



**Report of the
Comptroller and Auditor General
of India**

for the year ended 31 March 2003

(Revenue Receipts)

Government of Madhya Pradesh

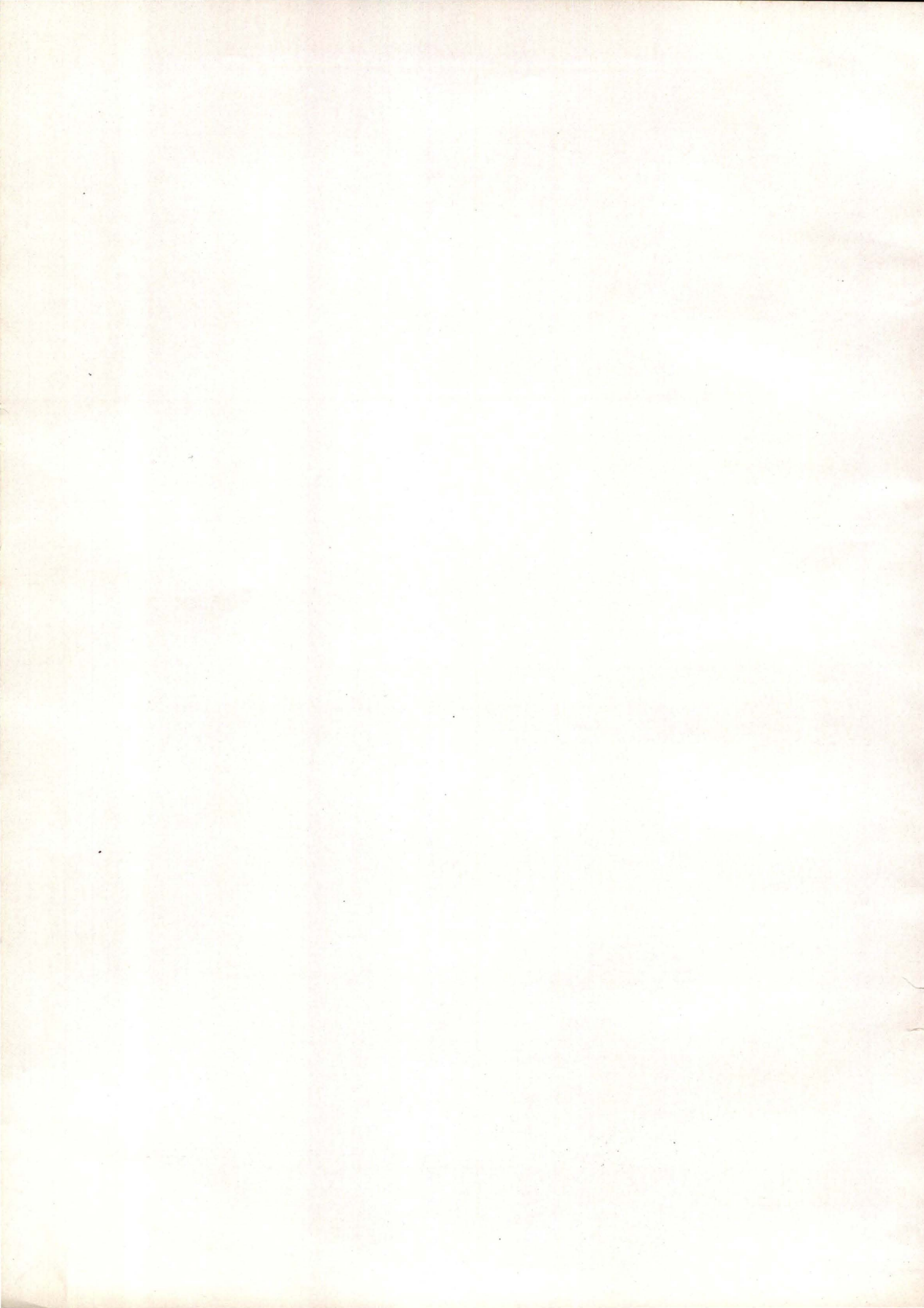


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PREFACE

This Report for the year ended 31 March 2003 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 commercial tax, state excise duty, taxes on vehicles, land revenue, other tax receipts, forest receipts, mining receipts and other 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 2002-2003 as well as those noticed in earlier years but not covered in previous years' Reports.

OVERVIEW

This report contains 58 paragraphs, including three reviews, relating to non/short-levy of tax, interest, penalty etc., involving Rs.295.70 crore. Some of the major findings are mentioned below:

I. General

- (i) The Government of Madhya Pradesh raised a total revenue of Rs.7,800.03 crore in 2002-2003, comprising tax revenue of Rs.6,164.55 crore and non-tax revenue of Rs.1,635.48 crore. The Government also received Rs.5,590.37 crore from the Government of India as its share of the net proceeds of divisible Union taxes (Rs.3728.73 crore) and grant-in-aid (Rs.1,861.64 crore). Total receipts during the year were thus, Rs.13,390.40 crore. Sales Tax/Central Sales Tax (Rs.2,906.20 crore) formed a major portion (47 percent) of the tax revenue. Receipts from non-ferrous mining and metallurgical industries (Rs.590.69 crore) accounted for 36 percent of the non-tax revenue.

(Paragraph 1.1.1 to 1.1.3)

- (ii) Test-check of records of Commercial Tax, State Excise, Motor Vehicles Tax, Land Revenue, Stamps and Registration fees, Electricity Duty, Other Tax Receipt, Forest Receipts and Other Non-Tax Receipts conducted during the year 2002-03 revealed under assessment/short-levy/loss of revenue amounting to Rs.928.13 crore in 2,09,950 cases. During the course of the year the departments accepted under-assessment of Rs.413.83 crore in 80,673 cases pointed out in 2002-03 and earlier years and recovered Rs.24.55 crore.

(Paragraph 1.1.10)

II. Commercial Tax

1. Irregular grant of relief of Rs.1.03 crore was given to dealers enjoying facility of payment in instalments under deferment scheme.

(Paragraph 2.2.5)

2. Irregular benefit of Rs.64.75 lakh was allowed to defaulters due to non-deposit of *Samadhan Rashi* within prescribed time resulting in loss of revenue to that extent.

(Paragraph 2.2.7)

3. Interest of Rs.33.52 lakh was not levied on delayed payment of tax

(Paragraph 2.6)

4. Application of incorrect rate of tax resulted in non/short-levy of tax amounting to Rs.82.01 lakh.

(Paragraph 2.10)

5. The amount of deferment of tax of Rs.15.98 crore was not recovered from closed unit.

(Paragraph 2.11)

6. Deferment of Payment of tax of Rs.97.62 lakh was incorrectly allowed.

(Paragraph 2.13)

III. State Excise

1. Review on **Uncollected Excise Revenue**, revealed that :

- In 14 cases involving government revenue of Rs.3.12 crore, the recovery could not be made in the absence of details of property of the defaulters.

(Paragraph 3.2.6)

- Demand notices in revenue recovery certificate cases involving Rs.11.29 crore could not be served as the addresses of the defaulters were found fake.

(Paragraph 3.2.7)

- Demand notice in 38 cases involving Rs.3.60 crore were not issued resulting in non-realisation of government revenue.

(Paragraph 3.2.8)

- Service charges of Rs.1.36 crore recoverable from Madhya Pradesh Agro Industries Development Corporation were not realised.

(Paragraph 3.2.11)

2. Failure on the part of the Department to forward the tenders to the Government for acceptance resulted in loss of revenue of Rs.3.98 crore.

(Paragraph 3.3)

3. There was shortfall of 10.71 lakh proof litre alcohol involving potential loss of excise duty of Rs.2.57 crore.

(Paragraph 3.4)

IV. Taxes on Vehicles

1. Review : **Working of Reciprocal Transport Agreements**, revealed that :-

- Vehicle tax and penalty of Rs.68.98 lakh on public service vehicles of other states plying on inter-state routes were not recovered.

(Paragraph 4.2.4)

-
- Vehicle tax of Rs.11.51 crore and penalty of Rs.23.02 crore on public service vehicles owned by Madhya Pradesh State Road Transport Corporation plying on inter-state routes were not recovered

(Paragraph 4.2.5)

- Non-recovery of vehicle tax of Rs.44.04 lakh and penalty of Rs.88.07 lakh on goods carriage of other states plying in Madhya Pradesh on countersigned permits resulted in loss of revenue to that extent.

(Paragraph 4.2.6)

- There was a short-levy of vehicle tax of Rs.18.04 lakh and non-levy of penalty of Rs.36.07 lakh on public service vehicles plying on inter-state routes.

(Paragraph 4.2.7)

2. Vehicle tax of Rs.3.23 crore and penalty of Rs.6.46 crore on public service vehicles/goods carriages was not levied.

(Paragraph 4.3.1)

3. Vehicle tax including penalty of Rs.57.54 lakh was not paid by the owners of public service vehicles plying on All India Tourist Permits.

(Paragraph 4.3.2)

V. Land Revenue

1. Demand of diversion rent, premium and fine of Rs.87.97 lakh in respect of 161 villages was not raised by Tahsildars.

(Paragraph 5.2.1)

2. Government dues of Rs.14.20 lakh were not realised due to non-disposal of attached property.

(Paragraph 5.3)

3. Non-assessment of Panchayat cess on diversion rent resulted in loss of Rs.15.67 lakh.

(Paragraph 5.4)

VI. Other Tax Receipts

Stamp Duty and Registration Fees

1. Incorrect determination of market value resulted in short-realisation of stamp duty and registration fees of Rs.1.47 crore.

(Paragraph 6.2.2)

2. Non determination of market value of properties by the Collector resulted in blockage of revenue of Rs.12.20 crore.

(Paragraph 6.2.4)

3. Incorrect exemption in instruments executed in favour of co-operative housing societies resulted in loss of revenue of Rs.1.09 crore.

(Paragraph 6.4)

VII. Forest Receipts

Review on **Forest Offences in Madhya Pradesh**, revealed that:

- Actual receipts decreased from Rs.507.60 crore in 1998-99 to Rs.306.45 crore in 2001-02, registering a 40 percent decline.

(Paragraph 7.2.4)

- Lack of timely action for recovery of cost of damage caused to forests resulted in non-recovery of revenue of Rs.13.15 crore including penalty.

(Paragraph 7.2.7)

- There were delays ranging from one month to seventeen years in reporting, finalisation of enquiry and prosecution of offences.

(Paragraph 7.2.8)

- Government was deprived of revenue of Rs.3.06 crore pertaining to 86,358 offence cases which became time barred due to lack of initiative and timely action by the Department.

(Paragraph 7.2.10)

- Deterioration in the quality of seized timber lying undisposed resulted in reduction in value by Rs.4.27 crore.

(Paragraph 7.2.12)

VIII. Mining Receipts

1. Non/short-realisation of dead rent and interest from 71 lessees in nine Districts resulted in loss of revenue of Rs.51.53 lakh

(Paragraph 8.2.1)

2. There was blockage of Government revenue of Rs.116.26 crore due to non-composition of penalty on illicit extraction of minerals in seven cases.

(Paragraph 8.3)

3. There was short-realisation of royalty of Rs.3.81 crore on the basis of conversion factor.

(Paragraph 8.4)

-
4. Interest of Rs.14.20 lakh on belated payments was neither levied nor recovered from one lessee of Rewa District.

(Paragraph 8.6)

IX. Other Non-Tax Receipts

Water Resources Department

1. Betterment contribution of Rs.3.37 crore was not levied/realised on 47 irrigation schemes completed between 1980-81 and 1997-98.

(Paragraph 9.7)

CHAPTER I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Madhya Pradesh during the year 2002-2003, 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)

		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
I.	Revenue raised by the State Government					
(a)	Tax Revenue	5108.48	5795.21	5639.58	4678.98	6164.55
(b)	Non-tax Revenue	1781.99	2468.97	1724.33	1601.68	1635.48
	Total	6890.47	8264.18	7363.91	6280.66	7800.03
II.	Receipt from the Government of India					
(a)	State's share of divisible Union taxes	2932.12	3261.64	3955.51	3439.30	3728.73 ¹
(b)	Grants-in-aid	1523.25	1677.85	1519.88	1491.12	1861.64
	Total	4455.38	4939.49	5475.39	4930.42	5590.37
III.	Total receipts of the States	11345.85	13203.67	12839.30	11211.08	13390.40
IV.	Percentage of I to III	61	63	57	56	58

¹ For details please see statement No. 11 "Detailed Accounts of Revenue by Minor Heads" in the Finance Accounts of the Government of Madhya Pradesh for the year 2002-03. Figures under the head "0021. Taxes on Income other than Corporation Tax-Share of net proceeds assigned to states" booked in the Finance Accounts under A-Tax Revenue have been excluded from Revenue raised by the state and included in state's share of divisible Union taxes in this statement.

1.1.2 The details of tax revenue raised during the year 2002-2003 along with the figures for the preceding four years are given below: -

(Rupees in crore)

	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+)/ decrease (-) in 2002-2003 over 2001-2002
1.	(a) Sales tax (b) Central Sales Tax	2297.48	2555.08	2766.57	2360.74	2906.20	(+) 23.11
2.	State Excise	965.40	1073.38	974.94	704.68	890.32	(+) 26.34
3.	Stamps and Registration Fees	400.21	470.12	477.08	444.96	535.05	(+) 20.25
4.	Taxes and Duties on Electricity	488.81	611.48	447.91	268.19	801.26	(+) 198.77
5.	Taxes on vehicles	382.25	402.01	405.90	393.33	428.64	(+) 8.98
6.	Taxes on goods and passengers	413.01	428.36	333.85	262.40	351.20	(+) 33.84
7.	Other Taxes on Income and Expenditure-Tax on Professions, Trades, Callings and Employments	104.74	179.58	167.50	173.05	187.44	(+) 8.31
8.	Other Taxes and Duties on Commodities and Services	24.80	26.94	22.95	19.99	20.08	(+) 0.45
9.	Land Revenue	26.97	43.26	38.47	48.21	40.44	(-) 16.12
10.	Hotel Receipts	4.81	5.00	4.41	3.43	3.92	(+) 14.57
	Total	5108.48	5795.21	5639.58	4678.98	6164.55	31.75

" Reasons for variations in receipts during 2002-03 compared to those of 2001-02 as intimated by the respective departments are given below:

Sales Tax/Central Sales Tax: The increase (23.11 per cent) was due to levy of tax on branded bread, PVC Footwears and chappals up to Rs.100, withdrawal of lower rate of tax on cereals and pulses and withdrawal of tax free facility on certain commodities etc.

State Excise: The increase (26.34 per cent) was due to excess receipt under country liquor and general increase in revenue.

Stamps and Registration Fees: The increase (20.25 per cent) was due to general increase in revenue.

