appointed date'

It was noticed in three instruments of conveyance pertaining to amalgamation of companies that the SOS, Mumbai and JDR, Thane levied SD of Rs. 25.41 crore at the rate prevailing on the date of amalgamation order issued by the HC instead of Rs. 95.64 crore at the rate prevailing on the 'appointed date' mentioned in the instruments. This omission led to short levy of SD of Rs. 70.23 crore detailed as under:

(Rs. in crore)						
Name of the company		Appointed date	Value of shares and immovable property	Stamp duty leviable	Stamp duty levied	Short levy
Transferor	Transferee	Date of High Court orders				
Reliance Petroleum Limited	Reliance Industries Limited	01/04/2001	13,581.48	95.07	25.00	70.07
		07/06/2002	3.97			
Pharmacia Healthcare Ltd.	Pfizer Ltd	01/12/2003	4.81	0.47	0.34	0.13
		04/05/2005	6.66			
Gala Spring Pvt. Ltd.	Gala Precision Technology Ltd	01/04/2004	Nil	0.10	0.07	0.03
		06/08/2005	1.42			
Total				95.64	25.41	70.23

Thus, the department by not taking the market value of shares on the appointed date had allowed unintended extra concession in these cases.

The Government stated (September 2007) that the matter would be referred to the Law and Judiciary Department and appropriate action for recovery of differential duty would be taken on the lines suggested by the Law and Judiciary Department.

The Government may therefore consider prescribing a system of obtaining periodical information from the ROC for registration of instruments of companies amalgamated under the schemes of amalgamation.

3.2.8 Concession of stamp duty on instruments of IT units

By a notification (December 2003), the Government granted 100 *per cent* concession in SD, effective from 4 June 2003 to 31 May 2008, on instruments executed by the IT units or IT Enabled Services (ITES) units for starting 'new IT units' in public sector IT parks and 75 *per cent* concession if the new IT unit was located in a private IT park. Location of the unit in public or private IT park was to be certified by the Development Commissioner (Industries) or any authorised officer. This notification, however, did not stipulate any mechanism for ascertaining that the IT units which had availed the concession had subsequently complied with the conditions under which the concessions were granted.

It was noticed that the Marathi version of the notification (December 2003) stipulated grant of concessions in SD to leasing and financial institutions for acquiring space/premises in public/private sector IT parks on the basis of instruments evidencing the lease of the space/premises to IT or ITES units. English version of the notification (December 2003), however, stipulated that the leasing and financial institutions would be granted concession in SD for subsequent lease of the space/premises to IT or ITES units. No time frame for execution of instrument of lease in favour of the IT or ITES unit 'subsequent' to availing of the concession was, however, prescribed. Thus, there was a substantial difference in the two versions of the same notification. The omissions noticed while granting concessions are as under:

3.2.8.1 Short levy of stamp duty

Scrutiny of the records relating to IT units in six SR and two JDR offices of four⁵ districts revealed that the registering authorities by ignoring the conditions put forth in the notification had allowed unintended extra concession in 16 instruments which led to short levy of SD of Rs. 20.71 crore as mentioned below:

⁵ Mumbai, Mumbai Suburban, Pune and Thane

(Rs. in lakh)

SR/JDR	Number of instruments	SD leviable	SD levied	SD short levied	Nature of irregularity
Andheri II	2	59.19	15.89	43.30	Requisite certificate from the authorised officer indicating starting of a new IT unit was not on record.
Kurla III	4	66.23	19.04	47.19	
Haveli VIII	1	56.25	14.06	42.19	
JDR, Pune	1	14.85	3.71	11.14	Concession was granted for extension of an existing IT unit.
Borivali I	1	327.30	65.57	261.73	Concession was granted for construction of IT parks.
Thane III	1	187.76	Nil	187.76	
JDR, Thane	1	650.00	Nil	650.00	
Haveli VII	1	10.00	1.00	9.00	
Haveli VIII	2	187.50	46.87	140.63	
Borivali I	1	646.00	Nil	646.00	Concession was granted for acquisition of an entire IT park.
Borivali I	1	42.21	10.52	31.69	The unit was not in an IT park.
Total	16	2,247.29	176.66	2,070.63	

The Government accepted (September 2007) the observations and agreed to issue notices for recovery of SD.

3.2.8.2 Irregular availing of concession

SRs Kurla III and Borivali IV (Mumbai Suburban) granted concession of SD of Rs. 12.27 crore on 14 instruments of leasing and financial institutions/companies executed (October 2005-April 2006) for acquiring space/premises in IT parks. However, these institutions/companies did not subsequently lease the space/premises in IT parks to IT or ITES units as of May 2007. The institutions/companies, thus, violated the condition of production of the evidence of lease of space/premises for availing the concession or evidence for subsequently leasing the space/premises leading to irregular availing of concession of Rs. 12.27 crore in payment of SD.

The Government accepted (September 2007) the omission and agreed to issue notices for recovery of SD.

3.2.8.3 Breach of conditions after availing concession in stamp duty

In the offices of the JDR, Thane and SR, Mulshi (Pune) it was noticed that three IT units availed concession in SD of Rs. 55 lakh (July 2001-March 2005) for acquiring open plots/premises for starting new IT units. These units, however, sold the open plots/premises to other IT units without starting their

own units. Since the scheme did not provide for any penal provision/ withdrawal of concession already availed on violation of condition for grant of concession, the department did not withdraw the concession of Rs. 55 lakh already availed in these cases.

The Government accepted (September 2007) the omission and agreed to issue notices for recovery of SD.

The Government may, therefore, consider bringing out a clarification to the effect that the concession in SD shall be available to specified leasing and financial institutions only on the basis of instruments evidencing the lease of the space/premises to IT or ITES units to maintain uniformity between the notification in Marathi version and English version. They should also incorporate a penal provision and withdrawal of concession in case of any subsequent violations.

3.2.9 Delay in disposal of cases and realisation of demand

The BS Act provides for levy of penalty and recovery of non-realised SD as arrears of land revenue. **No time limit for disposal of cases referred for adjudication to the adjudicating authorities has been prescribed.** This led to non-realisation of revenue as discussed below:

In the office of SOS, 37 cases of amalgamation referred for adjudication between 1997 and 2007 were decided between 2004 and 2006 and SD of Rs. 30.12 crore was levied. The SD was, however, not realised even though a period ranging between one month and 34 months had already expired from the date of issue of demand notice. Further, the SOS had not decided SD leviable in 158 cases of instruments of amalgamation referred between 1994 and 2007. Age wise pendency of these cases was as under:

Age of pendency	Number of cases
6-12 years	30
1-5 years	103
Below 1 year	25

The Government stated (September 2007) that based on audit observations demand notices were issued in 37 adjudication cases, Rs. 2.33 crore were recovered in eight cases and final action in rest of the cases would be completed by December 2007. In respect of 158 cases, it was stated that these cases would be expedited. It was also stated that, indicative time limit would be considered for deciding the cases by adjudicating authorities.

The Government may, therefore, consider prescribing a time limit for disposal of adjudication cases by the adjudicating authorities.

3.2.10 Inadequate inspection

The departmental instructions (November 1991 and June 2001) stipulate checking of all instruments by JDR which are registered by the SR after grant of concession in SD. The DIG and JDRs/Assistant IGRs are also required to

annually inspect 48 and 36 offices of SRs respectively. It was noticed that this important internal control was not implemented strictly resulting in shortfall in scrutiny of instruments as discussed below:

During scrutiny of records of the IGR it was noticed that during the years 2002 to 2006 shortfall in annual inspections by eight DIGs, three assistant IGRs and 33 JDRs ranged between 53 and 61 *per cent* as detailed below :

Year	DIG		Assistant IGR		JDR	
	Inspections due/done		Inspections due/done		Inspections due/done	
2002	384	175	108	24	1,584	501
2003	384	195	108	16	1,584	632
2004	384	177	108	20	1,584	735
2005	384	123	108	72	1,584	636
2006	384	228	108	86	1,584	551
Total	1,920	898	540	218	7,920	3,055
Overall percentage of shortfall	53		60		61	

Shortfall in inspections contributed to shortfall in scrutiny of instruments on which concessional SD was levied. Records at IGR revealed that 12,001 instruments of concessional SD from 2002 to 2006 were to be checked by six JDRs⁶. It was observed that JDR Jalna and Mumbai did not check any instruments while the rest of the JDRs checked 2,246 instruments (out of 12,001 instruments).

The Government accepted (September 2007) the position and stated that cases of short levy would be seen on a regular basis in addition to regular inspections. Further, steps to rationalise and streamline the system of inspection would be taken.

Compliance deficiencies

3.2.11 Failure to levy stamp duty on the market value of immovable properties

As per the BS Act, SD 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.

⁶ Amaravati, Jalna, Mumbai, Raigad, Solapur and Thane.

It was noticed in four instruments of amalgamation of companies that the value of immovable property i.e. the fixed assets/plant and machinery was incorrectly worked out which led to short levy of SD of Rs. 28.74 crore as mentioned below:

(Rs. in crore)

Name of the company		Value of assets to be considered SD leviable	Value of assets/consideration considered	SD levied	Short levy of SD	Remarks
Transferor	Transferee					
Rhone Poulenc (India) Ltd. and 2 others	Nicholas Piramal (India) Ltd.	<u>117.72</u> 8.24	58.18	2.87	5.37	Incorrect valuation of properties
Piramal Holdings Ltd & others	Morarjee Realtors Ltd.	<u>196.25</u> 9.81	124.15	6.21	3.60	Valuation was based on the ready reckoner rates for the year 2006 instead of the rates for the year 2005.
National Organic Chemical Industries Ltd (NOCIL)	Relene Petro Chemicals Pvt. Ltd. NOCIL Petrochem Ltd.	<u>292.02</u> 20.44	19.00	1.90	18.54	Market value was not considered for the levy of SD.
Clariant (India) Ltd. and 3 others	Colourchem Ltd.	<u>172.99</u> 8.65	148.30	7.42	1.23	Value of plant and machinery was not considered
Total		<u>778.98</u> 47.14	349.63	18.40	28.74	

In the above cases, unintended extra concession through improper valuation of properties and/or adoption of incorrect rates was allowed by the department.

The Government stated (September 2007) that in the case of Rhone Poulenc (India) Ltd., demand of Rs. 5.37 crore has been raised, in respect of the other two cases revaluation of properties would be undertaken and in the case of Clariant (India) Ltd the movable and immovable properties would be segregated and subjected to SD.

3.2.12 Concession in stamp duty on instruments of new industries

By a notification issued on 29 December 2003, the Government granted concession in SD on instruments of hypothecation, pawn, pledge, deposit of title deeds, conveyance, further charge on mortgage of property, lease, mortgage deed etc. for starting a new industry/new extension of industry in notified areas on the basis of a certificate issued by the Development Commissioner (Industries) or any authorised officer.

In 14⁷ SR of nine districts⁸ and JDR, Satara, in 30 instruments of lease, mortgage etc. concession in SD was granted by classifying the instruments as instruments of new industries. From the recitals in the instruments it was, however, observed that the classification was incorrect which led to non-levy of SD of Rs. 47.29 lakh. A few illustrative cases are mentioned below:

(Rs. in lakh)

Name of SR/JDR	Number of instruments	SD leviable	SD levied	SD non/short levied	Remarks
Gangapur	01	1.34	0.01	1.33	Instruments are of assignment/transfer of lease chargeable to SD under Article 60 of the Act.
Jalna I	02	1.44	0.003	1.44	
Nagpur VI	04	10.93	0.64	10.29	
Saoner	01	16.25	1.40	14.85	
Beed I	07	10.33	0.01	10.32	Instruments related to obtaining of loan for farming/cattle rearing, building contractor for business purpose and a car dealer.
Sidkheda	01	3.10	Nil	3.10	
Satara	01	4.22	Nil	4.22	Requisite certificate from the authorised officer was not attached.
Miraj I	02	1.75	0.01	1.74	
Total	19	49.36	2.07	47.29	

The Government accepted (September 2007) the omissions in all the cases except for four documents of the SR I, Beed, where the certificates were stated to be available. These certificates were, however, not produced for verification (October 2007).

3.2.13 Conclusion

A reliable database of revenue forgone which is a pre-requisite for informed decision making was absent. Hence, the revenue remitted during 2002-07 on account of grant of concessions in stamp duty could not be quantified by the Inspector General of Registration. Revenue from registration of instruments of companies amalgamated under the scheme of amalgamation and increase in share capital of companies was also not tapped in the absence of a system for collection of relevant details from the ROC. The provisions of notification for concession of SD to IT units were also not complied with. The internal control mechanism to monitor grant of concession in SD was weak as is evidenced by the arrears in periodical inspection of all the registration units and number of

⁷ Aurangabad, Beed-1, Bhandara, Gangapur, Georai, Jalna-1, Miraj 1 and 2, Nagpur 6 and 7, Saoner, Satara 1, Sidkheda, Solapur 1,

⁸ Aurangabad, Beed, Bhandara, Buldana, Jalna, Nagpur, Sangli, Satara and Solapur.

pending cases with the adjudicating authorities for adjudication and realisation of SD.

3.2.14 Summary of recommendations

The Government may consider:

- maintenance of a centralised database of the concessions in SD for effective monitoring and instituting deterrent penalties for their abuse;
- prescribing a system of obtaining periodical information from the ROC for registration of instruments of companies amalgamated under the schemes of amalgamation;
- bringing out a clarification to the effect that the concession in SD shall be available to specified leasing and financial institutions only on the basis of instruments evidencing the lease of the space/premises to IT or ITES units to maintain uniformity between Marathi version and English version of the notification of December 2003 and check misutilisation of the concession; and
- prescribing indicative time limit for disposal of adjudication cases by the adjudicating authorities.

3.3 Short levy of stamp duty due to undervaluation of property

As per the BS Act, SD and registration fees on conveyance deed are leviable on the true market value of property at the rates applicable to the area in which the property is situated. These rates are prescribed in the ready reckoner⁹.

In the offices of the SOS, Mumbai and SR II, Nagpur, it was noticed between October 2005 and May 2006 that 14 instruments of conveyance were adjudicated (Mumbai 1)/registered (Nagpur 13) between May 2003 and April 2004 and SD and registration fees of Rs. 5.05 crore was collected on the consideration of Rs. 52 crore. It was, however, observed that true market value of the properties was Rs. 68.86 crore on which SD and registration fees of Rs. 6.59 crore was leviable. Thus, undervaluation of the properties led to short levy of SD of Rs. 1.54 crore.

After the cases were pointed out, the IGR, Pune accepted the omission in November 2006 and directed the Collector of Stamps to recover the deficit SD and registration fees in respect of 13 instruments. SOS, Mumbai in May 2006, accepted the omission in respect of the instruments adjudicated by him. A report on recovery had not been received (October 2007).

The matter was reported to the Government between March and April 2007; their reply has not been received (October 2007).

⁹ Ready reckoner is an annual statement of rates of property prescribed by the Government

3.4 Short levy of stamp duty due to incorrect computation of market value

Under the provision of the BS Act, SD at prescribed rate is leviable on the market value of the property conveyed or delivered through instruments of conveyance or development agreements.

In the office of the SR, Haveli VII, Pune in October 2005, it was noticed that on two instruments of conveyance and development agreements executed in March 2004 and June 2004 respectively, SD of Rs. 22 lakh was levied on the consideration of Rs. 11.20 crore set forth in the instruments. Scrutiny of the instruments, however, revealed that the true market value of the properties conveyed/delivered for development was Rs. 22.18 crore on which SD of Rs. 53.73 lakh was leviable. Incorrect computation of market value thus led to short levy of SD of Rs. 31.73 lakh.

After the cases were pointed out, the Joint District Registrar, Pune accepted the omission in March 2007 and directed the SR to recover the deficit stamp duty. A report on realisation of deficit SD had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply has not been received (October 2007).

3.5 Short levy of stamp duty on an instrument of lease

Under the provisions of the BS Act, on an instrument of lease, SD as leviable on a conveyance, is levied¹⁰ on the basis of the amount of average annual rent of the leased property, other considerations and premium, if any, paid.

In the office of the SR III, Nagpur it was noticed in December 2006 that an instrument of lease for a period of 25 years with a renewal clause was executed in March 2005. Further scrutiny revealed that as per the recital in the instrument, gross value of the average annual rent, premium and other consideration worked out to Rs. 5.04 crore on which SD of Rs. 25.19 lakh was leviable. The SR, however, levied SD of Rs. 8.11 lakh only, which led to short levy of SD of Rs. 17.08 lakh.

After the case was pointed out, Joint District Registrar, Nagpur (City) accepted the omission in February 2007 and directed the SR to recover the deficit SD. A report on recovery had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply has not been received (October 2007).

¹⁰ Five per cent on 10 times of the amount of average annual rent (including annual municipal tax) and premium (deposit and advance rent) as per Articles 36 (a) (iv), (c) and 25 (b) (v) of the BS Act.

3.6 Short levy of stamp duty due to misclassification of instrument

Under the provisions of the BS Act, on instruments of conveyance and development agreements, SD at five and one *per cent* respectively is leviable on the market value of the property.

During test check of the records in the office of the SR, Haveli XV, Pune in May 2006, it was noticed that on three instruments of conveyance executed between February and July 2005, SD of Rs. 14.76 lakh was leviable on the market value of the properties amounting to Rs. 2.95 crore. The SR however, levied SD of Rs. 2.95 lakh only treating these instruments as development agreements. Misclassification of the instruments thus resulted in short levy of SD of Rs. 11.81 lakh.

After the cases were pointed out, the Joint District Registrar, Pune (City) accepted the omission in March 2007 and directed the SR to recover the deficit SD. A report on realisation of deficit SD had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply has not been received (October 2007).

3.7 Short levy of stamp duty on a lease deed

Under the provisions of the BS Act, where the lease purports to be for a period in excess of 10 years with a renewal clause, SD shall be levied on 10 times of the amount of annual average rent at the rates prescribed in the Act.

In the office of the SR II, Nagpur it was noticed in October 2005 that in a lease deed for 12 years executed in August 2003, SD of Rs. 6.67 lakh was levied by working out 10 times of the annual average rent at Rs. 83.35 lakh. However, scrutiny of the recital in the deed revealed that there was a clause of enhancement of rent by 15 *per cent* after expiry of every three years. The amount of consideration based on this worked out to Rs. 1.49 crore on which SD of Rs. 11.92 lakh was leviable. Incorrect determination of consideration thus resulted in short levy of SD of Rs. 5.25 lakh.

After the case was pointed out, the Joint District Registrar, Nagpur (City) accepted the observation in June 2006 and directed the SR, Nagpur to recover the deficit SD. A report on recovery had not been received (October 2007).

The matter was reported to the Government in March 2007; their reply has not been received (October 2007).

CHAPTER IV: STATE EXCISE, TAXES ON MOTOR VEHICLES AND LAND REVENUE

4.1 Results of audit

Test check of the records of State excise, taxes on motor vehicles and land revenue conducted during the year 2006-07 revealed under assessments, short levy, loss of revenue etc. amounting to Rs. 72.69 crore in 8,925 cases, which broadly fell under the following categories:

(Rupees in crore)			
Sl. no.	Category	Number of cases	Amount
A – STATE EXCISE			
1.	Non/short levy of excise duty	6,429	0.77
2.	Short recovery of licence/privilege fees/escort charges/interest	72	0.44
3.	Non/short recovery of supervision charges/bonus	269	0.32
4.	Non-recovery of toddy instalments	216	0.48
	Total	6,986	2.01
B – TAXES ON MOTOR VEHICLES			
5.	Non/short levy of tax due to incorrect application of rates	1,642	7.22
6.	Short levy of tax due to incorrect exemption/classification/miscellaneous	55	0.01
	Total	1,697	7.23
C – LAND REVENUE			
7.	Non/short/incorrect levy of NAA, ZP/VP cess, conversion tax and royalty	124	35.65
8.	Non/short/incorrect levy of increase of land revenue	17	0.13
9.	Non/short levy of education cess etc.	34	11.49
10.	Non/short levy of occupancy price/rent etc.	50	14.43
11.	Short levy of measurement fees, <i>sanad</i> fees etc.	17	1.75
	Total	242	63.45
	Grand Total	8,925	72.69

During the year 2006-07, the department accepted under assessments, short levy etc. in 8,213 cases and recovered Rs. 9.59 crore, of which 7,040 cases involving Rs. 1.24 crore were pointed out during the year 2006-07 and the rest in earlier years.

A few illustrative cases involving financial effect of Rs. 4.12 crore are mentioned in the following paragraphs against which an amount of Rs. 2.36 crore had been recovered upto October 2007.

A – STATE EXCISE

4.2 Short recovery of licence fees

Under the provisions of the Maharashtra Potable Liquor (periodicity and fees for grant, renewal or continuance of licences) Rules, 1996, the Commissioner of State Excise revised the rates of licence fees for sale or storage of imported foreign liquor/Indian made foreign liquor (FL I, FL II, FL III), country liquor (CL II and CL III) and retail sale of CL in sealed bottles (FL/CL/TOD III) on 30 May 2003. The rates were further revised for the years 2005-06 and 2006-07 vide notifications dated 18 January 2005 and 7 January 2006 respectively. In cases of default in the payment of dues, interest at the prescribed rate was leviable.

During test check of the records of eight¹ offices in seven² districts, conducted between October 2003 and June 2006, it was noticed that in respect of 201 licences renewed for the periods between 2002-03 and 2006-07, licence fees were recovered short by Rs. 2.04 crore due to application of pre-revised rates. Interest at the prescribed rates was also leviable for the delay in payment of dues.

After the cases were pointed out, the department, between September 2004 and August 2007, intimated recovery totalling Rs. 1.66 crore along with interest of Rs. 5.23 lakh in respect of 158 cases. A report on recovery of the balance amount had not been received (October 2007).

The matter was reported to the Government in May 2007; their reply had not been received (October 2007).

4.3 Non/short recovery of privilege fees

Under the provisions of the Bombay Prohibition (Privilege Fees) Rules, 1954, the fee payable by a licensee on every occasion of admission or withdrawal of a partner is 50 *per cent* of the fee chargeable for grant or renewal or continuance of the licence, whichever is higher. Further, a licence fee is chargeable for the transfer of a CL III or FL II licence from one name to another. In the case of the transfer of a licence from one site to another, within or outside a district, the fee chargeable for the grant of the licence at the place of the proposed shifting is leviable.

During test check of the records of the offices of the Superintendent of State Excise at Mumbai, Osmanabad and Thane, between March 2004 and September 2006, it was noticed that during the period between 2002-03 and 2005-06, privilege fees aggregating Rs. 56.79 lakh in respect of 31 cases were either not recovered or recovered short.

¹ Superintendent of State Excise: Beed, Mumbai, Nanded, Nashik, Ratnagiri, Solapur, Thane and Commissioner of State Excise, Mumbai

² Beed, Mumbai, Nanded, Nashik, Ratnagiri, Solapur and Thane.

After the cases were pointed out, the department, between September 2006 and August 2007, intimated the recovery totalling Rs. 51.56 lakh in respect of 30 cases. A report on recovery of the balance amount had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

B - TAXES ON MOTOR VEHICLES

4.4 Non/short recovery of tax

Under the Bombay Motor Vehicles Tax (BMVT) Act, 1958 and the Rules made thereunder, tax at the prescribed rates is leviable on all vehicles used or kept for use in the State. The Act further provides that the tax leviable is to be paid in advance by the owners of the vehicles. Interest at the rate of two *per cent* of the amount of tax for each month or part thereof is payable in each case of default in payment of the tax due.

Payment of one time tax (OTT) had been made compulsory for light motor vehicles (LMV) used for carriage of goods registered on or after 1 May 2000. From 1 June 2001, this had been extended to all LMVs paying tax at the annual rate.

During test check of the records of 14 offices³, between August 2003 and June 2006, it was noticed that in respect of 406 cases of goods carriage vehicles, motor vehicles tax (MVT) of Rs. 52.47 lakh for different periods falling between February 2002 and May 2006 was not paid by the owners of the vehicles. No action had been taken by the department to recover the dues. This resulted in non-realisation of MVT of Rs. 52.47 lakh. Further, in case of 103 LMVs, OTT was either not recovered or recovered short, resulting in non/short recovery of OTT of Rs. 7.89 lakh. Interest at the prescribed rates for delayed/non-payment of OTT and MVT was also leviable in these cases.