Taxes and Duties on Electricity: The increase (198.77 per cent) was due to excess receipt under tax on consumption and sale of electricity and general increase in revenue.

Taxes on goods and passengers: The increase (33.84 per cent) was due to levy of entry tax on import of pulp, industrial bamboo and softwood.

Reasons for variation in respect of "Hotel Receipts" and "Land Revenue" have not been received from the concerned department (June 2004).

1.1.3 The details of major non-tax revenue raised during the year 2002-2003 along with the figures for the preceding four years are given below: -

(Rupees in crore)

	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of increase (+) or decrease (-) in 2002-2003 over 2001-2002
1	Interest Receipts	147.48	257.07	184.56	246.59	32.05	(-) 87.00
2.	Dairy development	11.22	7.87	0.04	--	--	--
3.	Other Non-Tax Receipts	161.49	254.78	208.14	237.68	249.32	(+) 4.89
4.	Forestry and Wild life	507.60	315.28	372.56	306.45	497.30	(+) 62.28
5.	Non-ferrous Mining and Metallurgical Industries	806.43	867.84	721.04	528.39	590.69	(+) 11.79
6.	Miscellaneous General services (including lottery receipts)	4.76	101.02	75.17	141.03	120.94	(-) 14.25
7.	Power	0.01	478.87	0.28	0.05	0.24	(+) 380.00
8.	Major and Medium Irrigation	42.63	66.85	47.17	39.15	24.64	(-) 37.06
9.	Medical and Public Health	10.57	15.45	8.76	16.14	20.36	(+) 26.15
10.	Co-operation	17.64	18.39	16.79	13.23	14.45	(+) 9.22
11.	Public Works		13.03	21.84	6.75	8.57	(+) 26.96
12.	Police	37.00	33.96	32.95	42.49	39.23	(-) 7.67
13.	Other Administrative Services	35.16	38.56	35.03	23.73	37.69	(+) 58.83
	Total	1781.99	2468.97	1724.33	1601.68	1635.48	(+) 2.11

"Reasons for variations in receipts during 2002-03 compared to those of 2001-02 as intimated by the respective departments are given below:

Forestry and Wild Life: The increase (62.28 per cent) was due to more receipts under the head State Trading in Timber, sale of timber and other forest produces and normal growth of revenue

Non-ferrous Mining and Metallurgical Industries. The increase (11.79 per cent) was due to general increase in revenue.

Power: The increase (380 per cent) was due to decrease in expenses of Electricity Board.

Reasons for variations in respect of Interest Receipts, Miscellaneous General Service Major and Medium Irrigation, Medical and Public Health, Public Works and other Administrative Service have not been received from the concerned departments (June 2004).

1.1.4 Variations between Budget estimates and actuals

(a) The variations between the budget estimates and actuals of revenue receipts for the year 2002-2003 in respect of the principal heads of tax and non-tax revenue are given below: -

(Rupees in crore)

	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
A.	Tax Revenue				
1.	Sales Tax	2904.00	2923.62	(+) 19.62	(+) 0.68
2.	State Excise	911.00	916.33	(+) 5.33	(+) 0.58
3.	Stamp and Registration Fees	510.00	536.94	(+) 26.94	(+) 5.28
4.	Taxes and Duties on Electricity	584.00	822.38	(+) 238.38	(+) 41.00

B. Non-Tax Revenue

1.	Forestry and wildlife	410.52	433.10	(+) 22.58	(+) 5.5
2.	Land Revenue	7.78	1.46	(-) 6.32	(-) 81
3.	Non ferrous mining and metallurgical Industries	572.23	592.66	(+) 20.43	(+) 3.57
4.	Co-operation	11.00	11.14	(+) 00.14	(+) 0.14

The reasons for substantial variation between Budget estimates and actual receipt reported by one Department were as under:

Taxes and Duties on Electricity: The increase (41 per cent) was due to recovery of arrears and interest thereon.

The reasons for substantial variation between Budget estimates and actuals, though, called for have not been received from the other Departments (June 2004).

1.1.5 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage to gross collection during the years 2000-2001, 2001-2002 and 2002-2003 along with the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows: -

(Rupees in crore)

	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2001-2002
1.	Sales Tax	2000-01 2001-02 2002-03	2766.57 2360.74 2906.21	46.38 37.42 41.14	1.68 1.59 1.42	1.26
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2000-01 2001-02 2002-03	408.74 655.73 779.84	11.69 10.94 14.71	2.88 1.67 1.89	2.99
3.	State Excise	2000-01 2001-02 2002-03	974.94 704.68 890.32	97.47 87.64 106.28	10.10 12.44 11.94	3.21
4.	Stamp Duty and Registration fee	2000-01 2001-02 2002-03	477.08 444.96 535.05	56.04 59.87 56.48	11.75 13.46 10.56	3.51

It is evident from the table that cost of collection of State Excise and Stamp Duty and Registration fee was much higher than the All India average. Action is called for to bring down the cost of collection of these taxes and fee.

Higher cost of collection in respect of "State Excise" was due to payment of foreign liquor sold from newly constituted Divisional Foreign Liquor Stores managed by the Department.

Reasons for higher cost of collection in respect of stamp duty and Registration fees are not received from the department.

1.1.6 Collection of sales tax per assessee

(Rupees in Crore)

Year	No. of assessee	Sales Tax revenue	Revenue/assessee
1998-1999	1,74,975	2,335.05	0.013
1999-2000	1,83,166	2,583.37	0.014
2000-2001	1,53,735	2,272.42	0.015
2001-2002	2,10,104	2,393.44	0.011
2002-2003	2,24,298	2,923.62	0.013

1.1.7 Analysis of arrears of revenue

The arrears of revenue as on 31st March 2003 in respect of some principal heads of revenue amounted to Rs.839.26 crore of which Rs.119.05 crore were outstanding for more than 5 years as detailed in the following table: -

(Rupees in Crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March	Amount outstanding for more than 5 years as on 31 March 03	Remarks
1.	Forest	24.91	19.63	Recovery of Rs.6.48 crore is subjudice Rs.7.92 crore decided to write off by the state Government; position of remaining arrears of Rs.10.51 crore not intimated
2.	Taxes on vehicle	18.34	18.34	Not furnished
3.	Excise	52.47	34.42	Not furnished
4.	Revenue	1.45	1.59	Not furnished
5.	Taxes & Duties on Electricity	36.97	7.00	Rs.4.47 crore intimated for recovery as arrears of land revenue, recoveries of as Rs.23.12 crore stayed by judicial authorities/ Government and recoveries of Rs.4.66 crore outstanding against sick cloth mills. Position of remaining arrears of Rs.4.72 crore not intimated.
6.	Sales Tax	653.27	Not available	Not furnished
7.	Non-ferrous mining and metallurgical industries	51.85	38.07	Not furnished
	Total	839.26	119.05	

1.1.8 Evasion of tax

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

Sr. No	Name of tax/duty	Cases pending as on 31 March 2002	Cases detected during 2002-2003	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2003
					No. of cases	Amount of demand (Rs. in lakh)	
1.	Sales Tax	248	326	574	334	2,003.91	240
2.	State Excise	153	1,603	1,756	539	5.00	1217

1.1.9 Refunds

The number of refund cases pending at the beginning of the year 2002-03, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-03, as reported by the departments are given below:

(Rupees in Crore)

		Taxes and Duties on Electricity		State Excise		Works Contracts	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year	Nil	Nil	358	3.63	Nil	Nil
2.	Claims received during the year	Nil	Nil	31	0.36	Nil	Nil
3.	Refunds made during the year	Nil	Nil	213	2.56	Nil	Nil
4.	Balance outstanding at the end of the year	Nil	Nil	176	1.43	Nil	Nil

1.1.10 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 2002-03 revealed under-assessment/short levy/loss of revenue amounting to Rs.928.13 crore in 2,09,950 cases. During the course of the year the departments accepted under-assessment of

Rs.413.83 crore in 80,673 cases pointed out in 2002-03 and earlier years and recovered Rs.24.55 crore. No replies have been received in respect of the remaining cases.

This Report contains 58 paragraphs including 3 reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc. involving Rs.295.70 crore. The Department/Government have accepted audit observations involving Rs.240.98 crore.

1.1.11 Lack of responsiveness of Government to audit.

Inspection Reports issued up to December 2002 pertaining to various offices of Commercial Tax, Land revenue, Registration and other departments under Government of Madhya Pradesh disclosed that 12,561 paragraphs relating to 2,989 IRs. remained outstanding since 1980-81 to the end of December 2002 Department wise position of the outstanding Inspection Reports and paragraphs was as under:

S.No	Department	No. of IRs.	No. o Para	Amount in (Rupees in crore)
1.	Commercial Tax	944	6,159	448.13
2.	Land Revenue	1,347	3,542	874.51
3.	Excise	312	1,160	446.86
4.	Entertainment	148	204	3.76
5.	Mining	185	561	323.35
6.	M.V.T.	214	1,429	239.79
7.	Electricity	74	248	170.66
8.	Registration and stamp duty	802	1,702	50.37
9.	D.R.A.P. (PWD Irrigation PHE)	1,019	3,494	307.92
10.	Forest	566	1,544	686.66
Total		5,611	20,043	3,552.01

A review of the IRs which were pending due to non-receipt of replies, in respect of commercial tax, land revenue and Registration Department revealed that the Head of the Offices (whose records were inspected by the AG) and the Heads of the Departments did not send any reply to a large number of IRs/paragraphs, indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out by AG in the IRs. The Principal Secretaries/Secretaries of the Departments, who were informed of the position through half yearly reports also did not ensure that the concerned offices of the Department take prompt and timely action.

Inaction against the defaulting officers facilitated the continuance of serious financial irregularities and loss to the Government, though these were pointed out in Audit. It is

recommended that Government should re-look into the procedure for action against the officials who failed to send replies to IRs/paragraphs as per the prescribed time schedule, take action to recover loss/outstanding advances/over payments in a time bound manner and revamp the system to ensure proper response to the audit observations in the Department.

1.1.12 Departmental Audit Committee Meetings

High Power Committee consisting of representatives from the government, the Heads of the Department and the Senior Deputy Accountant General met in the month of June 2003 and October 2003 and settled 378 objections in respect of Forest Department.

1.1.13 Response of the departments to Draft Audit Paragraphs

The Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Audit Office to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from departments are invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in this Report were sent to the Principal Secretaries/Secretaries of the respective department by name (between May and August 2003). The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs. The position was brought to the notice of Principal Secretary, Finance Department demi-officially in November 2003 to ensure early reply of the Department alongwith comments of Finance Department. These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the Departments.

1.1.14 Follow up on Audit Report

The Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 (Revenue Receipts) was laid on the table of *Vidhan Sabha* on 27 February 2004. Reports up to the year 1988-89 have been discussed.

The Audit Reports for the period 1989-90 to 1994-95 have been discussed partially and recommendations of Public Accounts Committee (PAC) have been received. Action taken reports on the PAC recommendation up to 1985-86 have been received; in respect of Audit Reports 1986-87, the reports have been received only from eight departments.

In pursuance of the recommendation (March 1993) of the High Power Committee appointed by the Comptroller and Auditor General of India to review the response of

the State Government to audit observations, the PAC in its meeting dated 12 July 1994 decided that explanatory notes of Government on various paragraphs of the Reports should be submitted by the Government within three months of their tabling in *Vidhan Sabha*. No follow up action has, however, been taken by the Government and the explanatory notes on Reports are being delayed inordinately. Out of 734 paragraphs (including reviews) included in the Reports for the years 1991-92 and 2000-01, explanatory notes from Government are awaited in respect of 143 paragraphs (July 2003).

CHAPTER II

COMMERCIAL TAX

2.1 Results of Audit

Test-check of assessment cases and other records relating to Commercial Tax Department during the year 2002-2003 revealed under assessment, non/short-levy of tax and penalty, application of incorrect rate of tax etc. involving Rs.87.30 crore in 1,474 cases, which can broadly be categorised as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Madhya Pradesh <i>Bakaya Rashi Saral Samadhan Yojna</i>	1	2.70
2.	Non/short-levy of tax	255	7.89
3.	Application of incorrect rate of tax	279	13.63
4.	Incorrect determination of taxable turnover	128	3.06
5.	Incorrect grant of exemption/deduction	363	29.00
6.	Others	448	31.02
	TOTAL	1,474	87.30

A few illustrative cases highlighting important observations involving Rs.23.39 crore are discussed in the following paragraphs:

2.2 Madhya Pradesh Bakaya Rashi Saral Samadhan Yojna 2001

2.2.1 With a view to liquidate the arrears of taxes, interest and penalties (*Bakaya Rashi*) relating to assessment period up to 31 March 1997 and pending as on 1 April 2001, Government of Madhya Pradesh introduced in January 2002, Madhya Pradesh *Bakaya Rashi Saral Samadhan Yojna*¹ 2001 (*Yojna*) and Madhya Pradesh *Bakaya Rashi Saral Samadhan Yojna Niyam*² 2001 under Madhya Pradesh General Sales Tax Act, 1958, Central Sales Tax Act 1956, Madhya Pradesh *Vanijyik Kar Adhiniyam*, 1994 and Madhya Pradesh *Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam*, 1976. The cases of arrears of upto Rs.50,000 and exceeding Rs.50,000 were to be settled on payment of 25 per cent and 40 per cent thereof respectively. Any defaulter desirous of availing of the benefit under the scheme was required to submit the application in duplicate upto 31 January 2002 and to deposit sanctioned *Samadhan Rashi* within 15 days from the date of receipt of notice.

Targets and achievements of amount recovered/waived vis-a-vis arrears

2.2.2 Actual arrears of taxes, interest and penalties pertaining to the assessment period ending March 1997 outstanding as on 1 April 2001 under various Acts administered by Commercial Tax Department were not available with the Commissioner, Commercial Tax Department. However, as per the records of the Commissioner, Commercial Tax, total sales tax arrears of Rs.225.79 crore were pending for recovery as on 1 April 2001. The Department informed the Government a target of Rs.12.49 crore for recovery under *Yojna*. The basis of working out the targets was not available. The Commissioner assigned to the field offices the targets for collection of arrears as Rs.25crore against which Rs.23.70 crore were collected. The rationale behind fixation of targets could not be determined in audit.

Irregular grant of relief under Yojna

2.2.3 As per provisions of *yojna*, the cases of appeal/revision and court proceedings which were initiated by the defaulters could be settled on withdrawal of such cases by them.

Test-check of records of the Deputy Commissioner, Commercial Tax, Ujjain revealed that in the cases of three dealers, settlement of arrears of Rs.13.16 lakh up to 1996-97 was made after allowing relief of Rs.7.90 lakh on payment of tax of Rs.5.26 lakh by the dealers. It was, however, noticed that in these cases, the department had filed cases in the courts against dealers for manipulation of amount of challans. Since the court proceedings were initiated by the Department, the settlement made in such cases was irregular and resulted in loss of revenue of Rs.7.90 lakh.