After the cases were pointed out, the department intimated, between January 2005 and October 2007, the recovery of Rs. 14.99 lakh, along with interest of Rs. 2.09 lakh, in respect of 194 vehicles. A report on recovery in respect of the remaining vehicles had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

³ Regional Transport Office (RTO): Aurangabad, Jalgaon, Mumbai Central, Mumbai East, Mumbai West, Nashik and Thane.
Dy. RTO: Beed, Jalna, Malegaon, Nandurbar, Pimpri-Chinchwad, Satara and Solapur.

C – LAND REVENUE

4.5 Non/short levy of non-agricultural assessment, increase of land revenue and cess

Under the provision of the Maharashtra Land Revenue (MLR) Code 1966, non-agricultural assessment (NAA) is levied with reference to the use of land. NAA is revised whenever the Government revises the rates from time to time subject to expiry of the guarantee period⁴ mentioned in the respective NAA orders. Further, increase of land revenue (ILR), under Maharashtra ILR and Special Assessment Act, 1974 and cess at the prescribed rates under the Maharashtra Zilla Parishad and Panchayat Samities Act, 1958 are also leviable. The NAA rates were revised by the Government in September 2001 with retrospective effect from 1 August 2001.

4.5.1 In Pune (City) tahasil, it was noticed in December 2005 that in 22 cases involving 5.76 lakh square metres (sq m) of land used for residential and commercial purposes, NAA was either not levied or levied at the pre-revised rates. This resulted in non/short levy of NAA of Rs. 45.04 lakh.

After the cases were pointed out, Tahasildar, Pune (City) accepted the omission in February 2007. A report on recovery has not been received (October 2007).

The matter was reported to the Government in April 2007; their reply has not been received (October 2007).

4.5.2 In three tahasils⁵ of Pune district, it was noticed between December 2005 and February 2006 that NAA was levied at pre-revised rates in seven cases involving 5.45 lakh sq m of land used for residential and industrial purposes. Since, the amount of ILR and cess payable are linked with NAA, levy of NAA at pre-revised rates in these cases resulted in short levy of NAA, ILR and cess of Rs. 13.07 lakh.

After the cases were pointed out, all the three tahasildars accepted the omission in February 2007. A report on recovery has not been received (October 2007).

The matter was reported to the Government in May 2007; their reply has not been received (October 2007).

4.5.3 In Miraj and Sangli tahasils, it was noticed in February 2006 that 3.63 lakh sq m of land of five users was put to non-agricultural use during periods falling between 1 August 2001 and 31 July 2006. But, NAA and ILR were either not levied or levied at the pre-revised rates. This resulted in non/short levy of NAA and ILR of Rs. 10.56 lakh.

After the cases were pointed out, the tahasildars accepted the omission in September 2006 and reported recovery of Rs. 3.54 lakh. Further report on balance recovery of Rs. 7.02 lakh has not been received (October 2007).

⁴ The standard rate of NAA remains in force for a period of five years which is called 'guarantee period'

⁵ Daund, Mulshi and Purandar

The matter was reported to the Government in March 2007; their reply has not been received (October 2007).

4.6 Non/short levy of non-agricultural assessment and conversion tax

Under the provision of the MLR Code, NAA is levied with reference to the use of land and is revised by the Government from time to time. ILR is also leviable at 100 *per cent* of the land revenue if the land holding is 12 hectares or more. If the land is situated within the areas of municipal corporations and A or B class municipal councils, conversion tax equal to five times of the NAA is also leviable when permission for non-agricultural use or change of use of the land is granted. The Government revised the NAA rates in September 2001 with retrospective effect from 1 August 2001.

In Pune collectorate, it was noticed in September 2006 that seven landowners under the area of Pune and Pimpri Chinchwad municipal corporations put 2.05 lakh sq m of land to non-agricultural use or changed the purpose of use of the land during various periods between August 2001 and June 2005. However, NAA and conversion tax was either not levied or levied short in these cases. This resulted in non/short levy of NAA and conversion tax of Rs. 22.64 lakh.

After the cases were pointed out, Collector, Pune accepted the omission in February 2007. A report on recovery has not been received (October 2007).

The matter was reported to the Government in April 2007; their reply has not been received (October 2007).

CHAPTER V : OTHER TAX RECEIPTS

5.1 Results of audit

Test check of the records relating to electricity duty, profession tax, entertainment duty, tax on buildings (with larger residential premises), State education cess and employment guarantee cess conducted during 2006-07, revealed short realisation or loss of revenue amounting to Rs. 130.23 crore in 5,850 cases as mentioned below:

(Rupees in crore)

Sl. no.	Nature of receipt	No. of cases	Amount
1.	Levy and collection of electricity duty, tax and fees (A review)	1	100.91
2.	Electricity duty, tax and fees	417	1.29
3.	Profession tax	3,529	0.72
4.	Entertainment duty	870	1.32
5.	State education cess and employment guarantee cess	684	23.76
6.	Tax on buildings (with larger residential premises)	349	2.23
	Total	5,850	130.23

During 2006-07, the concerned departments accepted under assessments, short levy etc., in 3,159 cases and recovered Rs. 3.59 crore, of which 515 cases involving Rs. 43 lakh related to 2006-07 and the rest to earlier years.

A review of "Levy and collection of electricity duty, tax and fees" involving a total financial effect of Rs. 100.91 crore and a few illustrative cases involving Rs. 385.03 crore are included in the following paragraphs against which an amount of Rs. 26.54 lakh had been recovered upto October 2007.

SECTION A ELECTRICITY DUTY

5.2 Levy and collection of electricity duty, tax and fees

Highlights

Non-maintenance of records for monitoring the receipt of returns in form 'A', 'B' & 'C' led to non-levy and consequent non-realisation of revenue of Rs. 87.72 crore.

(Paragraph 5.2.6.1)

Failure of the department to link the Government notification of April 2001 with the date of installation of the windmills led to short payment of electricity duty of Rs. 88.99 lakh.

(Paragraph 5.2.6.2)

Failure of the department to scrutinise the returns in form 'B' & 'C' led to short levy of electricity duty of Rs. 2.72 crore.

(Paragraph 5.2.6.3)

Failure of the department to correlate the information vide form 'A' & 'C' led to short realisation of revenue of Rs. 1.29 crore.

(Paragraph 5.2.6.4)

Failure to carry out inspections of lifts and electrical installations resulted in non-realisation of inspection fees, totalling Rs. 7.44 crore.

(Paragraph 5.2.8.1 and 5.2.8.2)

Interest of Rs. 85.14 lakh was not levied for delayed payments of duty by six consumers.

(Paragraph 5.2.11)

5.2.1 Introduction

Levy and collection of taxes and duties on electricity are governed by the Bombay Electricity Duty (BED) Act, 1958 (for consumption and sale of electricity), the Maharashtra Tax on Sale of Electricity (MTSE) Act, 1963 (for sale of electricity), the Bombay Lifts Act, 1939 (for inspection of lifts and collection of fees) and the Rules made thereunder. Under the Indian Electricity Act, 1910, which is a Central Act, and the Indian Electricity Rules, 1956, fees for inspection of electrical installations are levied and collected.

Every licensee, licensed to sell electricity, is responsible for collecting electricity duty (ED) from the consumers and crediting it to the Government by the prescribed dates. The duty is also required to be paid by persons for captive consumption of energy generated by them. Electricity generating licensees are required to pay tax on every unit of energy sold by them.

A review on the levy and collection of ED and fees was included in the Report of the Comptroller and Auditor General of India for the year

ended 31 March 2002. The current review of the same subject has revealed a number of system and compliance deficiencies which have been discussed in the subsequent paragraphs.

5.2.2 Organisational set up

The Chief Engineer (Electrical), Maharashtra (CE), under the administrative control of the Industries, Energy and Labour Department, is responsible for the administration of the Acts and Rules. He is assisted by four¹ Superintending Engineers (SE), 13 Electrical Inspectors² (EI) and an Inspector of Lifts at Mumbai.

5.2.3 Scope of audit

The review of the efficacy of the system of levy and collection of ED and fees during 2001-02 to 2005-06 was conducted in the offices of the CE, Inspector of Lifts and all the EIs in the State between October 2006 and March 2007.

5.2.4 Audit objectives

The review was conducted with a view to:

- ▣ assess the efficiency and effectiveness of the system of levy and collection of duty, tax and interest;
- ▣ ascertain whether statutory inspections of lifts and electrical installations were being carried out and fees for inspections were being realised; and
- ▣ assess whether an adequate internal control mechanism existed to ensure proper realisation of duty, tax, interest and fees.

5.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Industries, Energy and Labour Department in providing necessary information and records for audit. The draft review report was forwarded to the Government and department in June 2007 and was discussed in the Audit Review Committee meeting held in August 2007. Principal Secretary, Industry, Energy and Labour Department represented the Government while the Chief Engineer (Electrical) represented the department. Views of the Government/department have been incorporated in relevant paragraphs.

Audit findings

System deficiencies

5.2.6 Levy of electricity duty and tax on sale of electricity

All licencees and units other than licencees who hold registration numbers³ are required to file quarterly returns in form 'A' showing the units of energy sold

¹ Aurangabad, Mumbai, Nagpur and Pune

² Ahmednagar, Aurangabad and Nashik (Aurangabad region); Mumbai (2) (Mumbai region); Amravati, Nagpur and Wardha (Nagpur region) and Kolhapur, Miraj, Pune and Thane (2) (Pune region).

³ A person who intends to generate energy or intends to continue generation of energy exclusively for his own use has to be registered with the department under the BED Act and the Rules made thereunder.

as well as the tax payable and paid. They are also required to file quarterly returns in form 'C' and 'B' respectively, showing the units of energy supplied to consumers/consumed and the duty payable and paid.

Audit scrutiny revealed that the department had failed to effectively scrutinise the receipt of the prescribed returns and the correctness of duty and taxes payable as per the returns. The omissions are discussed below:

5.2.6.1 Non-levy of electricity duty and tax on sale of electricity payable by units generating electricity through windmills

Cross verification of the records in the offices of three EIs with information collected from four⁴ SEs of MSEB revealed that 146 units generating electricity through windmills (windmill units) permitted to sell electricity and 98 windmill units permitted to generate and utilise the energy for their own use neither paid ED nor filed prescribed returns during the period from April 2001 to March 2006 and April 2005 respectively. These units sold/generated 18,833.90 lakh units on which ED of Rs. 56.50 crore, tax of Rs. 2.47 crore and interest of Rs. 28.75 crore were leviable. As no records were maintained by the EIs to monitor the receipt of returns, neither could any notices of demand be issued nor could these outstanding dues be processed for recovery as arrears of land revenue. This resulted in non-realisation of revenue of Rs. 87.72 crore.

After the cases were pointed out, the department accepted the observation and stated (September 2007) that action for recovery was in progress.

5.2.6.2 Short payment of duty due to ignoring the correct rate

Under a notification of April 2001, ED at the rate of 15 paisa per unit was payable with effect from 1 April 2000 on the consumption of energy which was generated in a generating station by a person carrying on an industry and consumed by himself for such industry, provided the generating station was installed prior to 1 April 2000. If the generating station had been installed after 1 April 2000, duty was payable at 30 paisa per unit of electricity generated and consumed.

Audit scrutiny of the records of EIs, Pune and Thane revealed that two electricity generating units for captive consumption of electricity had been installed after April 2000. These units generated and consumed 593.37 lakh units of electricity between March 2002 and April 2005 on which ED of Rs. 1.78 crore was payable, against which, only Rs. 89.01 lakh was paid. Failure of the department to link the notification with the date of installation led to short realisation of ED of Rs. 88.99 lakh.

After the cases were pointed out, the department stated that under the Government's resolution (GR) of September 1999, captive consumption of electricity by hydro-electric projects had been exempted from duty. The reply is not tenable as the BED Act provided for an enabling notification to be issued to give effect to the GR which was not issued and the notification of April 2001 did not provide for such an exemption. Moreover the department itself had accepted ED at the rate of 15 paisa per unit of electricity generated and consumed.

⁴ Ahmednagar, Nashik, Sangli and Satara

5.2.6.3 Short levy of duty payable by licencees/consumers due to incorrect computation

Under the BED Act, duty at the rates specified in the Schedule to the Act is to be levied and paid to the Government on the energy consumed, depending on the purpose for which it was consumed.

Scrutiny of form 'C' and 'B' returns of eight licencees/consumers and five electricity generating units revealed that as against the duty of Rs. 63.84 crore payable, duty of Rs. 61.12 crore was paid due to incorrect computation. Failure of the department to detect mistakes in the returns resulted in short levy of duty of Rs. 2.72 crore as detailed in Annexure-II.

After the cases were pointed out, the department accepted the observation and raised demands totalling Rs. 1.36 crore in seven cases. The report of recovery and action taken in the remaining cases had not been received (October 2007).

5.2.6.4 Short levy of tax on sale of electricity

Under a notification of May 2004, the Government specified the rates of tax leviable from 6 April 2004 on every unit of electricity sold by licencees for sale of electricity. In areas granted under licence to Tata Power Company, Reliance Energy Limited and BEST, the rate of tax was 19 paisa per unit for sale of electricity to industrial or commercial consumers. In respect of other consumers, the rate of tax was 15 paisa per unit. In all other areas in the State, the rate of tax payable on sale of electricity to industrial or commercial consumers was four paisa per unit, while it was 'nil' in respect of other consumers.

Audit scrutiny of the returns submitted in form 'A' and 'C' by three licencees⁵ to the EIs, Mumbai and Thane revealed that in five cases, the licencees had recovered and paid tax on sale of electricity on 78,053.24 lakh units instead of 80,127.18 lakh units. The short levy of tax on 2,073.94 lakh units amounted to Rs. 1.41 crore. This escaped the notice of the department as it had not correlated the information furnished vide the two returns.

After the cases were pointed out, the department accepted the observation and raised demands totalling Rs. 1.29 crore in three cases. A report on recovery and action taken in the remaining two cases had not been received (October 2007).

The Government may consider prescribing a system for linkages of various information/returns at the level of EIs to check short remittance of tax on sale of electricity.

5.2.7 Collection of electricity duty and tax on sale of electricity

5.2.7.1 Arrears pending collection

Under the BED Rules, where any licensee or other person/consumer fails to pay any ED recovered by him from his consumers to the Government account within the prescribed period, the EI can issue a notice of 30 days in writing for payment of the dues, together with the interest thereon. If the licensee still

⁵ MSEB (7,221.63 lakh units - 5,676.37 lakh units = 1,545.26 lakh units) M/s Reliance Energy Ltd and Tata Power Co. (72,905.55 lakh units - 72,376.87 lakh units = 528.68 lakh units).

fails to pay the dues, the EI has to report the matter to the Government for recovery of the dues as arrears of land revenue. No time limit for reporting the matter to the Government has, however, been prescribed under the Act.

Further, under the provisions of the BED Act, every licensee which supplies electricity to consumers is required to collect duty from the consumers and credit it, together with its own charges, if any, to the Government account by the prescribed date. In cases of default, interest at the rate of 18 *per cent* per annum for the first three months and 24 *per cent* per annum thereafter is chargeable on the amounts of duty remaining unpaid till the date of payment.

Scrutiny of the records revealed that there was delay either in raising the demands or reporting the matter for recovery of dues as arrears of land revenue. This resulted in accumulation of arrears totalling Rs. 1,022.65 crore in cases of five licensees as on 31 March 2006 as mentioned below :

(Rupees in crore)

Name of licensee	Arrears upto 2005-06	Interest upto 2005-06	Total	Cases	Remarks
MSEB	138.40	667.74	806.14	--	As on 31 March 2006, duty of Rs. 138.40 crore and interest of Rs. 667.74 crore was payable. Although the matter had been commented upon in the ARs for the years 1999-2000 to 2005-06, the CE raised a demand for the outstanding duty of Rs. 138.40 crore and the interest of Rs. 667.74 crore payable only in July 2006. No action had been taken by the Government either to recover the amount or adjust the duty and the interest against the subsidy payable (October 2007).
Sugar factories	4.59	17.59	22.18	40	The proposal for recovery of dues as arrears of land revenue was sent to the Government by the CE in June 2006. Orders of the Government had not been received (October 2007).
Captive consumers	101.71	84.56	186.27	25	Recoveries in respect of all the 25 captive consumers were pending at the level of EIs.
Textile mills	0.91	6.02	6.93	3	Necessary action to recover the arrears of duty as arrears of land revenue was pending at the level of the CE.
Other factories	0.63	0.50	1.13	3	
Total	246.24	776.41	1,022.65	71	

Except for MSEB for which the pendency of dues was from 2001-02, in all the other cases, the amounts shown were pending for recovery from 1978-79 onwards.

Failure of the department to effectively monitor the recovery of dues led to arrears of revenue accumulating to Rs. 1,022.65 crore.

The Government may therefore consider prescribing a time limit for reporting the cases of defaulting licencees/consumers to enable it to pursue the arrears of dues under the Maharashtra Land Revenue Code.

5.2.7.2 Non-reconciliation of figures of revenue collected

The department requisitions monthly revenue figures from the Accounts branch of the MSEB circle and these figures are regularly reported by it to the Government but, there is no system of reconciliation between these figures and the figures available with the department as per form 'C'.

Audit scrutiny of MSEB's return in form 'C' revealed that they had collected electricity duty amounting to Rs. 716.78 crore during 2005-06. The department had, however, reported to the Government that the revenue collected was Rs. 704.32 crore, based on the information collected from the Accounts branch of MSEB. The difference of Rs. 12.46 crore in the figures of the return in form 'C' and the figures obtained from the Accounts branch of MSEB had not been reconciled.

After this was pointed out, the CE stated that reconciliation would be carried out.

The Government may consider instituting a system for carrying out periodic reconciliation of the figures reported by the department.

5.2.7.3 Irregular refund of electricity duty collected

Under the Maharashtra Treasury Rules, 1968, every refund is required to be noted against the original credit in the departmental accounts or other documents in which the money received is entered in detail and a certificate of such a note having been made is required to be given in all the vouchers for refunds.

Scrutiny of the refund cases in the office of the CE in respect of the duty collected by MSEB from its consumers revealed that in three cases of Aurangabad, duty of Rs. 45.86 lakh paid between May 2003 and June 2004 was refunded by MSEB by adjustments in the energy bills issued between June 2004 and January 2005. Audit scrutiny revealed that MSEB had actually credited the amount to the Government account between December 2004 and March 2005. In three other cases of Aurangabad and Ahmednagar, duty of Rs. 81,000 paid in March 2004 was adjusted between September 2004 and September 2005 though the amount had not been credited to the Government account by MSEB as of 31 March 2007. The CE, thus, failed to follow the procedures prescribed for refund of the revenue and refunded the amount even before it had been credited to the Government.

After the cases were pointed out, the CE stated in August 2007 that the irregularity pointed out would be strictly avoided in future. The reply was silent about the reasons for the irregularities committed.

5.2.8 Inspection of lifts and electrical installations and levy of fees

5.2.8.1 Inspection of lifts and levy of fees

As per the Bombay Lifts Act, every lift is required to be inspected at least once in six months by an authorised officer of the Government and an annual fee at the prescribed rate (the minimum rate being Rs. 300 per inspection) is to be charged for such inspection.

Audit scrutiny revealed that there were substantial shortfalls in conducting of inspections, as mentioned hereunder:

	2001-02	2002-03	2003-04	2004-05	2005-06	Total
No. of lifts to be inspected	34,908	38,439	42,985	47,667	53,142	2,17,141
No. of lifts actually inspected	21,776	20,671	19,744	22,861	17,951	1,03,003
No. of lifts not inspected	13,132	17,768	23,241	24,806	35,191	1,14,138
No. of lifts inspected 2 nd time	Nil	Nil	Nil	Nil	Nil	Nil
Percentage of lifts not inspected	37.62	46.22	54.07	52.04	66.22	52.56

During the period 2001-02 to 2005-06, the percentage of lifts not inspected varied between 37 and 66 *per cent.* None of the lifts was inspected twice in a year as prescribed. Failure to inspect the lifts resulted in non-realisation of inspection fees of Rs. 3.42 crore (calculated at the minimum rate).

After the cases were pointed out, the department stated that considering the available staff strength, there had been no shortfall in the inspections of lifts. The reply is not tenable as it is the responsibility of the department to carry out inspections as laid down in the Act. This should also be seen in the context of safety of the users and the management of risks associated with leaving the lifts uninspected.

5.2.8.2 Inspection of electrical installations and levy of fees

Under the Indian Electricity Rules, to ensure public safety, installations which are connected to the supply systems of suppliers, are to be periodically inspected at intervals not exceeding five years, either by inspectors or by the suppliers as may be directed by the State Government. The minimum rate of fee is Rs. 20 per inspection.

Scrutiny of the records in 13 divisions revealed that out of 50.35 lakh electrical installations required to be inspected, only 30.24 lakh were inspected by the department during the period 2001-02 to 2005-06, leaving a shortfall of 20.11 lakh installations. The year-wise break-up was as follows:

Name of the division	2001-02	2002-03	2003-04	2004-05	2005-06	Grand total	
	Due Done	Due Done	Due Done	Due Done	Due Done	Due Done	Balance
Nashik	<u>1,03,808</u> 69,160	<u>1,04,226</u> 64,141	<u>1,04,228</u> 71,257	<u>1,04,228</u> 67,155	<u>1,04,612</u> 76,978	<u>5,21,102</u> 3,48,691	1,72,411
Nagpur	<u>61,960</u> 17,644	<u>61,960</u> 12,709	<u>61,960</u> 14,228	<u>61,960</u> 17,236	<u>61,960</u> 15,920	<u>3,09,800</u> 77,737	2,32,063
Mumbai (Santacruz)	<u>1,40,953</u> 82,230	<u>1,47,160</u> 85,512	<u>1,43,966</u> 89,513	<u>1,45,566</u> 1,06,808	<u>1,45,566</u> 98,541	<u>7,23,211</u> 4,62,604	2,60,607
Ahmednagar	<u>67,340</u> 49,694	<u>66,050</u> 45,489	<u>66,710</u> 50,601	<u>69,919</u> 58,736	<u>70,936</u> 53,761	<u>3,40,955</u> 2,58,281	82,674
Kolhapur	<u>50,328</u> 27,964	<u>50,394</u> 35,684	<u>33,677</u> 33,677	<u>28,107</u> 28,107	<u>29,259</u> 29,259	<u>1,91,765</u> 1,54,691	37,074
Sangli	<u>53,667</u> 31,497	<u>52,659</u> 33,655	<u>51,685</u> 31,711	<u>51,625</u> 25,931	<u>52,026</u> 16,024	<u>2,61,662</u> 1,38,818	1,22,844
Pune	<u>80,691</u> 70,833	<u>82,303</u> 60,018	<u>75,277</u> 59,086	<u>76,500</u> 53,825	<u>86,389</u> 55,937	<u>4,01,160</u> 2,99,699	1,01,461
Mumbai (Tardeo)	<u>98,740</u> 62,985	<u>98,740</u> 46,343	<u>98,740</u> 55,888	<u>98,740</u> 51,561	<u>98,740</u> 50,323	<u>4,93,700</u> 2,67,100	2,26,600
Amravati	<u>1,06,577</u> 46,565	<u>1,06,577</u> 44,653	<u>1,06,851</u> 63,277	<u>1,06,851</u> 49,063	<u>1,21,487</u> 34,868	<u>5,48,343</u> 2,38,426	3,09,917
Wardha	<u>59,235</u> 16,178	<u>59,403</u> 15,996	<u>59,939</u> 16,557	<u>60,442</u> 16,603	<u>60,896</u> 16,247	<u>2,99,912</u> 81,581	2,18,334
Aurangabad	<u>67,611</u> 36,745	<u>67,767</u> 36,251	<u>67,763</u> 32,428	<u>67,778</u> 38,801	<u>68,329</u> 37,277	<u>3,39,248</u> 1,81,502	1,57,746
Thane-I	<u>61,254</u> 56,073	<u>66,476</u> 55,693	<u>66,476</u> 54,139	<u>66,910</u> 53,353	<u>66,910</u> 52,278	<u>3,28,026</u> 2,71,536	56,490
Thane-II	<u>54,498</u> 50,702	<u>54,500</u> 50,414	<u>55,769</u> 52,966	<u>55,769</u> 54,730	<u>55,769</u> 34,670	<u>2,76,305</u> 2,43,482	32,823
Total	<u>10,06,662</u> 6,18,270	<u>10,18,215</u> 5,86,558	<u>9,93,041</u> 6,25,328	<u>9,94,395</u> 6,21,909	<u>10,22,879</u> 5,72,083	<u>50,35,192</u> 30,24,148	20,11,044

Failure to carry out the inspections resulted in non-realisation of inspection fees of Rs. 4.02 crore (calculated at the minimum rate).