This was pointed out in audit and the *Samadhan* Authority stated in November 2002 that there was no such restriction in *Yojna*. Their reply is not tenable as the court cases were instituted by the Department for manipulation in challans and not by the dealers and the relief should not have been allowed in such cases.

¹ Notification No. A 7-15/2002/5 V-98 dated 5.1.2002

² Notification No. A 7-15/2003/5 V-99 dated 5.1.2002

Settlement of cases not covered by Yojna

2.2.4 As per *Yojna*, the facility for settlement of amount of arrears was available to arrears related to assessment period ending up to 31 March 1997 and pending as on 1 April 2001.

Test-check of records of the Assistant Commissioner, Commercial Tax, Gwalior revealed that a dealer was allowed the facility of *Yojna* for settlement of arrears pertaining to the assessment period 1997-98 after payment of Rs.9.32 lakh out of the total arrears of Rs.23.31 lakh. This resulted in irregular settlement of arrears resulting in loss of Rs.13.99lakh.

This was pointed out in audit and the Deputy Commissioner, Commercial Tax, Gwalior stated that settlement was done correctly. The reply is not tenable as cases pertaining to assessment year 1997-98 were not covered under *Yojna* and hence the settlement was irregular.

2.2.5 The object of *Yojna* was to liquidate the arrears of taxes, interest and penalties relating to the assessment period ended March 1997 and pending as on³ 1 April 2001. The Scheme was not applicable to cases where the amount of tax became due for payment after 1 April 2001.

Test-check of records of the Additional Commissioner/Deputy Commissioner, Commercial Tax, Bhopal, Gwalior and Indore revealed that the benefit of *Yojna* was allowed to 19 dealers who were enjoying the facility of payment of tax in instalments under the deferment schemes and the payment of tax became due after April, 2001. The settlement of Rs.1.71 crore was made on payment of Rs.68.50 lakh by the dealers. This resulted in loss of Rs.1.03 crore.

This was pointed out in audit and the Commissioner, Commercial Tax accepted in September 2003 audit observations in 18 cases involving Rs.1.02 crore and stated that action for rectification was being taken. Further reply was awaited (June 2004).

2.2.6 The Commissioner of Commercial Tax vide⁴ circular dated 8 February 2002 clarified that the dealers who were enjoying the benefit of payment of tax in instalments were not eligible for the benefit of *Yojna*. The Government vide Deferment Rules, 1986 and 1994 had allowed the dealers enjoying the benefit of deferment scheme, to repay the tax in instalments. As such the benefit of *yojna* was not available to such dealers.

Test-check of records of the Deputy Commissioner, Katni and the Additional Commissioner, Indore revealed that 21 dealers who had enjoyed the benefit of deferment scheme were allowed the benefit under *yojna* and the cases were settled on payment of Rs.61.02 lakh out of total arrears of Rs.1.42crore. This resulted in loss of Rs.80.49 lakh.

This was pointed out in audit the Commissioner of Commercial Tax accepted September, 2003 the observations in 11 cases involving Rs.55.86 lakhs and stated that action for rectification was being taken. Further reply was awaited (June 2004).

³ Commissioner's letter No. CT/17/Reco/2001/549 dated 28.1.2002

⁴ CCT/17/Rule/192/2002/1018 dated 8.2.2002

Delay in payment of Samadhan Rashi

2.2.7 According to the provisions of Madhya Pradesh *Bakaya Rashi Saral Samadhan Yojna, Niyam, 2001*, after calculating the *Samadhan Rashi*, the *Samadhan Authority* shall inform the defaulter to deposit the same within 15 days from the date of service of the notice. The benefit of *yojna* shall be available only on fulfillment of the said condition.

Test-check of records of the Assistant Commissioner, Indore and Deputy Commissioner, Gwalior and Katni revealed that in 25 cases *Samadhan Rashi* of Rs.42.77 lakh after allowing relief of Rs.64.75 lakh as determined by the *Samadhan Authority* was deposited in to treasury by defaulters after a period of 15 days.

This was pointed out in audit the Department accepted the audit observations in eight cases involving Rs.15.88 lakh and stated that action for rectification was being taken. Further reply was awaited (June 2004).

The matter was reported to Government in June 2003; their reply was awaited (June 2004).

2.3 Incorrect determination of taxable turnover

2.3.1 Under Madhya Pradesh *Vanijyik Kar Adhiniyam, 1994 (Adhiniyam 1994)* every dealer required to file a return shall pay full amount of tax payable as per the return. The amount of tax due from a registered dealer shall be assessed separately for each year by the Assessing Authority and demand shall be raised accordingly. Interest on delayed payment is also leviable under provisions of the Act.

Test-check of records of the Regional Office, Jabalpur revealed that taxable turnover of a dealer assessed in April 2001 for the period 1997-98, was determined at Rs.1.25 crore by the Assessing Authority. However, tax was levied on Rs.53.19 lakh only. This resulted in short-levy of tax of Rs.11.37 lakh including interest of Rs.4.76 lakh on escaped turnover of Rs.71.81 lakh.

This was pointed out in audit and the Assessing Authority stated in December 2002 that the unit had been closed down and taxable turnover was determined on the basis of returns filed by the dealer. The reply is not tenable as the taxable turnover of Rs.1.25crore was assessed by the Assessing Authority himself, on the basis of turnover of returns filed by the assessee and tax should have been levied accordingly.

2.3.2 Under *Adhiniyam 1994*, packing material shall be deemed to have been sold or purchased along with the goods sold and purchased and rate of tax leviable shall be the same as on the sale or purchase of the goods themselves. Moreover, tax is also leviable on the amount of receipt realised by way of transfer of right to use.

It was noticed at the Regional Office, Bhopal and two circle offices⁵, that the Assessing Authorities did not include the cost of packing material of the goods sold and the lease rent of Rs.1.06 crore in the taxable turnover of three dealers in four cases while finalising their assessments between March 1999 and February 2000. This resulted in short-levy of tax of Rs.5.18 lakh.

⁵ Bhopal and Mandla

This was pointed out in audit and the Assessing Authority, Mandla accepted the audit observation in one case. However, further action to recover the amount was not intimated. Final reply in other cases had not been received.

The matter was reported to the Government between February 2001 and March 2003; their reply had not been received (June 2004).

2.4 Non/short-levy of Value Added Tax

Under Section 9-B of *Adhiniyam*, (Sanshodhan) 1997, value added tax (VAT) is leviable on added value of resale of de-oiled cake, building material, electrical goods and medicines falling under Schedule-II of the Act. VAT is also leviable on the goods purchased from exempted units.

Test-check of records in four offices⁶ revealed that while assessing four dealers between October 2000 and November 2001, for the period 1997-98 to 1999-2000, the Assessing Authority did not levy VAT amounting to Rs.27.63 lakh on added value of resale of de-oiled cake, building material, electrical goods and medicines valued at Rs.5.79 crore. This resulted in non-levy of VAT of Rs.27.63 lakh.

This was pointed out in audit and the Assessing Authority Indore stated that VAT was not levied as goods purchased were from exempted unit. The Assessing Authority, Satna stated that discount given to purchasers in the bills had been deducted from the turnover as such VAT was not levied. The replies are not tenable as VAT is leviable on resale of the goods specified in the Act and no exemption is to be granted on the added value of exempted goods under the Act. Besides, in another case, no deduction as discount as depicted in profit and loss account of the dealer assessed by the Assessing Authority, Satna. The amount should have been disallowed and tax levied accordingly. No reply had been received from the other two offices.

The matter was reported to the Government between July 2001 and December 2002; their reply had not been received (June 2004).

2.5 Non/short-levy of surcharge

Under Section 10-A of *Adhiniyam*, 1994, surcharge is to be levied at prescribed rates.

Test-check of records of four Regional Offices⁷ revealed that in the case of four dealers assessed between August 2000 to March 2001 for the year 1997-98, surcharge amounting to Rs.21.74 lakh was either not levied or levied short.

⁶ Circle Offices- Bhopal (2) and Indore and Satna (Regional Office)

⁷ Bhopal, Chhindwara, Indore and Satna

This was pointed out in audit and the Assessing Authority, Satna, raised a demand of Rs.12.93 lakh in February 2002. The other Assessing Authorities accepted the audit observations. However, final action taken had not been intimated (March 2004).

The matter was reported to the Government between March 2002 and June 2002; their reply had not been received (June 2004).

2.6 Non-levy of interest on delayed payment of tax

Under Section 26 (4) of *Adhiniyam*, 1994, if a dealer fails without sufficient cause to deposit the amount of tax payable by him in time, he shall be liable to pay interest at the rate of 2 per cent per month from the date of tax due.

Test-check of the records at the Regional Office, Guna revealed that in the case of a dealer assessed in September 2000 for the period 1997-98, a sum of Rs.1.20 crore payable as tax was deposited by him late by 14 months and interest of Rs.33.52 lakh though leviable, was not levied by the Assessing Authority. This resulted in non-levy of interest of Rs.33.52 lakh.

This was pointed out in audit and the Assessing Authority stated in April 2002 that no interest was paid to the dealer for late refunds against advance/excess payments during the previous years therefore, interest was not levied on delayed payments made by the dealer during that year. The contention of the Assessing Authority is not tenable as interest is leviable on belated payment of tax and action contrary to the provisions of the Act can not form a precedent.

The matter was reported to the Government July 2002; their reply had not been received (June 2004).

2.7 Non-levy of purchase tax

Madhya Pradesh General Sales Tax Act, 1958, (MPGST Act) *Adhiniyam*, 1994 and Rules provide that if any raw material purchased without payment of tax is consumed or utilised in the manufacture of the finished goods, tax shall be leviable on the purchase of such goods. If the product manufactured or goods so purchased are transferred outside the State without payment of tax, purchase tax is leviable.

2.7.1 Test-check of records revealed that a dealer at the Regional Office Morena assessed in March 2001 for the period 1997-98 purchased raw material valued at Rs.6.34 crore without payment of tax and used it in the manufacture of other goods. The dealer was liable to pay purchase tax amounting to Rs.19.34 lakh, which was not levied by the Assessing Authority. This resulted in non-levy of purchase tax of Rs.19.34 lakh.

2.7.2 Two dealers at the Regional Office Indore and Khargone purchased cotton and cotton seed valued at Rs.2.08 crore without payment of tax. Cotton purchased by the dealer was transferred to another state on consignment basis. Cotton

seed oil and de-oiled cake manufactured from cotton seed purchased free of tax, were also transferred on consignment basis to another State without payment of tax. Consequently, the dealers were liable to pay purchase tax of Rs.12.32 lakh. However, the Assessing Authorities failed to levy the purchase tax while finalising the assessment in June 1998 and January 2001. This resulted in non-levy of purchase tax of Rs.12.32 lakh.

This was pointed out in audit and the Assessing Authority, Morena accepted the audit observation and stated that action would be taken after further verification of records. Final action taken had not been intimated. Final reply in the other cases had also not been received (June 2004).

The matter was reported to the Government between February 2001 and June 2002; their reply had not been received (June 2004).

2.8 Non-levy of tax on sales incorrectly treated tax free

2.8.1 Under *Adhiniyam*, 1994 and rules and notifications issued thereunder, commercial tax is leviable at the rates specified in the schedule. As per schedule-II, Poly Vinyl Chloride (PVC) pipes are taxable at the rate of 6 per cent for the years up to 1999 and thereafter at the rate of 8 per cent.

Test-check of records of circle offices at Indore revealed that in the case of nine dealers assessed between April 1999 and July 2000, tax on sale of PVC pipes worth Rs.1.94 crore was not levied treating them as tax free. This resulted in non-levy of tax amounting to Rs.14.37 lakh.

This was pointed out in audit and the Assessing Authority stated that PVC pipes were exempted from payment of tax under the Act. The reply of the Department is not tenable as PVC pipes are taxable under the Act and no exemption from payment of tax has been granted on sale of PVC pipes.

2.8.2 In case of seven dealers of Indore, Bhopal, Gwalior, Vidisha and Jabalpur assessed between August 1998 and February 2002 for the period April 1994 to March 1999 deduction as tax free sale valued at Rs.9.87 crore and involving tax effect of Rs.89.48 lakh was incorrectly granted as detailed below:

Name of Unit	Period of assessment/ Date of order	Commodity	Rate of Tax (in per cent)	Amount of deduction (Rupees in lakh)	Amount of tax involved (Rupees in lakh)
Regional Assistant Commissioner (RAC) Indore	1997-98 October 2002	Plant and Machinery	4	23.53	0.94
Remark- Sale of plant and machinery purchased from registered dealers was incorrectly treated as tax free though it is taxable at 4 per cent under the Act.					
Circle Officer (CTO)-I Jabalpur	1996-97 August and November 1999	Singhara	4/10 State/Central	68.96	5.99
Remark- Sale of Singhara was treated as tax free though taxable as Kirana goods under the Act.					
RAC Indore	1997-98 February 2001	Kerosene wick stove	8/10 State/Central	700	63.00
Remarks- Kerosene wick stove was treated as tax free, though it is taxable under the Act.					
CTO-I Bhopal	1998-99 February 2002	Glass Fibre cloth Tape	8/10 State/Central	132.78	12.78
Remarks- Sale of Glass Fibre cloth tape though taxable was incorrectly exempted.					
CTO-I, Gwalior	1994-95 1997-98 August 1998 September 2000	Kali Mehandi	15 + Surcharge	18.22	2.74
Remarks- Kali Mehandi is hair dye and is taxable but was incorrectly exempted.					
CTO Vidisha	1997-98 July 2001	Water of Battery	8	43.78	4.03
Remarks- Water of Battery is taxable but was incorrectly exempted.					

The matter was reported to the Government between December 2001 and April 2003; their reply had not been received (June 2004).

2.9 Non/short-levy of Entry Tax/Nikaya Kar

Under Madhya Pradesh *Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam*, 1976, *Nikaya Kar Adhiniyam*, 1997 and notifications issued thereunder, entry tax is leviable on goods entering into a local area for sale, use or consumption as raw material or as incidental goods or as packing material at the specified rates.

Test-check of records of six Regional Offices⁸ and two Circle Offices⁹ revealed that in 19 cases of 17 dealers assessed/reassessed between December 1997 and February 2002 for the period April 1994 to March 2000, entry tax/*Nikaya Kar* was either not levied or levied at incorrect rate on entry of goods valued at Rs.25.74 crore. This resulted in short/non-levy of entry tax/*Nikaya Kar* of Rs.31.71 lakh.

This was pointed out in audit and the Assessing Authority accepted the audit observations in 12 cases of 12 dealers. However, action taken to recover the amount had not been intimated. Final reply in the remaining cases had not been received (June 2004).

⁸ Bhopal (3), Indore (2) and Guna

⁹ Ratlam and Shahdol

The cases were reported to the Government between February 2001 and March 2003; their reply had not been received (June 2004).

2.10 Application of incorrect rate of tax

Madhya Pradesh General Sales Tax Act, 1958 and Adhiniyam, 1994 have specified the rates of commercial tax leviable on different commodities.

Test-check of records in nine Regional Offices¹⁰ and eleven Circle Offices¹¹ revealed that in 29 cases of 20 dealers assessed/re-assessed between February 1996 and March 2002, tax on sales turnover of Rs.23.36 crore on tiles/mosaic tiles, adhesive tapes, printer, rubber products etc., was levied at incorrect rates. This resulted in non/short-levy of tax amounting to Rs.82.01 lakh.

This was pointed out in audit and the Assessing Authorities accepted the audit observation in 13 cases of 13 dealers. However, action taken to recover the amount had not been intimated. Final reply in the remaining cases had not been received (June 2004).

The matter was reported to the Government between June 2000 to March 2003; their reply had not been received (June 2004).

2.11 Non-recovery of tax from closed unit

Under the Madhya Pradesh General Sales Tax Act, 1958 and notification issued thereunder, industrial units availing deferment of tax under M.P. Deferment of Tax Rules, 1983, read with Tax Exemption Scheme, 1986, shall keep the unit operational during the period of deferment and also for a further period of five years from the date of expiry of the deferment period, failing which, the eligibility certificate shall be cancelled with consequent recovery of the amount of deferment availed of by the unit.

Test-check of records at the Regional Office, Gwalior revealed that an industrial unit was allowed deferment of tax under Deferment Rules, 1983, for the period from 25 March 1993 to 24 March 2000. The dealer availed benefit of deferment of tax for Rs.15.98 crore during the period from 1993-94 to 1998-99. The unit was, however, closed on 3 September 2001, before the stipulated period and the registration certificate was cancelled with effect from the same date. The amount of deferment of tax of Rs.15.98 crore though recoverable together with interest was not recovered resulting in short realisation of Government revenue to that extent.

This was pointed out in audit and the Assessing Authority stated that eligibility certificate was not cancelled during the assessment period by the Industries Department, as such recoveries could not be made. Reply is not tenable as no action

¹⁰ Bhopal (2), Chhindwara, Indore (4), Jabalpur and Morena

¹¹ Bhopal (2), Gwalior, Indore (6), Jabalpur and Rewa

was taken by the Assessing Authority to get the eligibility certificate cancelled and to get the deferred amount of tax together with interest recovered.

The matter was reported to the Government between December 2002 and April 2003; their reply had not been received. (June 2004)

2.12 Irregular grant of exemption from payment of tax to new industries

Under 1981 Exemption Scheme, exemption to the industrial unit can be granted only if the unit commences commercial production within 1 April 1992.

Test-check of a case of a dealer of Bhopal assessed for the period 1998-99 in March 2002 revealed that an industrial unit engaged in manufacturing of paper and paper board commenced production from 20 March 1995 and was irregularly granted exemption for the period 20 March 1995 to 19 March 2002 under the 1981 scheme, which was applicable to the units which had gone into production before 1 April 1992. Thus, exemption granted to the unit was irregular and resulted in loss of revenue of Rs.18.95 lakh for the period 1997-98 and 1998-99 on sale value of Rs.3.99 crore.

This was pointed out in audit and the Assessing Authority stated that exemption was granted on the basis of eligibility certificate issued by the Industries Department. The reply is not tenable as no action was initiated by the Assessing Authority to take up the matter with the Industries Department and get the eligibility certificate cancelled.

The cases were reported to the Government between March 2001 and March 2003; their reply had not been received. (June 2004)

2.13 Irregular grant of deferment from payment of tax

Under Madhya Pradesh Deferment of Payment of Tax Rules, 1994, facility of deferment of payment of tax is available to industrial units which hold permanent eligibility certificates issued by the Industries Department.

Test-check of records at the Regional Office, Gwalior revealed that a dealer assessed for the period 1997-98 and 1998-99 in November 2000 and March 2002, was incorrectly allowed deferment of payment of tax of Rs.97.62 lakh on the basis of provisional eligibility certificate issued in March 1998, which was valid for twelve months only. As permanent eligibility certificate had not been issued at all, the unit was not entitled to deferment.

This was pointed out in audit and the Assessing Officer raised a demand of Rs.1.21 crore alongwith interest in June 2003.

The matter was reported to the Government in August 2002; their reply had not been received. (June 2004)

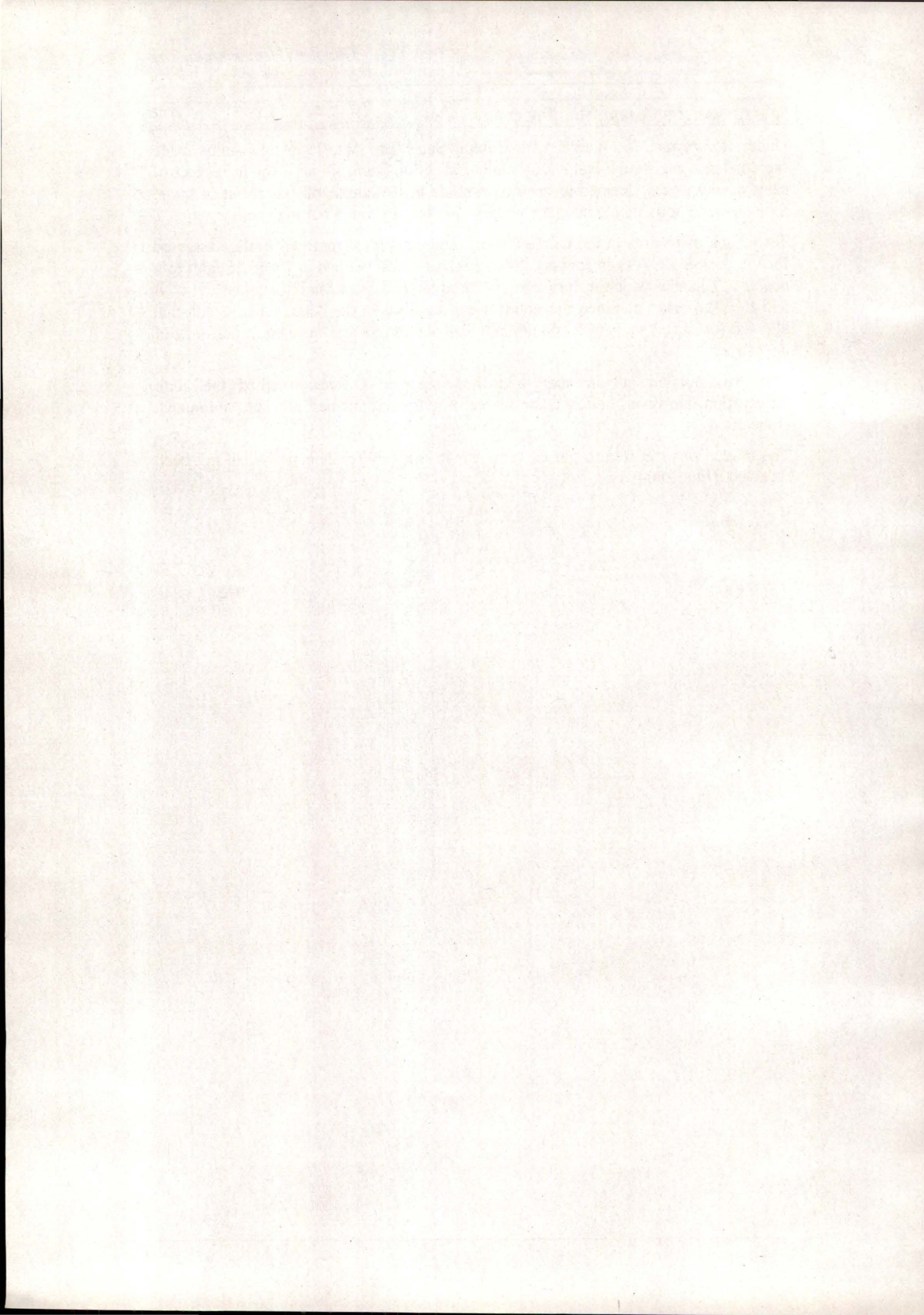
2.14 Incorrect exemption for export sales

Under *Adhiniyam*, 1994, read with Central Sales Tax Act, 1956 and Rules made thereunder, a registered dealer may claim deduction from his turnover in respect of sales of any goods, deemed to have been made in the course of export out of India. Sale of such goods should be made in the same form by the exporting agency.

Test-check of records in the Circle Office, Indore revealed that two dealers assessed for the period 1997-98 in January 2001, sold 'raw skin' valued at Rs.66.26 lakh to a dealer at Chennai which in turn manufactured 'glazed crome lining leather' out of it and then exported it. Since the goods were not sold in the same form, exemption allowed for export sales of Rs.66.26 lakh was not correct and resulted in non-levy of tax of Rs.5.30 lakh.

This was pointed out in audit and the Assessing Officer accepted the audit observation. However, action taken to recover the amount had not been intimated. (June 2004)

The matter was reported to the Government in April 2002; their reply had not been received. (June 2004)



CHAPTER- III
STATE EXCISE

3.1 Results of Audit

Test-check of records of State Excise, conducted during 2002-2003 revealed non-assessment, under-assessment loss of revenue and non-levy of penalties amounting to Rs.160.36 crore in 15,154 cases as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Review on uncollected Excise Revenue	01	45.57
2.	Non-levy of penalty for breach of conditions of licence	132	0.49
3.	Accumulation of arrears of licence fees/ auction money	231	23.03
4.	Loss of revenue due to low yield of alcohol	13	6.43
5.	Loss in foreign liquor trade in Madhya Pradesh	605	0.93
6.	Non-levy/recovery of duty on excess wastage	4,473	6.24
7.	Loss of revenue to Government due to acceptance of low auction bids/tender rates	373	19.46
8.	Others	9,326	58.21
	TOTAL	15,154	160.36

A review, **Uncollected Excise Revenue**, and other important observations involving Rs.54.08 crore are discussed in the following paragraphs:

3.2 Review : uncollected Excise Revenue

Highlights

- In 14 cases involving government revenue of Rs.3.12 crore, the recovery could not be made in absence of the details of property of the defaulters.
(Paragraph 3.2.6)
- Demand notices in revenue recovery certificate cases involving Rs.11.29 crore could not be served as the addresses of the defaulters were found fake.
(Paragraph 3.2.7)
- Demand notice in 38 cases involving Rs.3.60 crore were not issued resulting in non-realisation of government revenue.
(Paragraph 3.2.8)
- Service charges of Rs.1.36 crore recoverable from Madhya Pradesh Agro Industries Development Corporation were not realised.
(Paragraph 3.2.11)

Introduction

3.2.1 Every licensee holding licence for production of alcohol, manufacture of liquor and for wholesale or retail vend of excisable intoxicants is required to pay excise duty and licence fee and other fees in accordance with the provisions of Madhya Pradesh Excise Act, 1915 and Rules made thereunder. The licences to sell excisable intoxicants by retail venders is granted by auction and licences to wholesale venders are granted on fixed licence fee which is renewed for every year.

Audit objectives

3.2.2 Test-check of records of the office of the Excise Commissioner and 13 out of 45 offices was conducted for the period from 1997-98 to 2002-03 with a view to obtain assurance on :

- Prompt collection of excise revenue and its remittances into the government account.
- Compliance of various provisions of the Act, rules and procedures by departmental authorities.
- Adequacy of internal control in recovery of the uncollected excise revenue.

Organisational Set up

3.2.3 The Principal Secretary, Commercial Tax Department is the administrative head of the department at government level. The Excise Commissioner (EC) is the Head of the Department and is assisted by two Additional Excise

Commissioner (Addl. EC), one Deputy Excise Commissioner (DEC), one Assistant Excise Commissioner (AEC) and two District Excise Officers (DEOs) at the head quarters at Gwalior. There are seven division in the State each headed by DEC. In addition each division has its own flying squad working under DEC. There is a State level flying squad working under over all control of EC. Collector is the head of Excise Administration in the District and is assisted by AEC/DEO at division/district.

Position of arrears of Excise Revenue

3.2.4 The position of uncollected excise revenue is watched at the Commissioner's level, through returns submitted by DEOs. Rupees 51.99 crore were outstanding on account of uncollected excise revenue as on 31 March 2003 with the following year-wise and age-wise break up :

- Yearwise break up :

Sl. No.	Year	Amount (Rs. in crore)
1.	Up to 1997-98	33.98 ¹
2.	1998-99	1.25
3.	1999-2000	1.31
4.	2000-2001	3.53
5.	2001-2002	11.92
	Total	51.99

- Agewise breakup :

Sl. No.	Agewise period	Amount (Rs. in crore)
1.	More than 10 years	20.66
2.	Between 4 to 10 years	13.32
3.	Between 3 to 4 years	1.25
4.	Between 1 to 3 years	16.76
5.	Less than one year	Nil
	Total	51.99

It would be seen from above that forty percent of the revenue remained uncollected for more than 10 years, of which Rs.14.58 crore were pending against defaulters declared insolvent. Details of such defaulters were not made available to audit.

Non-recovery of Excise Revenue

3.2.5 Madhya Pradesh Excise Act, 1915 provides that all dues to the Government that have not been paid by the defaulters may be recovered as arrears of

Details like Opening Balance, addition during the year were not furnish by the department.

land revenue under M.P. Land Revenue Code 1959. AEC/DEO has been delegated with powers of recovery of uncollected excise revenue as arrears of land revenue. However, no time limit has been prescribed for treating the defaulters case as Revenue Recovery Certificate cases.

Test-check of the records of AEC, Gwalior revealed that eight cases involving excise revenue of Rs.97.67 lakh relating to the period 1988-89 and 1993-94 were treated as arrears of land revenue from time to time but in none of the cases, recovery was made. The cases were transferred to the Tahsildar, Gwalior in May 2000 for recovery as arrears of Land Revenue. The amount was not recovered by the Tahsildar also. The transfer of cases to Tahsildar was incorrect as the AEC was himself empowered to recover the amount as arrears of land revenue. Thus, incorrect action on the part of department resulted in non-recovery of revenue to that extent.

Absence of Provisions for obtaining details of Property.

3.2.6 Provision for obtaining solvent surety for grant of licence was dispensed with from the year 1991-92 onwards. Moreover, there was no provision for obtaining the details of properties at the time of grant of licence.

Test-check of the records of five districts² revealed that in 14 cases, recovery of excise revenue of Rs.3.12 crore for the period 1991-92 to 2001-2002 could not be made as the details of property were not available with the department. In the absence of these details, no action could be taken by the Department for recovery of the amount as arrears of land revenue.