After the cases were pointed out, the department stated that considering the available staff strength, there had been no shortfall in inspections of electrical installations. The reply is not tenable as it is the responsibility of the department to carry out inspections as laid down in the Act. This must also be seen in the context of safety and the management of risks associated with leaving the installations uninspected.

5.2.9 Weak internal controls

5.2.9.1 Supervisory checks

Annual administrative inspections of the offices of EIs were carried out by CE/SEs in respect of levy and collection of electricity duty and tax on sale of electricity. **However, percentage checks of the work of the EIs to doubly ensure the correctness of levy and collection of electricity duty and tax on sale of electricity had not been prescribed for the supervisory officers.**

5.2.9.2 Improper maintenance of records

- Scrutiny of refund registers maintained in the offices of EIs revealed that complete details were not being entered into. Besides, the upkeep of the registers was not upto date.
- No record was being maintained by the department to ensure that tax on sale of electricity was being recovered in respect of all consumers exempted from payment of duty but not from tax on sale of electricity. Consequently, it was not possible for Audit to ascertain whether tax on sale of electricity was being recovered from all consumers who had been exempted from payment of duty.

After this was pointed out, the CE accepted the observation and stated that instructions were being issued to the EIs for maintenance of proper and updated records.

5.2.10 Internal audit

The internal audit wing (IAW) of an organisation is a vital component of its internal control mechanism and is generally defined as the control of all controls to enable the organisation to assure itself that the prescribed systems are functioning reasonably well. **However, it was observed that IAW was not functioning in the department, leaving it vulnerable to the risk of control failure.**

The Government may consider setting up of an IAW to monitor the levy and correctness of ED/fees paid.

Compliance deficiencies

5.2.11 Non-levy of interest

Under the BED Act, any sum due on account of electricity duty, if not paid within the time and in the manner prescribed, is deemed to be in arrears and interest is payable on the sum at the prescribed rates till the sum is paid.

Scrutiny of returns in form 'C' and the related records of four EIs⁶ revealed that six⁷ consumers had delayed payment of Rs. 14.81 crore towards duty and tax for periods varying between 3 and 1,793 days during the years April 2001 to March 2006. The department failed to levy interest as required under the provisions of the Act, resulting in non-recovery of interest amounting to

⁶ Kolhapur, Mumbai, Pune, and Thane.

⁷ Dy. Engineer (Agricultural Construction Division) Aarey Colony, Shree Warna Sahakari Dudh Utpadak Prakriya Sangh Kolhapur, Tata Power, Vindhyachal Hydro Power Co. Pune, Vindhyachal Hydro Power Co. Ltd, Thane and Western Railway.

Rs. 85.14 lakh, of which an amount of Rs. 14.31 lakh pertained to the last five years.

After the cases were pointed out, the department accepted the observation and raised demands for Rs. 84.37 lakh against which one consumer paid Rs. 1.69 lakh. A report on recovery and action taken in the remaining cases had not been received (October 2007).

5.2.12 Conclusion

The Act provides for filing of quarterly returns by the licencees which are an important internal control measure to monitor the payment of ED and its correctness. The department had failed to effectively scrutinise the receipt of the prescribed returns and the correctness of duty and taxes payable as per the returns. This led to leakage of revenue. No time limit has been prescribed for reporting the cases of defaulting licencees/consumers to the Government resulting in non/delayed pursuance of dues. The system of reconciliation of figures of the revenue collected was practically non-existent, leading to incorrect reporting of the same to the Government. Failure of the department to carry out inspections of lifts/electrical installations led to non-realisation of inspection fees. The internal control mechanism of the department was abysmally weak as is evidenced by the absence of an internal audit wing which is the control of all internal controls and a management tool for plugging leakages of revenue and non-prescription of percentage of checks by the supervisory officers over the work of EIs.

5.2.13 Summary of recommendations

The Government may consider:

- prescribing a system for linkages of various information/returns at the level of EIs to check short remittance of tax on sale of electricity,
- prescribing a time limit for reporting the cases of defaulting licencees/consumers to enable it to pursue the arrears of dues under the Maharashtra Land Revenue Code,
- instituting a system for carrying out periodic reconciliation of the figures reported by the department; and
- setting up of an IAW to monitor the levy and correctness of ED/fees paid.

SECTION B PROFESSION TAX

5.3 Non-realisation of profession tax

Under the provisions of the Profession Tax Act, every person liable to pay tax is required to obtain an enrolment certificate and pay tax annually at the rates specified in Schedule I to the Act. Section 5(5) of the Act provides that, if a person liable for enrolment failed to apply for such certificate, a penalty of Rs. 2 per day is leviable.

In order to ascertain whether all persons liable to be covered under certain categories specified in Schedule I to the Act are brought under the purview of the Act, details were collected from the Transport Commissioner's office in respect of holders of permits for transport vehicles, the Income Tax Department in respect of self employed persons from the motion picture industry, the Labour Commissioner's office in respect of shops/establishments covered under the Bombay Shops and Establishment Act, 1948 and the Royal Western India Turf Club Ltd, in respect of bookmakers, trainers and jockeys licensed by it.

On the details being cross checked with the number of enrolments in the Profession Tax Department, it was revealed that 30,76,059 persons had not been enrolled. The amount of revenue involved in these cases amounted to Rs. 345.80 crore as mentioned below:

Sl. no.	Entry No. of Schedule I to the Act	Categories of professionals	Period	No. of persons as per the departments/institutions	No. of persons enrolled as per the PT Department	No. of persons not enrolled	Rate of PT per annum (Rs.)	Amount of potential revenue (Rs. in crore)
1.	13	Holders of permits granted under the Motor Vehicles Act for transport vehicles, used for hire.	2001-02 to 2005-06	27,88,159	9,23,639	18,64,520	750	139.84
2.	7	Self-employed persons in the motion picture industry.	2002-03 to 2005-06	23,787	8,051	15,736	1,700	2.68
3.	6	Bookmakers, trainers and jockeys licensed by the Royal Western India Turf Club.	2001-02 to 2005-06	1,197	816	381	1,700	0.06
4.	8, 9, 10, 11, 12, 14, 16 and 18	Owners of shops and establishments covered under the Bombay Shops and Establishments Act, 1948.	2005	19,23,871	7,28,449	11,95,422	1,700	203.22
		Total				30,76,059		345.80

After the cases were pointed out, the Principal Secretary, Finance Department accepted the data regarding non-enrolment in respect of persons listed under Sl. nos. 2, 3 and 4. In respect of holders of permits for transport vehicles, the department stated that there could have been more than one permit with the holder and hence the number of such enrolment cases may be less. The Principal Secretary directed the Joint Commissioner of Sales Tax (PT) in July 2007 to get the figures reconciled with the Transport Commissioner. Further report had not been received (October 2007).

5.4 Non-levy of penalty

Under the provisions of Profession Tax Act, every employer or person engaged in any profession is required to apply for registration or enrolment within 30 days of his becoming liable to pay tax to the prescribed authority. For failure to apply within the stipulated time, the prescribed authority, after giving him reasonable opportunity of being heard, can impose penalty at the rate of Rs. 5 per day in the case of an employer and Rs. 2 per day in case of a person liable for enrolment.

Scrutiny of registration/enrolment records pertaining to the period 2001-02 to 2005-06 in 23 profession tax offices⁸ revealed that in 515 cases, there were delays ranging from 66 to 9,487 days in applying for registration/enrolment. However, penalty was either not levied or was levied at lower rates. As against the penalty of Rs. 20.30 lakh leviable, penalty of only Rs. 91,000 was levied. This resulted in non/short levy of penalty of Rs. 19.39 lakh.

After the cases were pointed out, the department stated that the Profession Tax Officers had been directed to take necessary action for recovery of penalty. A report on recovery had not been received (October 2007).

SECTION C ENTERTAINMENT DUTY

5.5 Non-recovery of entertainment duty from cable operators

Under the provisions of the Bombay Entertainments Duty (BED) Act, 1923, entertainment duty (ED) is payable with effect from 1 May 2000 by cable operators at flat rates of Rs. 30, Rs. 20 or Rs. 10 per television set per month, depending on whether the area is a municipal corporation (MC), A and B class municipality or other area. Further, ED is payable on or before the 10th of the subsequent month to which it relates, failing which interest at the rate of 18 *per cent* per annum for the first 30 days and 24 *per cent* thereafter, is leviable.

Test check of the records of 12 units⁹ in six¹⁰ districts between December 2003 and August 2005 revealed that ED amounting to Rs. 41.51 lakh was not paid by 251 cable operators during various periods between 2002-03 and 2004-05. Demands were also not raised by the Resident Deputy Collectors/Taluka Magistrates against the operators. This resulted in non-recovery of ED of Rs. 41.51 lakh. Besides, interest at the prescribed rates was also leviable.

After the cases were pointed out, the department, between January 2004 and July 2007, recovered ED amounting to Rs. 21.10 lakh, along with interest of

⁸ Ahmednagar, Akola, Amravati, Dhule, Jalna, Mumbai (8), Nashik, Palghar, Pune (5), Raigad, Satara and Solapur.

⁹ Resident Dy. Collector: Akola, Aurangabad, Jalgaon, Mumbai Zone VII, VIII, Taluka Magistrate: Andheri Zone I, Kurla IX, Vasai at Thane
Entertainment Duty Officer: Pune Zone A, H, K, I

¹⁰ Akola, Aurangabad, Jalgaon, Mumbai, Pune and Thane.

Rs. 26,000, from 131 cable operators. A report on recovery of the balance amount had not been received (October 2007).

The matter was reported to the Government in April and May 2007; their reply had not been received (October 2007).

SECTION D

STATE EDUCATION CESS AND EMPLOYMENT GUARANTEE CESS

5.6 Non/short remittance of cess

Under the provisions of the Maharashtra Education and Employment Guarantee (Cess) Act, 1962 and Rules made thereunder, cess and penalty recovered by the MCs during a calendar week are required to be credited to the Government account before the expiry of the following week. If any MC defaults in payment to the State Government of any sum under the Act, the State Government may, after holding such enquiry as it thinks fit, fix a period for the 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 the bank account, to the State Government.

During test check of the three MCs¹¹ between May 2006 and October 2006, it was noticed that the MCs did not remit the revenue amounting to Rs. 36.68 crore relating to the State education cess (SEC) and employment guarantee cess (EGC) collected during 2005-06. The State Government also did not direct the bank to pay the amount due from the bank accounts of the MCs. It was also noticed that there was no provision for furnishing of the details of cess collected and remitted to the Government account. This showed that no internal control existed in the Revenue and Forests Department over the receipts and deposits of revenue by the MCs.

After the cases were pointed out, MCs, Mumbai and Jalgaon stated (June 2006) that orders for adjustment of the amount against the grants due to them were awaited. MC, Nagpur stated in August 2006, that the amount would be credited to the Government account. The replies are not tenable as the rules provide for the remittance of cess before the expiry of the following week during which it is collected.

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

5.7 Irregular grant of refund

Under the provisions of the Cess Act, refund of SEC and EGC is admissible, if refund of property tax (i.e. general tax) is permissible under any municipal law. The Government, vide an ordinance dated 2 March 1998, abolished the provision for refund of property tax on account of vacant properties.

¹¹ Jalgaon, Mumbai and Nagpur.

Scrutiny of the records in three¹² wards of Brihan Mumbai Municipal Corporation (BMC) during February and March 2003 revealed that the department continued to refund SEC and EGC during 2003-04, though the provision for refund of property tax on vacant properties had been abolished in March 1998. This resulted in irregular refund of Rs. 20.37 lakh (SEC: Rs. 17.21 lakh and EGC: Rs. 3.16 lakh) in respect of 353 vacant properties.

After the cases were pointed out, BMC, between August 2005 and May 2006, issued supplementary bills and recovered Rs. 3.75 lakh in respect of 159 properties. A report on recovery of the balance amount of Rs. 16.62 lakh had not been received (October 2007).

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

SECTION E TAX ON BUILDINGS (with larger residential premises)

5.8 Non-remittance of tax

Under the provisions of the Maharashtra Tax on Buildings (with Larger Residential Premises) (Re-enacted) Act, 1979, tax recovered by an MC on behalf of the State Government is to 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 due under the Act, the State Government can, after holding such enquiry as it thinks fit, 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 the bank account to the State Government.

During test check of the records of three MCs¹³ between June and September 2006, it was noticed that the MCs did not remit revenue amounting to Rs. 1.73 crore collected on account of tax on buildings (with larger residential premises) during the year 2005-06. In none of the cases was the bank/treasury directed to pay the sum to the State Government. This resulted in non-remittance of tax of Rs. 1.73 crore.