3.2.7 Test-check of the records of five districts³ revealed that demand notices in 70 cases of revenue recovery certificates were issued for recovery of excise revenue aggregating to Rs.11.29 crore for the period of 1975-76 to 1997-98. The notices however, could not be served as the address of the defaulters were found fake. This indicated that the Department had not verified the antecedents of the licensees at the time of grant of licence because of which government revenue could not be realised.

Non-raising of demand in certificate cases

3.2.8 Madhya Pradesh Lokdhan (*Shodhya Rashiyon ki Vasuli*) Rules 1988 provide for the issue of demand notice to the defaulters within 15 days from the date of receipt of revenue recovery certificate. In case a defaulter fails to deposit the amount within the period mentioned in the demand notice, *kurki* warrant is to be issued. No time limit has been fixed for treating the defaulter cases as arrears of land revenue.

- Test-check of the records of seven districts⁴ revealed that in 38 revenue recovery certificate cases involving excise revenue of Rs.3.60 crore for the period 1991-92 to 2001-2002, demand for recovery was not issued at all resulting in non-realisation of government revenue to that extent.

² Bhopal, Dhar, Jabalpur, Khargone and Sagar

³ Bhopal, Gwalior, Indore, Khargone and Rewa

⁴ Bhopal, Chhatarpur, Dhar, Jabalpur, Khargone, Sagar and Ujjain

- In five cases involving excise revenue of Rs.1.74 crore for the year 1999-2000 and 2001-2002, AEC/DEO had issued demand notices in November 2002 to the licensee. No further action for recovery was taken by the Department and the amount remained uncollected even after 20 months (June 2004).

This was pointed out in audit and all the DEOs stated that action would be taken to recover the same as arrear of land revenue.

Non-vacation of stay orders

3.2.9 Test-check of the records of Jabalpur districts revealed that in two cases of penalty of Rs.4.11 lakh of imposed by EC was stayed by High Court in August 1993. In another case, recovery of government dues on account of penalty of Rs.36.04 lakh of Khargone district imposed by EC was stayed by the Board of Revenue in May 2001. The cases had neither been decided nor any action was taken to get the stay order vacated even though period of 25 to 118 months had elapsed. This resulted in blockage of government revenue to that extent.

Non-raising of demand of process expenses

3.2.10 Under the provisions of Madhya Pradesh Lokdhan (*Shodhya Rashiyon ki Vasuli*) Adhiniyam, 1987, process expenses at the rate of three per cent of the principal amount shall be included by DEO in the demand notice to be issued to the defaulter in cases of revenue recovery certificate.

In eight districts⁵ it was noticed that in 156 cases, process expenses of Rs.64.60 lakh on principal amount of arrear of Rs.21.53 crore were not included in the relevant demand notices issued to the defaulters for the period from 1988-89 to 2002-2003.

This was pointed out in audit and six district officers⁶ stated that revised demand notices would be issued. Final reply from other two DEO had not been received (June 2004)

Non-deposit of share of service charges

3.2.11 Madhya Pradesh Agro Industries Development Corporation (MPAIDC) was the wholesale distributor of Foreign Liquor (FL) during 2001-2002 for Indore division. The Corporation was required to recover 10 per cent as service charges; out of which 50 per cent was required to be deposited in government account.

Test-check of records of AEC Indore revealed that service charges of Rs.2.71 crore were recovered by MPAIDC on sale of foreign liquor worth Rs.27.11 crore during 2001-2002, of which, Rs.1.36 crore being 50 percent of service charges was required to be deposited into government account. The corporation neither deposited the amount nor was any action taken by the Department to recover it.

⁵ Exact date not available
Bhopal, Dhar, Gwalior, Indore, Jabalpur, Khargone, Sagar and Ujjain

⁶ Gwalior, Indore, Jabalpur, Khargone, Sagar and Ujjain

This was pointed out in audit and the AEC, Indore, accepted to recover the entire amount. However, further action taken had not been intimated (June 2004).

Non-recovery of expenditure incurred on Government establishment

3.2.12 Madhya Pradesh Distillery Rules, 1995, provide that if the expenditure incurred on the State Government establishment in a distillery exceeds five per cent of the revenues earned on the issues of spirit therefrom, by export fee or any other levy, the amount in excess of the aforesaid five per cent shall be realised from the distiller.

Test-check of records revealed that the expenditure on government establishment in nine distilleries⁷ was Rs.0.86 crore and the revenue earned by the government was Rs.3.06 crore during 1997-98 to 2001-2002. Consequently, an amount of Rs.70.47 lakh incurred in excess of five per cent of revenue earned was required to be realised from the distillers. No action was taken by the Department to recover the same.

This was pointed out in audit and all the DEOs accepted the audit observations and stated that action to recover the same was being taken. (June 2004)

Non-recovery of duty on foreign liquor exported

3.2.13 As per Madhya Pradesh Excise Act, 1915, 'Export' means export of FL out of the state. M.P Foreign Liquor Rules, 1996, further provide that in case of an export, excise verification report should be received from the Importers within 21 days failing which, leviable duty is to be recovered.

- Test-check of records of Nine districts⁸, revealed that in 305 permits, 7.75 lakh proof litre foreign liquor and 5.75 lakh bulk litre beer were exported to various other States by the exporters during June 2001 to February 2003. However, no excise verification report were received from the importers even after a lapse of one to thirty five months. Consequently, excise duty of Rs.5.22 crore became recoverable. But no action was taken to recover the same by the department.
- It was further noticed that in 18 permits issued between December 2001 and November 2002, excise verification report were received after a lapse of 39 to 270 days. As excise verification reports were not received within 21 days. The Department was required to recover excise duty of Rs.27.80 lakh from the exporters which was not done.

(i) M/s Associated Alcohols and Breweries, Barwah, Khargone

(ii) M/s Agarwal breweries, Barwah, Khargone.

(iii) M/s Gwalior Distillers, Gwalior

(iv) M/s Rairu Distillery Rairu, Gwalior

(v) Cox India Chhattarpur

(vi) Oasis Distilleries, Dhar

(vii) Kedia Great Galleon, Dhar

(viii) Som Distillery Sehatganj, Raisen

(ix) Som Distillery and Breweries, Raisen

⁸ Bhopal, Chhattarpur, Dhar, Gwalior, Indore, Khargone, Ratlam, Raisen and Ujjain

Loss of revenue due to non-disposal of balances of foreign liquor

3.2.14 Madhya Pradesh Foreign Liquor Rules, 1996, provide that on expiry or cancellation of licence, the licensee shall place his entire stock of liquor under the control of the District Excise Officer. However, he can be permitted to dispose of such balances to any other licensee within 30 days of such expiry or cancellation, failing which the Excise Commissioner may ask any other eligible licensee of the state to purchase such stock or may give necessary directions for the disposal of the stock.

Test-check of records of the AEC Gwalior, Indore and Ujjain revealed that in eight licences, 26,813 proof litre foreign liquor and 10,952 bulk litres of beer remained in stock on the date of expiry of their licences between April 1995 and April 2002. This stock involving excise duty of Rs.17.18 lakh was not disposed of even after 4 to 84 months resulting in non-realisation of the government revenue to that extent.

This was pointed out in audit and the AECs stated between July and December 2002 that action for disposal would be taken.

Non-recovery of duty on quantity of spirit/foreign liquor/malt transported

3.2.15 Madhya Pradesh Excise Act, 1915 provides that no intoxicant shall be transported from any distillery, brewery, warehouse or other place of storage unless the duty has been paid or a bond has been executed for the payment.

Test-check of records of ten district offices⁹ revealed that 4.60 lakh proof litre of Extra Neutral Alcohol (ENA), 14.42 lakh proof litre of country liquor, 12.55 lakh proof litre of foreign liquor and 23.06 lakh Bulk litre of beer involving excise duty of Rs.16.06 crore were transported on 1,003 permits during the period May 1999 to March 2003 without payment of duty or execution of bond. Out of the above, one tanker carrying 19,968 proof litre rectified spirit from distillery of Khargone involving excise duty of Rs.4.79 lakh was highjacked in November 2001 before reaching its destination. Since excise duty was not paid nor was any bond executed, no action could be taken by the Department to recover the amount.

This was pointed out in audit and all the District Officers stated between October 2002 and April 2003 that no rules had been prescribed for execution of bond on transport of liquor as such no bond was executed or duty recovered in advance. The reply is not tenable since provision for transport of intoxicant under bond or on payment of duty already exists in the Act.

Recommendation

3.2.16 To plug loopholes and safeguard the government revenue in the provisions contained in Act/Rules Government may consider the following:

- prescribe a time period for treating the defaulter cases as arrears of land revenue;

⁹ Bhopal, Chhattarpur, Dhar, Gwalior, Indore, Khargone, Rajgarh, Ratlam, Raisen and Sagar

- ensure obtaining solvency certificate and details of property of the licensee to safeguard government revenue.

The above points were reported to the Government between June 2002 and April 2003; their reply had not been received. (June 2004)

3.3 Loss of revenue due to non-acceptance of tender

As per Government of Madhya Pradesh Commercial Tax Department circular dated 22 April 2001 if the bid/tender amount for settlement of country and foreign liquor shops is more than five per cent below the reserve price, the proposal for acceptance of bid/tender should be sent to the Government through Commissioner, Excise (EC) Gwalior.

Test-check of records of District Excise Officer (DEO), Hoshangabad revealed that a tender for one group of 20 country and 8 foreign liquor shops of Itarsi-Piparia for the period 1 May 2001 to 31 March 2002 was received for Rs.9.13 crore on 2 May 2001 against the reserve price of Rs.10.67 crore. As the tender was 14.5 per cent below the reserve price, the same was rejected by the DEO in view of the instructions of EC issued in May, 2001 to reject offers which were more than 10 per cent less than the reserve price. The instructions issued by the EC were not in consonance with the circular of 22 April 2001 issued by the Government. Out of these, six country and five foreign liquor shops were auctioned between May 2001 and March 2002 for periods ranging from three to ten months for Rs.4.07 crore. The remaining shops were run departmentally and a revenue of Rs.1.08 crore was realised. Thus, the non-consideration of the tender and failure to send the same to the Government for acceptance resulted in loss of revenue of Rs.3.98 crore.

This was pointed out in audit and the DEO, Hoshangabad stated in August 2002 that the proposal was sent to the EC in May 2001 which was rejected on receipt of instructions issued by EC. The reply was not acceptable as the specific orders of the Government as envisaged in circular at 22 April 2001 were not obtained on the tender. Further reply was awaited (June 2004).

The matter was reported to the Government between January and May 2003; their reply had not been received (June 2004).

3.4 Short-production of alcohol from bases other than molasses

The State Government have not laid down norms for the production of alcohol from bases other than molasses. However, the Technical Excise Manual, provides that per quintal of grain (Indian)¹⁰ should yield 40.03 proof litres of alcohol.

Test-check of records of one distillery at Dhar revealed that 59.80 lakh proof litre of alcohol was produced from 1,76,150 quintals of grain (Indian) between October 2000 and December 2002 as against the expected yield of 70.51 lakh proof litre. Thus, there was a shortfall of 10.71 lakh proof litre alcohol involving potential loss of excise duty of Rs.2.57 crore.

¹⁰ *Indian means Jawar and Maize*

This was pointed out in audit and the DEO (Distillery) Dhar stated in January 2003 that norms for production of alcohol from bases other than molasses had not been provided in the Rules. Although EC's commitment was there in June 1997 to frame rules regarding yield from bases other than molasses no rules had been framed so far. In view to this, the instructions contained in Technical Excise Manual should have been followed.

The matter was reported to the Government in April 2003; their reply had not been received (June 2004).

3.5 Incorrect fixation of selling rates of country liquor in sealed bottles

The country liquor shops situated in tribal sub-plan area are run by the Department. The selling rates of sealed country liquor bottles of different sizes are fixed by the Excise Commissioner. The selling rates are to be so fixed that besides the cost of empty bottles and sealing charges, the price obtained for a specific quantitative unit of liquor sold remains uniform irrespective of the size of the bottle.

Test-check of records of the Assistant Excise Commissioner (AEC), Ujjain revealed that selling price of country liquor per bulk litre in bottles with different quantities viz 180 ml., 375 ml. and 750 ml. were fixed by the Collector inclusive of cost of empty bottles and sealing charges. This resulted in incorrect determination of rate of country liquor by Rs.4 and Rs.8.89 per bulk litre for the sizes of 375 ml. and 180 ml. respectively. This resulted in loss of revenue of Rs.37.39 lakh on sale of 5 lakh bulk litre country liquor during 2001-02.

This was pointed out in audit and the AEC, Ujjain stated in October 2002 that selling rates of country liquor were fixed by the Collector. The reply is not tenable as the selling rates were not fixed in accordance with government instructions in June 1999 keeping in view the cost of bottles and sealing charges.

The matter was reported to the Government between January and May 2003; their reply had not been received (June 2004).

3.6 Irregular allowance of wastage of molasses

Madhya Pradesh Distillery Rules, 1995, provide that every quintal of fermentable sugar present in molasses should yield 91.8 proof litre alcohol. No allowance for wastage of molasses in storage or otherwise is provided in the rules.

Test-check of records of the DEO (Distillery), Ratlam, revealed that 3965.59 quintals molasses having fermentable sugar of 1,482.73 quintal capable of yielding 1.36 lakh proof litre of spirit was shown as wastage between November 2001 and October 2002. This resulted in loss of potential excise duty of Rs.32.64 lakh.

The matter was reported to the Government in May 2003; their reply had not been received (June 2004).

3.7 Incorrect allowance of wastage of spirit in re-distillation

Madhya Pradesh Distillery Rules, 1995, do not provide for any allowance for wastage of rectified spirit during re-distillation for manufacturing extra neutral alcohol (ENA).

Test-check of records of two distilleries of Dhar district revealed that 68.26 lakh proof litre rectified spirit was redistilled to produce ENA between October 2000 to December 2002 and wastage of 0.22 lakh proof litre rectified spirit was allowed. This was not admissible and resulted in loss of excise duty of Rs.5.28 lakh.

This was pointed out in audit and the DEO (Distilleries) stated in January 2002 and January 2003 that re-distillation was done under the orders of EC and the wastage was within the prescribed limit. The reply is not tenable as the rules do not provide any wastage of rectified spirit during re-distillation for manufacturing of ENA.

The matter was reported to the Government (April 2003); their reply had not been received (June 2004).

3.8 Non-levy of penalty

Madhya Pradesh Distillery Rules, 1995, require the distillers to maintain minimum fermentation and distillation efficiencies at 84 and 97 percent respectively. Every quintal of fermentable sugar present in the molasses should yield at least 91.8 proof litres of alcohol. In case of shortfall, the EC may impose penalty under the Act and Rules.

Test-check of records of three distilleries of Dhar and Khargone district revealed that distillers used 1,32,845 quintal of molasses having fermentable sugar of 47,135 quintals and produced 42.57 lakh proof litre alcohol during October 2000 to December 2002 as against the expected yield of 43.27 lakh proof litre of alcohol. The Department failed to levy penalty of Rs.21 lakh leviable on shortfall of 0.70 lakh proof litre alcohol.

The matter was reported to the Government between January and May 2003; their reply had not been received (June 2004).

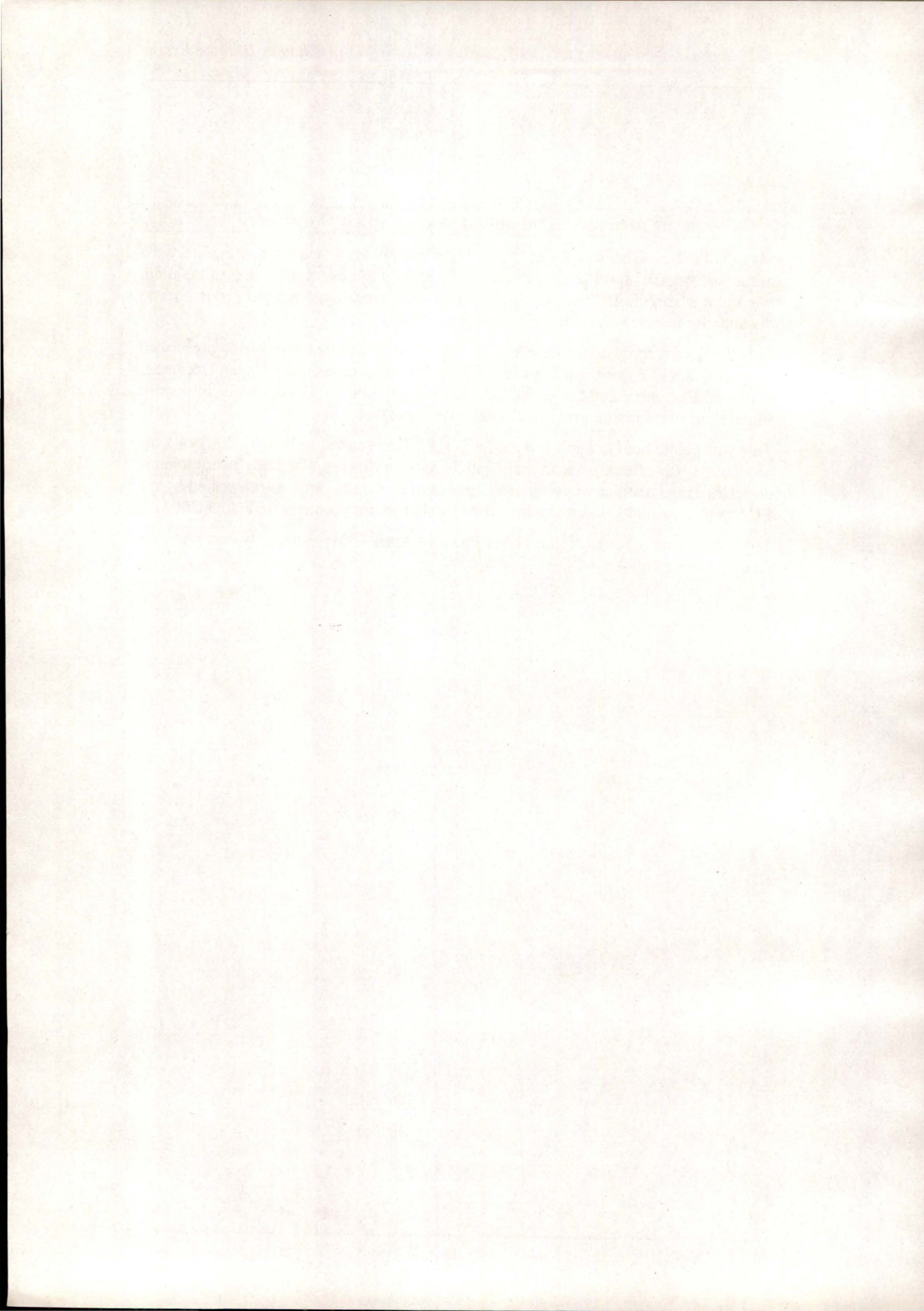
3.9 Non-maintenance of minimum stock of spirit at distillery

Madhya Pradesh Distillery Rules, 1995, require licensees to maintain at distillery the minimum stock of spirit as prescribed by the EC. In the event of failing to maintain minimum stock, the EC may impose a penalty not exceeding Rs.5 per proof litre on the quantity found short of the minimum prescribed stock.

Test-check of records of one distillery in Dhar District revealed that though prescribed minimum stock of spirit was not maintained by it on 13 occasions between December 2001 and December 2002, a penalty of Rs.99.84 lakh on 19.97 lakh proof litre spirit found short of minimum prescribed stock was not levied.

This was pointed out in audit and the DEO (Distillery) stated in January 2003 that the production was affected due to non-availability of molasses. The reply is not tenable as per rules the distiller was required to maintain minimum stock as prescribed by the EC otherwise penalty was leviable. Further reply had not been received (June 2004).

The matter was reported to the Government in April 2003; their reply had not been received (June 2004).



CHAPTER - IV
TAXES ON VEHICLES

4.1 Results of Audit

Test-check of records relating to taxes on vehicles during the year 2002-2003 revealed non-assessments, underassessment of tax and losses of revenue amounting to Rs.60.45 crore in 15,571 cases which can be broadly categorised as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Review : Working of Reciprocal Transport agreements	1	37.14
2.	Non/short-levy of vehicle tax, penalty composition fee, on public service vehicles	2,889	17.03
3.	Non/short-levy of vehicle tax and penalty on goods vehicles.	1,408	4.99
4.	Others	11,273	1.29
	TOTAL	15,571	60.45

A few illustrative cases and findings of a review, 'Working of Reciprocal Transport Agreements' involving Rs. 48.51 crore are discussed in the following paragraphs:

4.2 Review : Working of Reciprocal Transport Agreements

Highlights

- Vehicle tax and penalty of Rs.68.98 lakh on public service vehicles of other states plying on inter-state routes were not recovered.
(Paragraph 4.2.4)
- Vehicle tax of Rs.11.51 crore and penalty of Rs.23.02 crore on public service vehicles owned by Madhya Pradesh State Road Transport Corporation plying on inter-state routes were not recovered.
(Paragraph 4.2.5)
- Non-recovery of vehicle tax of Rs.44.04 lakh and penalty of Rs.88.07 lakh on goods carriages of other states plying in Madhya Pradesh on countersigned permits resulted in loss of revenue to that extent.
(Paragraph 4.2.6)
- There was a short-levy of vehicle tax of Rs.18.04 lakh and non-levy of penalty of Rs.36.07 lakh on public service vehicles plying on inter-state routes.
(Paragraph 4.2.7)

Introduction

4.2.1 Section 88 of the Motor Vehicles Act, 1988, contemplates the execution of agreements between the states for regulation of inter-state traffic. Various States have entered into reciprocal transport agreements with other States and union territories, under which permits issued by other State Governments are valid in the home state subject to permits being countersigned by the State Transport Authority of the State. The levy and collection of tax on every motor vehicle used or kept for use in the state is regulated under the provisions of the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam* 1991) and *Karadhan Niyam*, 1991 (*Niyam* 1991).

Organisational set up

4.2.2 At state level, the Transport Department functions under the overall charge of the Principal Secretary. The entire process of levy and collection of tax/penalty/fee on vehicles is administered and monitored by the State Transport Commissioner at Gwalior assisted by nine Regional Transport Officers (RTOs), 11 Additional Regional Transport Officers (ARTOs) and 19 District Transport Officers (DTOs). The permits issued by other States in respect of vehicles plying in the state of Madhya Pradesh are countersigned by the State Transport Authority (STA) and tax is deposited by the owners of vehicles in the designated Regional/District Transport Authority.

Audit objectives

4.2.3 Detailed scrutiny of the records of the Office of the Transport Commissioner, eight RTOs¹, four ARTOs² and District Transport Office Tikamgarh for the period from 1998-99 to 2001-2002 was conducted during the period between April 2002 and May 2003 with a view to examine that the prescribed tax, fee etc. in respect of vehicles plying under reciprocal agreement were collected.

Non-levy of vehicle tax and penalty on Public Service Vehicles plying on inter-state routes

4.2.4 As per *Adhiniyam* and *Niyam*, 1991 any motor vehicle of another state is permitted to ply in the state under reciprocal agreement on payment of tax at the rate prescribed to the designated authority, failing which the owner shall be liable to pay a penalty at the rate of one-third of the amount due which shall not exceed twice the amount due. In case the owner does not pay the tax or penalty or both, the taxation authority may proceed to recover the dues as arrears of land revenue.

Test-check of records of three RTOs³ and three ARTOs⁴ revealed that vehicle tax of Rs.22.99 lakh in respect of 48 public service vehicles pertaining to Rajasthan, Maharashtra and Uttar Pradesh plying on inter-State routes under reciprocal agreement during the period April 1998 to March 2002 was neither paid by the vehicle owners nor was it recovered by the taxation authorities. The Department had also failed to levy penalty. This resulted in non-levy of tax and penalty of Rs.68.98 lakh.

This was pointed out in audit and the concerned RTO's/ARTO's stated between June 2002 and May 2003 that action for recovery was being taken. Further progress had not been received (June 2004).

4.2.5 Test-check of the records of Transport Commissioner Office and the RTO Bhopal, revealed that 219 inter-state permits were granted to Madhya Pradesh State Transport Corporation (MPSRTC) to ply their public service vehicles on inter-state routes during the period from April 1998 to March 2002. Neither the tax was paid by the corporation nor any action to recover the tax was taken by the Taxation Authorities. This resulted in non-recovery of tax of Rs.11.51 crore and penalty of Rs.23.02 crore.

This was pointed out in audit and the Transport Commissioner stated in February 2003 that action to adjust the arrears of tax due from MPSRTC was being taken at government level.

¹ Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar and Ujjain

² Chhatarpur, Chhindwara, Mandsaur and Satna

³ Gwalior, Jabalpur and Sagar

⁴ Chhatarpur, Chhindwara and Mandsaur

Non-levy of vehicle tax and penalty on goods carriages of other States

4.2.6 Under the *Adhiniyam* and *Niyam* 1991, a tax shall be levied on every goods carriages of other states plying in the state of Madhya Pradesh under reciprocal agreement at the rate of 85 percent of the rate specified in the *Adhiniyam*. If the tax due has not been paid to the designated authority, the owner shall liable to pay a penalty at the rate of one-third of the amount due which shall not exceed twice the amount due.

Test-check of the records of Transport Commissioner Office, the RTO Rewa and three ARTOs⁵ revealed that vehicle tax of Rs.44.04 lakh and penalty of Rs.88.07 lakh in respect of 316 goods carriages pertaining to Rajasthan, Maharashtra and Uttar Pradesh plying in Madhya Pradesh under reciprocal agreement during the period between April 1998 and March 2002 was neither paid by the vehicle owners nor was it levied/recovered by the taxation authorities. This resulted in non-levy/recovery of tax including penalty of Rs.1.32 crore.

This was pointed out in audit and the Transport Commissioner stated in July 2002 that concerned RTO's/ARTO's had been directed to recover the tax from defaulters. Further replies were awaited. (June 2004)

Short-recovery of vehicle tax and non-levy of penalty on public service vehicles plying on inter-state routes

4.2.7 *Adhiniyam*, 1991 provides that the vehicle tax on public service vehicles permitted to ply on reciprocal basis is to be calculated on the basis of every passenger which the vehicle is permitted to carry and the total distance permitted to be covered by a vehicle in a day at the rate specified in the First Schedule to the *Adhiniyam*.

Test-check of the records of ARTO, Chhindwara revealed that vehicle tax in respect of three public service vehicles of home State, plying on inter-state routes during the period between April 1998 and March 2002 was paid short due to application of incorrect rate of tax. The Department had failed to recover the same. This resulted in short-recovery of vehicle tax of Rs.8.04 lakh and non-levy of penalty of Rs.16.08 lakh.

This was pointed out in audit and the ARTO, Chhindwara stated in March 2003 that matter would be examined. Further reply was awaited (June 2004).

⁵ *Chhattarpur, Mandsaur, Satna*

Test-check of the record of RTO, Gwalior and Sagar revealed that the owners of three public service vehicles of other states paid vehicle tax short due to calculation mistakes during the period between April 1998 and November 2001. This resulted in short-recovery of vehicle tax of Rs.5.81 lakh. Besides, they were liable to penalty of Rs.11.62 lakh.

This was pointed out in audit and the RTO Gwalior stated in February 2003 that demand had been raised. The RTO, Sagar stated in May 2003 that action for recovery would be taken after scrutiny of records. Further reply was awaited (June 2004).

Test-check of the records of RTO, Sagar revealed that vehicle tax in respect of three public service vehicles of other States plying under reciprocal agreements during the period between April 1998 and March 2002 was paid short by the owners of vehicles due to adoption of lesser number of trips. This resulted in short-levy of vehicle tax of Rs.4.19 lakh and non-levy of penalty of Rs.8.37 lakh.

This was pointed out in audit and the RTO, Sagar stated in May 2003 that matter would be examined. Further reply was awaited (June 2004).

Loss of revenue due to non-adoption of distance of route as per agreements

4.2.8 As per *Adhiniyam*, 1991, tax is to be levied at the rates specified for the slab for each 10 kms or part thereof. The Transport Commissioner had clarified in July 1994 that distance of route specified in the Schedule appended to the reciprocal transport agreement was to be adopted for levy and collection of tax on inter-state permits.

Test-check of records of the RTO, Sagar and the ARTOs, Chhatarpur and Mandsaur revealed that in respect of 30 public service vehicles plying under reciprocal agreements, the distances of routes were adopted for payment of tax were less than those mentioned in the agreements. This resulted in loss of revenue of Rs.5.89 lakh for the period between April 1998 and March 2002.

This was pointed out in audit and the concerned RTO and ARTO's stated between June 2002 and May 2003 that matter would be examined. Further reply was awaited (June 2004).

Recommendations

4.2.9. Based on the above observations, Government may consider :

- to utilise full quota as envisaged in reciprocal agreements.
- to take effective steps to recover the tax from the defaulters at the prescribed rates.
- To strengthen enforcement wing to detect vehicles plying without payment of tax and take suitable penal action.