After the cases were pointed out, the MC, Mumbai stated in June 2006 that remittance of tax collected was held up for want of an administrative decision on adjustment of the amount of tax from the grant receivable from the Government. The MCs, Solapur and Pune stated in July and September 2006 respectively, that tax would be remitted into the Government account. The replies are not tenable as the tax collected was required to be deposited into the Government account within 30 days from the date of recovery.

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

¹² M (East), N and P/South wards of Brihan Mumbai Municipal Corporation.

¹³ Mumbai, Pune and Solapur.

CHAPTER VI: NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of non-tax receipts conducted during the year 2006-07 revealed under assessment/short levy, loss of revenue etc. of Rs. 103.11 crore in 44 cases, which broadly fell under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Forest Receipts (A review)	01	73.95
2.	Loss of revenue on sale of tendu leaves	16	16.34
3.	Loss of forest revenue	20	12.15
4.	Miscellaneous	05	0.63
5.	Others	02	0.04
	Total	44	103.11

During 2006-07, the department accepted under assessments in 56 cases pertaining to earlier years and recovered Rs. 18.92 crore.

A review on 'Forest Receipts' involving a financial effect of Rs. 73.95 crore and a few illustrative cases involving a financial effect of Rs. 94.24 crore are mentioned in the following paragraphs.

6.2 Review of Forest Receipts

6.2.1 Highlights

Non-preparation of working plans as well as failure to follow the prescriptions in the plans wherever prepared resulted in deferment of revenue of Rs. 147.63 crore.

(Paragraph 6.2.8)

Failure to enforce the conditions of contracts for exploitation of bamboo led to the loss of revenue of Rs. 10.94 crore.

(Paragraph 6.2.9.2)

Apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears of Rs. 26.28 crore.

(Paragraph 6.2.10.3)

Arrears in inspection of forest offices by the internal audit wing and failure of the department to take corrective action on observations made by it indicated the failure of a vital internal control.

(Paragraph 6.2.11)

Delay in invitation of tenders for sale of *tendu* leaves led to the loss of revenue of Rs. 19.74 crore.

(Paragraph 6.2.12)

6.2.2 Introduction

The subject 'Forests' is included in the 'Concurrent List' in the seventh Schedule to Article 246 of the Constitution of India. The Indian Forests Act, 1927 and Forest Conservation (FC) Act, 1980, which are Central Acts, Bombay Forests Rules 1942, and Bombay Forests Manual mainly govern protection and management of forests in the State. Under the FC Act, it is necessary to get prior approval of the Government of India (GOI) for use of forest land for non-forestry purposes.

Forests in Maharashtra constitute 20.13 *per cent* of the geographical area of the State. The Forests Department generates revenue through sale of timber, firewood, bamboo, *tendu* leaves and other minor forest produce. In addition, compensation including fines is charged for unauthorised use of forest land and illicit felling of trees. The exploitation of forest produce is done either departmentally or through Forest Labourers' Co-operative Societies (FLCS) and contractors. The forest produce is disposed through auction, invitation of tender and long term agreement with private parties.

The system of collection of forest receipts was reviewed in audit which revealed a number of system and compliance deficiencies which have been subsequently discussed.

6.2.3 Organisational set up

The protection and conservation of forests for sustained growth is the responsibility of the Forests Department which functions under the Principal Secretary (Forests) in the Revenue and Forests Department. The Principal Chief Conservator of Forests, (PCCF) Maharashtra at Nagpur is responsible for the overall administration of the department. He is assisted by three Additional PCCFs and seven Chief Conservators of Forests (CCF). There are 11 territorial circles comprising 48 divisions and 309 ranges headed by CCF, CF, Deputy Conservator of Forests (DCF) and Range Forest Officers (RFO) respectively. The administration of forest division, sale of forest produce and realisation of revenue are responsibilities of DCFs. Besides protection of forests, the RFOs are responsible for carrying out the work of plantation, marking and felling of trees, transporting timber and fuel wood from the forest floor to the sale depots, etc.

6.2.4 Scope of audit

The review of the efficacy of the system of collection of forest revenue was conducted for the period 2001-02 to 2005-06. Records of 16¹ out of 48 territorial divisions in the State as well as those of the *Mantralaya*, PCCF, and two² out of 11 circles were examined in the course of this review.

6.2.5 Audit objectives

The review was conducted to ascertain whether

- working plans (WPs) of the divisions were prepared and got approved from the Government of India (GOI) in time;
- the activities envisaged in the WP were executed as per schedule;
- forest produce available and due for exploitation were extracted in time and expected revenue realised; and
- internal control mechanism to ensure proper functioning of various wings and for optimum collection of revenue existed in the department.

6.2.6 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Forests Department in providing necessary information and records for audit. The draft review report was forwarded to the Government and department in May 2007 and was discussed in the Audit Review Committee meeting held in September 2007. Principal Secretary, Forests Department represented the Government while the Principal Chief Conservator of Forests represented the department. Views of the Government/department have been incorporated in relevant paragraphs.

6.2.7 Trend of forest revenue

The preparation of the annual budget estimates of revenue is the responsibility of each DCF. This estimation is based on the estimated yield of forest produce

¹ Allapalli, Bhandara, Bhamragad, Central Chandrapur, Dahanu, East Melghat, Gadchiroli, Nagpur, Nanded, Nashik (West), Pandharkawada, Satara, Solapur, Wadsa, Yavatmal and Yawal.

² North and South Chandrapur circles.

from the coupes³ due for exploitation in a particular year as per the WP and is required to be submitted to the PCCF through the CF concerned for approval.

Audit scrutiny revealed that the actual receipts fell short of the budget estimates by 23 to 45 per cent every year during 2001-02 to 2005-06 indicating unrealistic preparation of budget estimates. The details are mentioned below :

(Rupees in crore)			
Year	Budget estimates	Actual	Percentage of variation (+) increase (-) decrease
2001-02	200.00	134.14	(-) 32.93
2002-03	136.50	104.58	(-) 23.38
2003-04	143.33	86.33	(-) 39.77
2004-05	160.90	88.62	(-) 44.92
2005-06	126.46	92.02	(-) 27.23

Further scrutiny revealed that DCFs of Bhandara and Gadchiroli divisions retained Rs. 9.57 crore realised from the sale of timber during 2001-02 to 2005-06 in forest deposits instead of crediting it to revenue due to non-finalisation of the account of coupes allotted to FLCS for exploitation.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that shortfall in revenue collection was attributable to non-exploitation of coupes for want of funds for regeneration activities.

System deficiencies.

6.2.8 Working plan

A working plan (WP) is a document prepared for a period of 10 years which contains detailed scheme of management for silvicultural operations⁴. The forest produce resulting from these operations generates revenue for the Forest Department. Non-existence of a WP has a major impact on the growth and regeneration of the forests. It also leads to stoppage of all activities relating to extraction of forests produce from the forests which affect the receipts of the department and hence, it is in the interest of the environment as well as the department that the WPs are prepared and approved well in advance. Audit scrutiny revealed a number of deficiencies in the preparation as well as implementation of WPs which are mentioned below.

³ Coupe is the demarcated forests area where the exploitation activity is to be carried out

⁴ Raising of new plantation and developing existing plantation and in the process collection of revenue through sale of forest produce.

6.2.8.1 Preparation of working plan

DCF's of WP divisions are required to take up the work of revision of WP two and half years in advance of the expiry of the existing plan so as to allow sufficient time for obtaining the sanction of the GOI through the PCCF.

Three⁵ divisions did not prepare the WPs during 2001-02 to 2005-06 while eight⁶ divisions did not have continuous WPs for one to three years between 2001-02 and 2005-06. There was no monitoring by the PCCF to ensure the preparation and timely submission of WP to the GOI. Non-preparation of new WPs before expiry of the existing WPs resulted in deferring of timber extraction and revenue from these divisions.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that due to shortage of staff there was delay in preparation of WP. It was further stated that in future, staff from other divisions would be deployed and within two years WP would be prepared in all divisions. Remote sensing and digital data would also be used for the preparation of WPs. The reply is not tenable as separate WP divisions existed in the department which have been created with the sole aim of preparation and finalisation of WPs.

6.2.8.2 Implementation of the working plans

As per the WP, forest area is divided into various working circles and circles are divided into coupes. Marking of the coupes due for exploitation in a particular year is to be done in the year preceding the year in which respective coupe is due for exploitation as per prescription in the WPs. Non-exploitation of coupes as per the prescription of WPs leads to deferment of revenue realisable from the extracted timber and other produce and also blocks regeneration activities affecting future revenue adversely.

Under the directions issued in September 2000 by the Supreme Court, the Government was required to provide sufficient funds for regeneration of forests before commencement of exploitation in forests as per the prescription in the WPs. Under these directions of the Apex Court, the GOI was to grant permission for exploitation after ensuring that the State Government had made sufficient provision of funds for regeneration activities.

The Bombay Forest Manual stipulates maintenance of control books to compare the actual exploitation in the year with the prescriptions of the WP and recording the yield of timber and other forest produce and the revenue derived therefrom.

Audit scrutiny revealed that the State Government had made a provision of only Rs. 21.98 crore against the requirement of Rs. 55.75 crore for regeneration activities in 2002-03. Because of this failure of the State Government, the GOI did not grant permission for exploitation which resulted in revenue not being realised due to non-exploitation of timber as discussed below:

⁵ Dahanu, West Nashik, Yawal

⁶ Allapalli (2001-02 to 2003-04), Central Chandrapur (2003-04), East Melghat (2003-04 to 2005-06), Gadchiroli (2005-06), Nagpur (2001-02 to 2003-04), Pandharkawada (2001-02), Solapur (2005-06), Wadsa (2001-02).

In six divisions, it was observed that though 651 coupes were due for exploitation during the years 2001-02 to 2005-06, yet these coupes were not exploited resulting in revenue of Rs. 147.63 crore remaining unrealised. Details of coupes which were not exploited alongwith reasons for non-exploitation furnished by the divisions are mentioned as follows:

Division	Due year of exploitation	Coupes due for exploitation (Number)	Estimated yield		Estimated revenue not realised (Rs. in crore)	Reasons for non-exploitation
			Timber (cubic metres)	Fuel wood (Number of beats) ⁷		
Nagpur	2004-05	14	525.00	187.00	0.38	Non-availability of funds
Bhamragad	2001-02 to 2005-06	469	1,93,806.25	80,611.50	132.15	Naxalite problem
Bhandara	2002-03	36	10,779.06	22,279.00 and 21,227 poles	5.23	Non-receipt of permission of the GOI
Gadchiroli	2001-02	33	4,376.88	20,493 .00	1.07	Naxalite problem
	2002-03	39	3,348.57	17,403.00	1.28	Non-receipt of permission of the GOI
Pandharkawada	2002-03	32	4,600.00	1,400.00	6.33	Non-receipt of permission of the GOI
Wadsa	2003-04 to 2005-06	28	2,437.00	4,943.00	1.19	Naxalite problem
Total		651	2,19,872.76	1,47,316.50 and 21,227 poles	147.63	

It was also noticed that in four⁸ divisions, control books had not been maintained. This indicated that the vital internal control to watch exploitation of coupes as per prescription of the WP was not being implemented which led to deficiencies in implementation of the WPs not being highlighted.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that exploitation of coupes in naxalite affected areas would be decided after consultation with the Home Department. It was further stated that in future, efforts would be made to minimise the other reasons for non-exploitation of coupes.