The matter was reported to the Government in March 2003; their reply was awaited.
(June 2004)

4.3 Non-levy/recovery of vehicle tax and penalty on vehicles

Under the Madhya Pradesh *Motoryan Karadhan Adhiniyam*, 1991 (*Adhiniyam*, 1991) read with *Niyam* 1991 made thereunder, a tax shall be levied on every motor vehicle used or kept for use in the state at the rate specified in the First Schedule of the *Adhiniyam*. If the owner fails to pay tax due, he shall in addition to the tax, be liable to pay a penalty at the rate of one-third of the unpaid amount of tax for the default of each month but not exceeding twice the unpaid amount of tax.

4.3.1 Public Service Vehicles/Goods carriages

In 14 Regional Transport Offices (RTO)⁶/6 Additional Regional Transport Offices (ARTO) and 4 District Transport Offices (DTO)⁷, tax amounting to Rs.3.23 crore due for different period between July 1999 and March 2002 was not levied and recovered by the Department from the owners of 1,261 public service vehicles and goods carriages. The owners were liable to pay penalty of Rs.6.46 crore also.

This was pointed out in audit and the RTO, Jabalpur stated in February 2003, that show cause notices had been issued in 114 cases. The other RTOs/DTOs stated between April 2002 and March 2003 that action would be taken to recover the amount from the defaulting vehicles owners. Further reply was awaited (June 2004).

4.3.2 Vehicles plying on All India Tourist permits

In three RTOs⁸ vehicle tax of Rs.19.18 lakh on eight public service vehicles plying on All India Tourist permits for the period between April 2000 and March 2002 was not paid by the owners. Penalty of Rs.38.36 lakh in addition to vehicle tax was also leviable. This resulted in non-recovery of tax and penalty of Rs.57.54 lakh.

This was pointed out in audit and the RTO, Gwalior stated in January 2003 that demand notices of Rs.41.58 lakh had been issued. The RTOs, Bhopal and Sagar stated

⁶ RTO Bhopal, Gwalior, Indore, Jabalpur, Morena, Rewa, Sagar, Ujjain and
ARTO Chattarpur, Chhindwara, Khargone, Mandsaur, Satna and Seoni

⁷ DTO Damoh, Raisen, Ratlam and Tikamgarh

⁸ Bhopal, Gwalior, Sagar

in August 2002 that action to recover the tax would be taken after scrutiny of cases. Further reply was awaited (June 2004).

4.3.3 *Omni buses*

In four RTOs⁹ and five ARTOs¹⁰, vehicle tax of Rs.13.47 lakh on 202 omni buses for the period between April 2000 and March 2002 was neither paid by the vehicle owners nor recovered by the Taxation Authority. The owners were liable to pay penalty of Rs.26.94 lakh in addition to tax. This resulted in non-realisation of Rs.40.41 lakh.

This was pointed out in audit and the concerned RTOs/ARTOs stated between April 2002 and March 2003 that action to recover the amount would be taken after scrutiny of records. Further reply was awaited (June 2004).

4.3.4 *Private service vehicles.*

In six RTOs/ARTOs¹¹, vehicle tax of Rs.11.15 lakh and a penalty of Rs.22.29 lakh in respect of 21 private service vehicles for the period April 1999 and March 2002 were neither paid by the vehicle owners nor demanded by the Taxation Authority. This resulted in non-recovery of Rs.33.44 lakh.

This was pointed out in audit and the RTO, Gwalior stated in January 2003 that demand of Rs.16.96 lakh had been raised. In other cases, the RTOs stated between April 2002 and March 2003 that action to effect recovery would be taken after verification of records. Further reply was awaited. (June 2004)

The matter was reported to the Government between April 2002 and April 2003; their reply had not been received (June 2004).

4.4 **Non-realisation of tax on Vehicles plying without permit or in contravention of permit conditions**

According to Motor Vehicles Act, 1988, plying of vehicles without permit or in contravention of conditions of permits, certificate of fitness/insurance/licence etc. is an offence. The offence is compoundable by the Taxation Authority on payment of the prescribed composition fee for each offence as prescribed from time to time. As per *Adhiniyam*, 1991, if a motor vehicle is found plying in the state without permit, vehicle tax at prescribed rate is to be charged from the owners of such vehicles.

⁹ Gwalior, Indore, Morena, Rewa

¹⁰ Chhatarpur, Chhindwara, Khargone, Mandsaur, Satna

¹¹ Bhopal, Gwalior, Indore, Jabalpur, Morena, Chhindwara

Test-check of the records of four RTOs¹² and three ARTOs¹³ revealed that Department detected 113 public service vehicles plying without permits/certificates of fitness/insurance/driving and conductors licences between the period May 1999 and March 2002. The Department, however, did not recover the vehicle tax from such vehicles plying without permit and composition fee for such offences. This resulted in non-realisation of tax amounting to Rs.17.05 lakh and composition fee of Rs. 1.19 lakh.

The matter was reported to the Government between July 2001 and April 2003; their reply had not been received (June 2004).

4.5 Loss of revenue due to incorrect classification of vehicles

According to Motor Vehicles Act, 1988 and *Adhiniyam*, 1991 and *Niyam*, 1991 made thereunder vehicle tax is to be paid in respect of private service vehicles with seating capacity of more than six persons excluding driver and ordinarily used by or on behalf of owner for the purpose of carrying persons for or in connection with his trade or business otherwise than for hire or reward.

Test-check of records of RTO, Indore revealed that five motor vehicles purchased by a commercial organisation were registered in July 1999 as school buses, instead of as private service vehicles. The incorrect classification of vehicles resulted in loss of revenue of Rs.7.62 lakh for the period from July 1999 to March 2002.

This was pointed out in audit and the RTO, Indore stated in January 2003 that action would be taken after examination of the cases.

The matter was reported to the Government in March and April 2003; their reply had not been received. (June 2004)

4.6 Short-recovery of vehicle tax and penalty

According to section 3 (1) of the *Adhiniyam*, 1991 and *Niyam*, 1991 tax on every public service vehicle shall be levied at the rates specified in the First Schedule. If the tax is not paid, the owner shall in addition to the payment of tax due, be liable to pay a penalty at prescribed rates. The Government vide notification in July 2000 revised the rate of tax in respect of spare vehicles.

Test-check of records of RTO, Morena, ARTO, Chhindwara and DTOs Damoh and Raisen revealed that the owners of 91 spare vehicles paid the tax at pre-revised rates during the period between July 2000 and March 2001. This resulted in short-realisation of Rs.3.83 lakh. Besides, penalty of Rs.7.67 lakh was also not levied. This resulted in non-levy/recovery of revenue of Rs.11.50 lakh.

¹² Gwalior, Indore, Sagar, Ujjain

¹³ Chhattarpur, Chhindwara, Seoni

This was pointed out in audit and the concerned RTOs/DTOs stated in May 2002 and March 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken has not been received (June 2004).

The matter was reported to the Government between September 2002 and April 2003; their reply had not been received. (June 2004)

CHAPTER- V
LAND REVENUE

5.1 Results of Audit

Test-check of records relating to assessment and collection of land revenue during the year 2002-2003 revealed non-assessment, underassessment of revenue and non-raising of demand amounting to Rs.212.02 crore in 1,62,669 cases which can broadly be categorised as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Delay in collection of revenue through RRC	45,225	89.80
2.	<i>Nazul</i> land allotted to organisation, Institutions, Boards and Local Bodies.	4,394	53.97
3.	Non/short-assessment and non-revision of diversion rent and premium	7,192	24.00
4.	Non-levy of <i>Panchayat</i> Cess and non-realisation of fines and penalties	29,352	10.30
5.	Others	76,506	33.95
	TOTAL	1,62,669	212.02

A few illustrative cases involving Rs.1.29 crore are discussed in the following paragraphs:

5.2. Non-raising of demand of diversion rent, premium and fines

According to the Madhya Pradesh Revenue Book of Circulars, the Revenue Authority shall intimate to the Tahsildar concerned, the demand for re-assessed rent of diverted land used for purposes other than agriculture and to incorporate the change in the Tahsil records. Further, demand of premium and fines imposed under the penal provisions of Land Revenue Code and Revenue Book of Circulars (RBCs) is also to be noted in the demand and collection register of the Tahsil before effecting recovery.

5.2.1 Test-check of records of 11 Tehsils¹ revealed that the diversion rent, premium and fines aggregating Rs.87.97 lakh in respect of 161 villages for the period 1997-98 to 2001-2002 were not noted in demand and collection registers of Tahsils although these were assessed by the Sub-Divisional Officers concerned. This resulted in non-raising of demand of revenue of Rs.87.97 lakh.

This was pointed out in audit and the concerned Tahsildars stated between November 2001 to January 2003 that the recovery would be noted in the registers and affected after raising the demands.

The matter was reported to the Government between February 2002 and April 2003; their reply had not been received (June 2004).

5.2.2 Test-check of the records of two Tehsils² revealed that demand of Rs.10.68 lakh in respect of *Nazul* rent, premium, fine and penalties in 1,269 cases assessed by the Revenue Authority was not raised by the concerned Tahsildars for the period 1999-2000 and 2000-2001.

This was pointed out in audit and the Tahsildars stated between April 2002 and September 2002 that the demands would be raised.

The matter was reported to the Government between June 2002 and April 2003; their reply had not been received (June 2004).

5.3 Loss due to non-disposal of attached property

Under the provisions of Madhya Pradesh Land Revenue Code, 1959, arrears of land revenue payable to Government shall be recovered by the Tahsildar by attachment and sale of movable and immovable property. Further, the Tahsildar is required to conduct quarterly review of attached property register with a view to take action for early disposal of attached property.

Test-check of the records of the Tahsil, Sitamau revealed that movable and immovable property in 33 cases was attached during the period 1996-97 to 1999-2000 for recovery of Rs.14.20 lakh due to Government but no action was taken to realise the dues by disposing of the attached property. This resulted in non-realisation of government dues amounting to Rs.14.20 lakh.

This was pointed out in audit and the Tahsildar, Sitamau stated in November 2001 that distress warrants had been issued by the Court and position of recovery would be intimated.

¹ *Badnagar, Budhni, Jawara, Jaora, Jirapur, Manasha, Mongawali, Nagda, Nasurullaganj, Singroli and Salina*

² *Jawad (Ratlam) and Vijaypur (Sheopur)*

The matter was reported to the Government between February 2002 and March 2003; their reply had not been received (June 2004).

5.4 Non-assessment of *Panchayat* cess on diversion rent

The Madhya Pradesh *Panchayat Adhiniyam*, 1981 provides for levy and recovery of cess for each revenue year at the rate of 50 paise per rupee of land revenue or rent assessed on every tenure holder and government lessee in respect of land held by him in gram *panchayat* area. Diversion rent³ is also land revenue and hence *Panchayat* cess is also leviable on diversion rent.

Test-check of records of five Tahsils⁴ revealed that *Panchayat* cess amounting to Rs.15.67 lakh for the revenue years between 1998-99 and 2001-02 was not assessed on diversion rent of Rs.31.34 lakh in respect of land pertaining to *Gram Panchayat* areas in 84 villages.

This was pointed out in audit and the concerned Tahsildars agreed between May 2002 and January 2003 to effect the recovery.

The matter was reported to the Government (between May 2002 and April 2003); their reply had not been received. (June 2004)

³ *Diversion Rent- where land assessed for use for any one purpose is diverted to any other purpose, the land revenue payable upon such land shall not with standing that term for which the assessment may have been fixed has not expired be liable to be*

⁴ *altered and assessed in accordance with the purpose to which it has been diverted. Bhind, Budni, Jawara, Raghogarh and Sailana*

CHAPTER- VI
OTHER TAX RECEIPTS

6.1 Results of Audit

Test-check of records relating to stamp duty and registration fee, entertainment duty and electricity duty during the year 2002-2003 revealed non-assessment, underassessment and other losses of revenue amounting to Rs.57.72 crore in 10,031 cases which can broadly be categorised as under:

(Rupees in Crore)

Sl. No.		Number of cases	Amount
	STAMP DUTY & REGISTRATION FEES		
1.	Determination of market value of properties for the purpose of levy of stamp duty	01	15.57
2.	Inordinate delay in finalisation of the cases	4,369	7.70
3.	Incorrect exemption from payment of stamp duty and registration fee	1,350	0.94
4.	Short-realisation of stamp duty and registration fee due to undervaluation of properties	586	1.59
5.	Loss due to mis-classification of documents	794	1.56
6.	Others irregularities	1,547	10.64
	Total	8,647	38.00
	ENTERTAINMENT DUTY		
1.	Non-recovery of entertainment duty	108	0.42
2.	Evasion of entertainments duty due to non-accountal of tickets	1	0.03
3.	Non/short deposit of entertainment duty on VCR and Video Cassette Players by proprietors	135	0.09
4.	Other irregularities	991	0.40
	Total	1,235	0.94
	ELECTRICITY DUTY		
1.	Under-assessment of electricity cess	21	2.35
2.	Non-realisation of electricity cess and interest	34	0.57
3.	Irregular exemption of electricity cess	20	0.11
4.	Illegal adjustment of electricity cess	64	14.76
5.	Other irregularities	10	0.99
	Total	149	18.78
	Grand Total	10,031	57.72

A few illustrative cases involving Rs.18.57 crore are discussed in the following paragraphs.

STAMP DUTY & REGISTRATION FEES

6.2 Determination of market value of property for the purpose of levy of stamp duty

Introduction

6.2.1 The receipts from stamp duty and registration fees in the State are regulated under the Indian Stamp Act, 1899, the Registration Act, 1908 as applicable to the State of Madhya Pradesh and Rules made thereunder, and the notifications/orders issued from time to time by the State Government.

Under section 47 A of the Indian Stamp Act (ISA), if the Registering Officer, while registering any instrument found that the market value of any property set-forth was less than the market value shown in the guidelines¹, he should before registering such instrument, refer the same to Collector for determination of the correct market value of such property.

Incorrect determination of market value

6.2.2 Test-check of records in 10 Sub-Registrar's² (S.Rs.) offices, revealed that in 46 instruments registered between June 2000 to February 2002, the market value of property was Rs.23.19 crore as against the registered value of Rs.8.17 crore. This resulted in short determination of market value by Rs.15.02 crore. The S.R. did not refer these cases to the concerned Collector for determination of correct value of the properties and duty leviable thereon. This resulted in short-realisation of revenue of Stamp duty of Rs.1.35 crore and registration fees of Rs.0.12 crore. A few illustrative cases are given in the table below:

(Rupees in lakh)

Sl. No.	Name of Sub-Registrar	Deed No. Month of Registration	Market value as per deed Stamp-duty & Registration fee (Levied)	Valuation as per market value guideline Stamp duty & Registration fees (Leviable)	Short-levy of stamp duty Registration fee
1.	2.	3.	4.	5.	6.
1.	Sausar (Chhindwara)	1 October 2001	70.74 7.56	156.43 16.11	8.55

As per guidelines, discount on market value is admissible at prescribed rates on small piece of agriculture land in urban area. No such discount is admissible on commercial land. However, S.R. allowed discount on commercial land. Besides, commercial land was valued at residential rates which are less than of commercial rates. This resulted in less determination of market value by Rs.85.69 lakh. This was pointed out in audit and S.R. accepted the audit objection and stated in October 2002 that the case would be referred to Collector.