⁷ Beat is a stack of fuel wood of two metre length, 1.2 metre breadth and one metre height

⁸ Gadchiroli, Nagpur, Nanded and Wadsa

6.2.9 Exploitation of bamboo

In the WP, the bamboo coupes are divided into three felling series and each felling series becomes due for harvesting after every three years. If bamboo is not harvested from a felling series in a particular year, that felling series can be harvested only after three years resulting in loss of revenue. Non-exploitation of bamboo coupes also blocks regeneration of new shoots which becomes exploitable after three years. Audit scrutiny revealed serious deficiencies in exploitation of bamboo which could have been avoided had the department taken timely action. Some of the important cases noticed in audit are discussed below:

6.2.9.1 Loss of revenue due to non-exploitation of bamboo

As per the WPs of four divisions, bamboo in 43,011.72 hectare area was due for exploitation during 2001-02 to 2005-06. It was, however, observed that the area under bamboo was not fully exploited resulting in loss⁹ of revenue of Rs. 11.72 crore. Reasons for non-exploitation furnished by the divisions are mentioned below:

(Area in hectares)				
Division	Area due for exploitation	Area actually exploited	Area not exploited	Reasons for non-exploitation as stated by the department
Bhamragad	33,780.85	10,934.63	22,846.220	Less demand of nistar ¹⁰ bamboo from the local people
Bhandara	4,807.148	2,774.874	2,032.274	Shortage of funds
Nashik (West)	824.00	Nil	824.00	Poor quality due to illicit cutting/grazing/fire.
Yawal at Jalgaon	3,599.72	Nil	3,599.72	Absence of an approved WP
Total	43,011.718	13,709.504	29,302.214	

The reasons given by the department are not tenable because in the case of Bhamragad division, out of 75 coupes, 51 coupes were allotted to Ballarpur Industries Limited (BILT) which exploited them and 24 coupes were reserved for departmental exploitation without ascertaining the actual requirement for nistar bamboo.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that action would be taken in future to ensure proper estimation of exploitable quantity of bamboo.

⁹ Based on the financial return of Rs. 4,000 per hectare of bamboo plantation as mentioned in the publication of 'Indian Forestry and Education Institute, Deharadun'

¹⁰ Making available the forest produce at concessional rates to the villagers residing in or near the forest area.

6.2.9.2 Loss of revenue due to non-exploitation of bamboo by contractors

In Wadsa division, two contracts were executed in December 2001 for exploitation of three bamboo coupes during 2001-02 to 2003-04. As per one of the tender conditions, security deposit was to be paid separately for each year on or before the first day of each supply year¹¹ and royalty was to be paid in advance in three instalments in October, December and February of the respective supply year for harvesting of bamboo as per the working season¹². Thus it was necessary for the department to obtain permission of the GOI for exploitation before the commencement of the supply year.

The contractors exploited bamboo only during 2001-02 and did not pay the security deposit of Rs. 4.63 crore towards royalty and other taxes for the year 2002-03 as permission for exploitation before commencement of the supply year 2002-03 was not granted. Scrutiny of records revealed that the GOI did not accord permission during 2002-03, as the required budgetary allocation for regeneration activities was not made by the State Government in time. It was noticed that even after the receipt of the GOIs approval, the department failed to terminate the existing contracts and float new tenders for the remaining working season till 31 May 2003. The contracts were belatedly terminated in September 2003 after a delay of eight months.

It was further noticed that these three coupes due for exploitation during 2003-04 for which permission of the GOI for exploitation was received in October 2003, were sold in March 2004 to BILT at a rate lower than the rates offered by the original contractors which led to loss of revenue of Rs. 6.31 crore.

Thus, failure of the department to provide adequate funds for regeneration activities led to non-exploitation of the bamboo coupes during 2002-03 and sale of coupes during the year 2003-04 at a lower rate led to a loss of revenue of Rs. 10.94 crore.

After the cases were pointed out, the Government accepted the facts in September 2007.

6.2.9.3 Loss of revenue due to inaction of the Government

The Government in October 2001, invited tenders for exploitation of 21 bamboo coupes during 2001-02 to 2003-04 of Amravati and Chandrapur forest circles. However, eight coupes of Gadchiroli and Sironcha divisions with estimated quantity of 44,914.87 air dry metric tonne¹³ (ADMT) bamboo under the Chandrapur circle remained unsold as the offers received were lower than the estimated rates. Tenders were again invited four times between December 2001 and April 2002 but the rates offered were lower than expected.

It was noticed that BILT, in September 2002, offered to purchase bamboo at the rate of Rs. 1,141.25 per ADMT in 2002-03 and Rs. 1,255.38 per ADMT in 2003-04 from these eight unsold coupes and requested the Government to incorporate these unsold units in the quantity of existing Bhamragad agreement executed between department and BILT in December 2001. The

¹¹ Supply year means the year commencing 1 October and ending on 30 September of the subsequent year.

¹² Working season means extraction period from 1 October to 31 May of subsequent year

¹³ ADMT means 1,000 kgs weight of air dry bamboo.

Government accepted this offer in January 2003 after a delay of more than three months and also failed to obtain the GOI permission for exploitation due to non-allotment of fund for regeneration activities in time. Even though BILT exploited bamboo from the coupes in Bhamragad division after January 2003, they expressed inability to accept the offer of the Government to exploit 44,914.87 ADMT of bamboo from the eight unsold coupes. Thus, delay on the part of the Government in accepting the offer of BILT coupled with failure to obtain the GOI approval due to non-allotment of fund for regeneration activities resulted in loss of revenue of Rs. 5.13 crore.

After the case was pointed out, the Government while accepting the facts stated in September 2007 that BILT was trying to negotiate the rates and avoiding exploitation of coupes in these divisions. The reply is, however, silent regarding reasons for delay of more than three months in accepting the offer of BILT and non-allotment of fund for regeneration activities which eventually led to loss of revenue.

6.2.10 Weaknesses in reporting and accountability

6.2.10.1 Delay in preparation of timber account

Timber account showing receipts and disposal of forest produce and seized material is required to be compiled monthly by the RFOs for submission to DCF for monitoring the harvesting and disposal of the forest produce as well as for facilitating submission of consolidated report of the stock of forests produce to the Government through the CF concerned. It was observed that due to the delay in preparation of timber accounts by 52 RFOs of eight¹⁴ divisions, preparation of the consolidated account of timber by CF for submission to the Government through PCCF was in arrears for 7 to 24 months.

6.2.10.2 Under reporting of revenue loss due to illicit felling

The Bombay Forest Manual does not prescribe the procedure for working out the cost of illicitly felled trees and the seized material. As per the procedure followed by the department, the loss of revenue due to illicit felling is worked out by deducting the value of seized material at sale depot rates (SDR) from the cost of illicitly felled trees. The cost of illicitly felled trees is based on the schedule of rates (SOR) approved by the CCF/CF for each year for valuation of the quantity of timber from illicitly cut trees. SDR is always higher than the SOR as the transportation and other departmental expenditure are included in SDR.

In five¹⁵ divisions, it was observed that 14,576.724 cubic metre (cum) of timber was illicitly cut during 2001-02 to 2005-06 and was valued at Rs. 6.71 crore on the basis of SOR. The divisions seized 7,081.99 cum of timber during the above period valued at Rs. 5.27 crore on the basis of the SDR which was adjusted from the loss of Rs. 6.71 crore calculated as per the SOR. Loss of revenue in this case was thus calculated at Rs. 1.44 crore. Since the value of seized timber was calculated at SDR, this included departmental expenditure incurred on dragging and transportation of timber upto the point

¹⁴ Bhamragad, Bhandara, Gadchiroli, Nagpur, Nashik West, Pandharkawada, Wadsa, Yawal

¹⁵ Bhamragad, Central Chandrapur, East Melghat, Gadchiroli and Pandharkawada.

of sale. The actual loss should have been worked out by considering SOR in respect of both seized and unseized material. Considering the SOR applicable to seized timber, the value works out to Rs. 3.40 crore and thus, the actual loss of revenue is Rs. 3.31 crore instead of Rs. 1.44 crore as reported by the department.

After the cases were pointed out, the Government in September 2007 assured that the procedure of working out loss due to illicit felling would be recast and correct mechanism adopted.

The Government may consider prescribing a uniform procedure for working out the cost of illicitly felled trees and the cost of seized material.

6.2.10.3 Deficiency in pursuance of dues

Under the Bombay Forest Manual, every forest division should maintain a register showing outstanding dues and furnish a quarterly report to the concerned CFs. The CFs in turn furnishes a quarterly report of outstanding dues in respect of all the divisions under him to the PCCF. Further, the conditions governing sale of forest produce provides that the arrears of dues recoverable from purchaser/contractor are required to be recovered as arrears of land revenue by issue of revenue recovery certificate. Audit scrutiny revealed that forest revenue of Rs. 26.28 crore remained unrecovered as of 31 March 2006 as mentioned below:

(Rupees in crore)	
Period	Amount
More than 20 years	4.36
Between 10 years and 20 years	11.78
Between 5 years and 10 years	2.52
Less than 5 years	7.62
Total	26.28

Out of the above dues, recovery of Rs. 7.07 crore due upto 2005-06 from the contractors was not referred to the revenue authorities. Further, dues of Rs. 3.28 crore for the period upto 2005-06, though referred to revenue authorities, had not been recovered by it as of September 2007.

Besides, Rs. 12.60 crore was due from 369 FLCS, of which, dues of Rs. 3.35 crore pertained to 86 societies which are now closed and Rs. 8.10 crore pertained to 93 societies which were under liquidation. Only, Rs. 1.15 crore was recoverable from 190 FLCS which were functional.

After the cases were pointed out, the PCCF stated that due to non-existence of any property and credit in bank account in case of closed/liquidated societies, recovery of dues was not possible. As regards functional FLCS it was stated that due to non-existence of WPs, there was no work for FLCS and thus recovery from them was pending. In other cases, PCCF stated that reasons for non-recovery would be ascertained from the CFs.

The position above also shows that non-existence of WPs as well as apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears with the passage of time.

6.2.11 Working of internal audit wing

Internal audit wing (IAW) is a vital component of the internal control mechanism and is generally defined as the control of all controls to enable an organisation to assure itself that the prescribed systems are functioning reasonably well.

The IAW attached to the PCCF in March 2007, had one desk officer (DO), three Chief Accountants (CA) and one clerk as against the sanctioned staff of one DO, three CA, two accountants and three clerks. The IAW was required to inspect 102 units annually. Out of 510 units to be inspected during 2001-02 to 2005-06, the IAW inspected only 107 units. The year wise break up of the inspection reports (IR)/paragraphs issued by the IAW during the years 2001-02 to 2005-06 is as follows:

Period	Opening balance		Addition during the year		Clearance		Closing balance		Percentage of clearance	
	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	IRs	Paras
2001-02	36	4,058	13	517	--	212	49	4,363	--	4.63
2002-03	49	4,363	18	781	--	37	67	5,107	--	0.72
2003-04	67	5,107	42	1,465	--	27	109	6,545	--	0.41
2004-05	109	6,545	28	1,022	--	29	137	7,538	--	0.38
2005-06	137	7,538	06	264	--	124	143	7,678	--	1.59

The above table shows that the percentage of clearance of IRs was nil and clearance of paragraphs ranged between 0.38 and 4.63 *per cent*. At the end of March 2006, 143 IRs with 7,678 paragraphs were outstanding for want of remedial measures. Increasing trend of outstanding objections, arrears of inspection and vacancies in the IAW indicated that the vital internal control measure to ensure that the revenue collection was optimum and all the planned activities were carried out by the field officers in the manner prescribed, was not observed properly.

The department did not furnish any reason for the arrears of inspection and low clearance of internal audit observations (October 2007).

The Government may consider strengthening the IAW and ensuring time bound action by the forest officials on the objections raised by the IAW so as to safeguard interest of revenue and avoid recurrence of mistakes pointed out.

Compliance deficiencies

6.2.12 Loss of revenue due to delay in sale of *tendu*

Tendu leaves are disposed of by invitation of tenders. For harvesting the produce in the month of April-May (*tendu* season), contracts for collection and removal of *tendu* leaves are required to be finalised by the month of December of the preceding year to enable the contractors to take up operations such as coppicing¹⁶, etc. for good yield of the produce. Any delay in this process results in less yield and low offers.

Records of the CCF (Evaluation and Nationalisation), Nagpur showed that invitation of tenders for 437 *tendu* units for *tendu* season 2005 was delayed upto February 2005. Consequently, only 234 units were sold and 203 units involving revenue of Rs. 13.82 crore, remained unsold and were subsequently declared unproductive in June 2005. Further, the revenue realised from the units sold was only Rs. 14.86 crore against the expected revenue of Rs. 20.78 crore. Thus, delay in inviting tenders resulted in less realisation of revenue of Rs. 19.74 crore.¹⁷

After the cases were pointed out, the Government while accepting the facts stated that delay was due to elections for the State Assembly. Further there was also low demand for *tendu* leaves. However, faster processing of tenders would have made some difference in revenue.

The reply is not tenable as invitation of tenders is a yearly process and the Government is also aware of the likely adverse impact on *tendu* sale in case of delay in the tendering process. Therefore, the process of tendering should have been started in time.

6.2.13 Loss of revenue due to excess shrinkage in transportation

As per the recommendation of the Public Account Committee made in December 1996, the PCCF in September 2002 fixed the norms for shrinkage and accordingly four *per cent* shrinkage in teak timber during transportation from coupe depot to sale depot was permissible.

In Gadchiroli and Pandharkawada divisions, it was noticed that 1,425.489 cum of teak timber was transported from the coupe depot to sale depot during 2004-05 to 2005-06. The sale depot records, however, showed receipt of 1,242.041 cum timber. This resulted in loss of revenue of Rs. 14.39 lakh on the quantity lost/pilfered in transit. The divisions, however, did not fix responsibility for less receipt of timber.

After the cases were pointed out, the Government while accepting the facts stated in September 2007 that action would be taken to investigate the reasons. Further development is awaited (October 2007).

6.2.14 Conclusion

A working plan is a document which contains the detailed scheme of management for silvicultural operations. Non-existence of a WP would consequently have a major impact on the growth and regeneration of the

¹⁶ Making small cut in the root suckers of *tendu* trees so as to facilitate growth of new shoots/leaves.

¹⁷ Rs. 13.82 crore + (Rs. 20.78 crore – Rs. 14.86 crore)

forests. WPs were not prepared for a number of divisions. Control books which are a vital internal control to watch exploitation of coupes were not maintained which led to deficiencies in implementation of the WPs not being highlighted. Failure to enforce conditions of contracts for exploitation of bamboo and failure to take timely decisions led to the loss of revenue. Apathy on the part of the department/Government to take timely action to recover outstanding dues resulted in accumulation of huge arrears with the passage of time. Increasing trend of outstanding observations, arrears of inspection and vacancies in the IAW indicated that the vital internal control measure to ensure that the revenue collection was optimum and all the planned activities were carried out by the field officers in the manner prescribed, was not functioning properly.

6.2.15 Summary of recommendations

The Government may consider:

- streamlining the implementation of WPs to ensure sustained development of forests so as to avoid deferment of revenue;
- expediting procedures for exploitation of bamboo; and
- strengthening the IAW and ensuring time bound action by the forest officials on the observations raised by the IAW so as to safeguard interest of revenue and avoid recurrence of the mistakes pointed out.

6.3 Non-accounting of loans for recovery of principal and interest

The loans advanced by the Government usually carry interest at rates fixed by the sanctioning authorities. The period and manner of repayment of loans as well as the rates of interest and the modes of their payment are generally specified before grant of the loans and are indicated in the sanction orders. Amounts paid by the Government on invocation of guarantees by the lending institutions are also treated as loans to the concerned borrowers. Penal interest is chargeable on instalments of principal and interest not paid as per the conditions of sanction.

Test check of the records of the loan accounts of co-operative spinning mills maintained by the Director of Textiles in July 2007 revealed the following:

6.3.1 In respect of seven mills¹⁸, loan amounts totalling Rs. 36.03 crore and interest of Rs. 24.52 crore, which were paid between December 2002 and May 2005 by the Government on invocation of guarantees, had not been accounted for in the respective loan accounts of the mills. This resulted in the Government not claiming interest of Rs. 13.30 crore on the total amount of Rs. 60.55 crore upto 31 March 2006.

¹⁸ Baramati Co-op. Spinning Mills Ltd, Padadhare, Pune; Jawahar Shetkari Co-op. Roto Spinning Mills Ltd, Dhule; Nav Maharashtra Co-op. Spinning Mills Ltd, Ichalkaranji, Kolhapur; Renuka Adivasi Co-op. Spinning Mills Ltd, Jaldhara, Tal. Kinwat, Nanded; Sanjay Gandhi Co-op. Cotton Mfg. Mills Ltd, Jamod, Buldhana; Vasantdada Co-op. Spinning Mills Ltd, Kadepur, Sangli and Veer Jagdeorao Cotton Mfg. Co-op. Spinning Mills Ltd, Malkapur, Buldhana.

6.3.2 In the cases of two mills¹⁹ revenue recovery certificates were issued between March 2003 and September 2005 to the respective Collectors for recovery of outstanding loans and interest of Rs. 18.14 crore and Rs. 5.16 crore respectively. However, Rs. 16.08 crore paid by the Government on invocation of guarantees had not been reflected in the loan accounts for the years 2002 to 2005 and consequently the claim lodged for recovery was short by Rs. 19.62 crore including Rs. 3.54 crore which had accrued as interest.

6.3.3 In respect of three mills²⁰ under liquidation, claims for recovery of loans paid by the Government on invocation of guarantees were lodged short with the liquidator to the extent of Rs. 14.86 crore, including interest of Rs. 2.82 crore, between December 2002 and May 2005.

After the cases were pointed out, the Director, Textiles, agreed to update the loan accounts of the co-operative spinning mills and also revise the claims lodged with the liquidator, besides submitting the revised claims to the respective Collectors (September 2007).

The matter was reported to the Government in August 2007; their reply has not been received (October 2007).

6.4 Non-payment of interest

The Government of Maharashtra, Home Department, vide its resolutions issued between October 2001 and March 2006 allowed the Maharashtra State Road Transport Corporation (Corporation) to retain 5.5 *per cent* of the passenger tax collected by them, which was payable to the Government and convert it as share capital contribution of the Government to the Corporation. The Corporation was liable to pay interest at the rate of six *per cent* per annum on the share capital contribution.

Test check of the records of Pay and Accounts Office, Mumbai in July 2006 revealed that interest of Rs. 74.58 crore payable for the years 2004-05 and 2005-06 on the share capital of Rs. 723.64 crore by the Corporation to the Government was neither paid by the Corporation nor demanded by the Government.

The matter was reported to the Government in April 2007; their reply had not been received (October 2007).

¹⁹ Painganga Co-op. Spinning Mills Ltd, Sakharkhed, Buldhana and Maharashtra Co-op. Spinning Mills Ltd, Bhusawal; Jalgaon.

²⁰ Prabhavati Co-op. Spinning Mills Ltd, Parbhani; Solapur Weaver's Co-op. Spinning Mills Ltd, Solapur and Yavatmal District Co-op. Spinning Mills Ltd; Pusad, Yavatmal.

CHAPTER VII : OTHER TOPICS OF INTEREST

7.1 Results of audit

Test check of the records of the Revenue and Forests Department conducted during the year 2006-07 revealed loss of revenue under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Failure to invest money in fixed deposits	01	51.71
	Total	01	51.71

The case involving financial effect of Rs. 51.71 crore is mentioned in the following paragraph:

7.2 Failure to invest money in fixed deposits

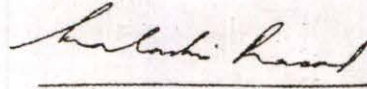
Under the directions issued by the Supreme Court (November 2002) and as per the provisions of the Forest Conservation Act, forest land can be diverted for non-forestry activities with the Government of India's (GOI) prior approval after the payment of Net Present Value¹ (NPV) of forests land and other allied charges. The Government instructed in December 2003 that from 30 October 2002, NPV should be realised from the project authorities within two months from the date of final approval. Further, under the directions of the Ministry of Environment and Forests issued in March 2004, State Government was required to keep the funds received for compensatory afforestation and NPV from user agencies in fixed deposits (FD) in any nationalised banks in the name of the concerned Deputy Conservator of Forests (DCF) or the nodal officer of the State.

Scrutiny of the records of the Principal Chief Conservator of Forests, Nagpur (PCCF) showed that 12,014.87 hectares of forest land in the State was diverted for non-forestry purpose after 30 October 2002. NPV of this land at the minimum rate of Rs. 5.80 lakh per hectare was Rs. 696.86 crore. Of this, Rs. 501.50 crore on account of NPV had not been recovered by the DCFs concerned as of September 2007. Failure of the DCFs to recover NPV from the user agencies within two months as per the instructions of the State Government and keeping it in the form of FD in nationalised bank as per the GOI instructions led to the loss of interest² of Rs. 51.71 crore from April 2004 to March 2006.

¹ Net present value is the value of the forest land depending upon the canopy density of the land in question.

² Simple interest at the minimum rate of five and half *per cent* per annum.

After the cases were pointed out, the Government while accepting the facts stated that vigorous efforts were being made for recovery of NPV. The reply was, however, silent regarding failure of the department to recover NPV within two months as per standing instruction.



(MALASHRI PRASAD)

Principal Accountant General (Audit)-I,
Maharashtra

Mumbai,
The

17 मार्च 2008
MAR 2008

Countersigned



(VINOD RAI)

Comptroller and Auditor General of India

New Delhi,
The

24 मार्च 2008
MAR 2008

ANNEXURES

ANNEXURE - I
YEARWISE DETAILS OF OUTSTANDING INSPECTION REPORTS AND AUDIT OBSERVATIONS UNDER
VARIOUS RECEIPTS AS OF 30TH JUNE 2007
(Reference: Paragraph 1.11)

(Rupees in lakh)

Sl. No.	Nature of receipt	Upto 2002-03			2003-04			2004-05			2005-06			2006-07			Total		
		IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount	IRs	Objs	Amount
1.	Sales Tax	681	1,387	10,474.07	170	395	1,298.46	193	530	357.18	315	971	2,116.61	387	1,185	1,212.12	1,746	4,468	15,458.44
2.	Land Revenue	536	1,008	12,900.77	77	245	1,392.77	114	302	3,570.12	194	440	1,867.22	155	510	11,494.27	1,076	2,505	31,225.15
3.	Stamp Duty and Registration Fees	141	264	5,668.21	106	266	2,276.11	86	191	1,181.96	169	398	5,053.02	196	503	10,743.66	698	1,622	24,922.96
4.	Taxes on Motor Vehicles	37	59	314.72	14	25	53.40	20	30	39.76	29	77	238.30	33	105	160.59	133	296	806.77
5.	Forests receipts	124	275	2,558.50	15	40	253.31	19	45	849.28	22	54	2,079.06	28	76	3,637.75	208	490	9,377.90
6.	Entertainments duty	44	53	55.80	23	30	15.01	28	43	33.87	51	82	114.14	67	118	115.95	213	326	334.77
7.	State Excise	8	7	6.97	13	12	173.89	16	21	30.86	21	37	307.42	20	32	98.39	78	109	617.53
8.	Electricity duty	5	7	48.10	3	3	2.44	10	14	951.43	14	21	572.14	12	17	59.62	44	62	163.37
9.	Tax on Professions	46	57	55.51	17	24	7.92	21	30	30.95	35	48	42.53	44	58	49.68	163	217	186.59
10.	Tax on residential premises	12	15	13.45	--	--	--	8	8	7.98	18	20	234.76	19	19	218.88	57	62	475.06
11.	State Education Cess & Employment Guarantee Cess	17	20	58.40	9	10	15.79	24	33	272.45	31	43	1,616.88	33	53	1,541.23	114	159	3,504.75
12.	Repair Cess	1	1	--	2	2	--	6	7	85.42	4	4	22.24	--	--	--	12	13	107.66
13.	Other Non-Tax Receipts	111	140	4,428.05	4	5	14.32	2	2	0.24	2	2	--	3	3	17.06	122	152	4,459.67
	Total	1,763	3,293	36,582.55	453	1,057	5,503.42	547	1,256	7,411.50	905	2,197	14,264.32	997	2,679	29,349.20	4,664	10,481	91,640.62

IRs - Inspection Reports

Objs. - Objections

ANNEXURE - II

(Reference: Paragraph 5.2.6.3)

(Rupees in lakh)

Sl. No.	Name of the licensee/consumer/generating unit	Duty leviable	Duty levied	Short levy
1	MSEB, Bhivandi	21.76	18.27	3.49
2	MSEB, Solapur (U) 'E' Sub-Dn	329.29	293.55	35.74
3	BEST Undertaking	3,705.20	3,640.44	64.76
4	Century Rayon	401.80	350.52	51.28
5	Jawahar SSK, Kolhapur	0.32	0.16	0.16
6	TPS Eklahare, Nashik	9.72	9.36	0.36
7	Aarey Colony, Mumbai	17.07	15.43	1.64
8	Central Railway, Mumbai	2.78	2.55	0.23
9	Jindal Polyester, Nashik	6.45	Nil	6.45
10	Graphite India, Nashik	79.60	69.06	10.54
11	Reliance Industries, Thane	1,479.83	1,447.57	32.26
12	National Rayon Corporation, Thane	69.02	6.90	62.12
13	Standard Alkali, Thane	261.30	258.30	3.00
	Total	6,384.14	6,112.11	272.03