¹ Statement showing average rates of land and building situated in every tahsil, corporation and local body of a district.

² Barwani, Bhopal, Dewas, Itarsi (Hoshangabad), Indore, Jabalpur, Khandwa, Sausar, (Chhindwara) Seoni and Ujjain.

1.	2.	3.	4.	5.	6.
2.	Jabalpur	<u>2</u> September 2001	<u>210.87</u> 19.34	<u>281.43</u> 25.41	6.07
<p>The valuation of a hotel in operation was done partly at residential rates, while the entire building was to be valued at commercial rates, resulting in less determination of market value by Rs.70.56 lakh.</p> <p>This was pointed out to the S.R. in October 2002 who stated valuation report was approved by Collector before registration of document. The reply is not tenable as ISA provides for no such prior determination of valuation report by Collector unless formal request was made by the executants to the Collector.</p>					
3.	Ujjain	<u>2</u> October 2001	<u>12.20</u> 1.31	<u>71.22</u> 8.03	6.72
<p>Land measuring 0.050 hectare to 0.200 hectare was valued incorrectly due to application of incorrect rates of guidelines resulting in less determination of market value of Rs.59.02 lakh.</p> <p>This was pointed out to the S.R. in June 2002 who stated that issue related to guidelines and S.R. was not competent for this. The reply is not tenable as the issue relates to application of rates prescribed in the guidelines.</p>					
4.	Itarsi (Hoshangabad)	<u>2</u> March 2001	<u>26.83</u> 2.77	<u>64.68</u> 6.91	4.14
<p>Two plots measuring 7,025 sq. ft. was valued at residential rates instead of commercial rates though located in commercial area resulting in less determination of market value by Rs.37.85 lakh.</p> <p>This was pointed out to the S.R. in October 2002 who stated that as plots were lying vacant these could not be valued as commercial. The reply is not tenable as the land was located in commercial site and should be valued as such.</p>					
5.	Dewas	<u>1</u> June 2000	<u>118.60</u> <u>12.22</u>	<u>238.97</u> <u>24.61</u>	12.39
<p>As per the records of the Income Tax Department the value of a factory was Rs.238.97 lakh while it was registered for Rs.118.60 lakh.</p> <p>This was pointed out to the S.R. in July 2001 who accepted the audit objection and stated that the case was being reconsider for revaluation.</p>					

Under valuation in documents executed in favour of co-operative housing societies

6.2.3 According to the provision of the Indian Stamp Act, 1899, market value of any property which is the subject matter of conveyance by the Primary Co-operative Housing Society (society) shall be the value as shown in the instruments. However, as per existing instructions of the Department, property registered with effect from 15 November 1997 shall be valued at the price, which in the opinion of Collector or the Appellate Authority, as the case may be, it would have fetched if sold in the market.

Test-check of records of two S.Rs. of Bhopal and Indore revealed that 328 plots were sold by co-operative societies after 15 November 1997. However, these instruments were registered between April 2000 and March 2001 at rates lesser than the rates that prevailed in market at that time. The cases were not referred to Collector for

determination of true market value. This resulted in short realisation of stamp duty of Rs.28.95 lakh and registration fees of Rs.2.36 lakh.

This was pointed out in audit and the concerned Registrars stated between June 2002 and March 2003 that action to determine market would be/had already been taken in 302 cases. Reply in respect of the other cases had not been received. (June 2004)

Delay in disposal of the case referred to Collector

6.2.4 Under the provisions of Indian Stamp Act, 1899 Collector of Stamps has been authorised to determine market value of property and amount of leviable stamp duty thereon in cases of under valuation referred to him by the concerned S.R. A maximum period of nine months has been fixed for disposal of the cases referred to him by the registering authorities.

Test-check of records of 32 S.Rs³ revealed that 4,217 documents referred to the Collector between April 1987 and December 2001 for determination of market value of properties had not been finalised between February 2001 and October 2002 though, the period of 9 months had already elapsed. The difference of stamp duty and registration fees recoverable on these documents based on the market value proposed by the S.Rs. worked out to Rs.12.20 crore. Thus, non-finalisation of these cases resulted in blockage of government revenue to that extent.

Delay in finalisation of impounded instrument

6.2.5 Any instrument chargeable with duty produced before the S.R. during the course of performance of his functions should be impounded, if it appeared to him that such instrument was not duly stamped. Such instrument is required to be referred to the Collector of stamps for levy of duty and penalty. A register in Form-18 was required to be maintained by the S.R. to keep watch on the disposal of such cases. The Department's instructions further provided that S.Rs. should send reminders periodically to the Collector for early disposal of the cases. However, no time limit had been prescribed for disposal of such cases.

Test-check of records of eight S.R. Offices⁴ revealed that 434 instruments, impounded and referred to Collector of Stamps between March 1991 and March 2003 were not finalised. Out of these, in 124 cases necessary details like the value of the property, stamp duty leviable were not recorded by the S.Rs. in the register. The remaining 310 cases involving of Rs.1.13 crore were not disposed of. Consequently, government revenue to that extent remained unrealised. It was further seen that periodical reminders were not sent by the S.Rs to the Collector for disposal of the cases.

The above points were reported to the Government between 2002 and March 2003; their reply had not been received. (June 2004)

³ Ashok Nagar (Guna), Agar (Shahjapur), Barnagar (Ujjain), Begamganj (Raisen), Berasiya (Bhopal), Barwani, Burhanpur (Khandwa), Bhopal, Chhindwara, Datia, Deori (Sagar), Dhar, Ganj Basoda (Vidisha), Guna, Harda, Itarasi (Hoshangabad), Jabalpur, Katni, Katangi (Balaghat), Khandawa, Pawai (Panna), Rajpur (Khargone), Ratlam, Rewa, Sehore, Sendhwa (Barwani), Shajapur, Shujalpur (Shajapur), Susner (Shajapur), Shivpuri, Ujjain, and Wara Seoni (Balaghat).
Bhopal, Indore, Khandawa, Nagda (Ujjain), Neemuch, Sanwer (Indore), Shivpuri and Ujjain.

6.3 Short-levy of stamp duty and registration fees due to misclassification

Under the Indian Stamp Act, 1899 stamp duty is leviable on instruments as per their classification at the rates specified in the schedule or as prescribed by the Government through notifications issued from time to time.

Test-check of records of 15 Sub-Registrar offices⁵ revealed that 355 instruments valued at Rs.10.23 crore registered between April 1999 and March 2002 were misclassified resulting in short-levy of stamp duty of Rs.60.97 lakh and registration fees of Rs.5.90 lakh. A few instances are given below:

(Rupees in lakh)

Sl. No.	Name of Sub-Registrar office	No. of document Consideration/loan amount (Rs. in crore)	Nature of observation	Stamp duty and Registration fees	
				Leviable/ levied	Short-levied
1.	2.	3.	4.	5.	6.
1.	Ujjain	<u>225</u> Rs. 21.76	Mortgage deed misclassified as deposit of title deed	<u>10.88</u> 3.51	7.37
2.	Indore, Jabalpur, Khachrod (Ujjain), Sanwer (Indore) and Ujjain	<u>11</u> Rs 1.34	Release deeds were treated as consent deeds	<u>6.48</u> <u>0.02</u>	6.46
3.	Bhopal, Dindori, Indore, Mandla and Shahdol	<u>19</u> Rs. 1.09	Agreement to sale with possession misclassified as without possession	<u>8.73</u> 0.64	8.09
4.	Ujjain and Seoni	<u>3</u> Rs.0.52	Declaration of Trust Cum gift misclassified as Trust	<u>5.59</u> 0.33	5.26
5.	Bhopal Shivpuri	<u>17</u> Rs.90.66	Gift deeds treated as settlement deeds	<u>8.62</u> 3.59	5.03
6.	Bhopal	<u>1</u> Rs.21.91	Gift deeds treated as partition deeds	<u>2.28</u> 0.35	1.93

⁵ Bhopal, Barwani, Dindori, Indore, Itarsi (Hoshangabad), Jabalpur, Khachrod (Ujjain), Mandla, Neemuch, Pipriya (Hoshangabad), Sanwer (Indore), Shahdol, Seoni, Shivpuri and Ujjain

This was pointed out in audit and the S.Rs. Bhopal and Shahdol in respect of 6 deeds stated that necessary action for recovery would be taken. In 15 cases, the Sub-Registrar, Bhopal stated that action would be taken after obtaining guidance from the Collector. Reply in the remaining cases had not been received. (June 2004)

The matter was reported to the Government between March 2002 and May 2003, their reply had not been received (June 2004).

6.4 Loss of revenue in instruments executed by/in favour of co-operative housing societies

As per Government notification dated 24 October 1980, instruments executed in favour of societies for acquisition of land for housing purpose were remitted from payment of stamp duty.

Test-check of records of the Sub-Registrar offices Bhopal, Indore, Jabalpur and Ujjain, loss of revenue aggregating Rs.1.09 crore in 75 instruments registered between September 1985 and March 2002, executed by/in favour of societies was noticed as under:

- In 37 instruments of conveyance, there was no mention that land, valued at Rs.8.91 crore, purchased between May 2000 and March 2002 by societies was for housing purposes of its members. However, these instruments were incorrectly exempted from payment of stamp duty and registration fee of Rs.83.31 lakh treating the purchase of land for housing purposes.
- In 38 instruments of conveyance, land purchased for housing purpose was remitted from payment of stamp duty and registration fee between September 1985 and May 2001. Later, the same land was sold/utilised for commercial purposes/other than housing purpose through 24 sale deeds, registered between June 2001 and March 2002. No action was taken by the Department to recover the remitted amount of Rs.25.91 lakh.

The matter was reported to the Government between October 2002 and May 2003; their reply had not been received. (June 2004).

6.5 Incorrect remission of stamp duty

Government notifications issued in September 1978 and March 1982 exempted from payment of stamp duty, mortgage/hypothecation deeds executed for securing loan from specified banks for agricultural purposes when executed by (i) *bhoomiswami*/lease holders belonging to Scheduled Castes/ Scheduled Tribes and (ii) other *bhoomiswami*/lease holders holding land not exceeding ten hectares. Departmental instructions dated August 1989 required that the specific agriculture purpose viz. purchase of electric pump, tractor and digging of well etc. for which the loan had been taken, be mentioned in the deeds for seeking exemption. In the absence of specific purpose, remission of stamp duty was not admissible.

Test-check of records of nine Sub-Registrar Offices⁶ revealed that 259 mortgage deeds were executed between June 1999 and March 2003 for loans amounting to Rs. 2.58 crore. These deeds were exempted from payment of stamp duty though the purpose for which remission was allowed was either not mentioned or when mentioned was not agricultural and as such, no exemption was admissible. This resulted in loss of stamp duty of Rs.12.91 lakh.

This was pointed out in audit and the S.Rs. Bhensdehi, Bhopal, Damoh, Kurwai Shahdol and Sehora stated between March to October 2002 that necessary action would be taken after enquiry from concerned banks. Reply in the remaining cases had not been received (June 2004).

The matter was reported to the Government between June 2002 and May 2003; their reply had not been received (June 2004).

6.6 Under assessment of stamp duty on instruments of release

Under the Indian Stamp Act, 1899, stamp duty is leviable on release instruments at the rate of four per cent of the amount of consideration or the market value of the entire property, whichever is higher, in respect of which the claim is relinquished.

Test-check of records of three Sub-Registrars offices⁷ revealed that in 38 instruments of release registered between May 2000 and March 2002, stamp duty was levied on the value of share of the executant and not on the market value of the property over which the claim was relinquished. This resulted in loss of stamp duty and registration fee of Rs.9.40 lakh.

This was pointed out in audit and the Sub-Registrar, Bhopal stated that necessary action would be taken after obtaining guidance from higher authorities. Final action taken and reply of the remaining registrars had not been received (June 2004).

The matter was reported to the Government between June 2002 and May 2003; their reply had not been received (June 2004).

⁶ Bhopal, Betul, Bhensdehi (Betul), Damoh, Indore, Kurwaie (Vidisha), Sehora (Jabalpur), Shahdol and Ujjain

⁷ Bhopal, Indore and Ujjain

6.7 Non-registration of lease deeds

As per the provisions of the Registration Act, 1908, lease deeds for periods exceeding one year are to be registered compulsorily. Besides, the registration fee, these documents are chargeable with stamp duty under the Indian Stamp Act, 1899. As per the RBC, if the lessee fails to execute the lease deed within a reasonable time, the Government may enforce execution of the lease deed in court of law.

Test-check of records of the Collectorate (Nazul section), Ratlam and Tahsil, Malhargarh Distt. Mandsaur, revealed that in respect of eight leases sanctioned for thirty years between 1997-98 and 2000-01, lease deeds were neither executed nor registered. This resulted in non-realisation of stamp duty and registration fees of Rs.7.76 lakh.

This was pointed out in audit and the Nazul Officer, Ratlam stated in October 2001 that action for execution of lease deeds in seven cases was being taken. In the remaining case, the Tahsildar, Malhargarh stated in October 2001 that the documents were not got registered as there was no condition in the sanction order of leases. The reply is not tenable as these were lease deeds for periods exceeding one year and as per the provision of the Registration Act, 1908 and RBC, the lease deeds were required to be compulsorily registered.

The matter was reported to the Government between February 2002 and March 2003; their reply had not been received. (June 2004)

ENTERTAINMENT DUTY

6.8 Non-recovery of entertainment duty from cable operators

According to the Madhya Pradesh Entertainments Duty and Advertisements Tax Act, 1936 (Act) and Rules made thereunder, every proprietor of cable television network and hotel or lodging house providing entertainment through cable service shall pay entertainment duty at prescribed rates.

Test-check of records of six District Excise offices (DEO)⁸ revealed that entertainment duty of Rs.16.14 lakh from 410 cable operators and 17 proprietors of hotels or lodging houses providing entertainment through cable service during the period from April 1999 to September 2002 was not recovered. This resulted in non-recovery of entertainment duty of Rs.16.14 lakh.

This was pointed out in audit and the DEOs stated between September 2001 and November 2002 that the action for recovery would be taken. Further reply was awaited (June 2004).

The matter was reported to the Government between October 2001 and May 2003; their reply had not been received. (June 2004).

⁸ *Chhatarpur, Katni, Rajgarh, Sagar, Sidhi and Ujjain*

6.9 Non-levy/recovery of Advertisement Tax

The Act provides that every proprietor of an entertainment shall pay advertisement tax on every advertisement exhibited at a rate not exceeding Rs.50 per month.

Test-check of records of two DEOs⁹ revealed that advertisement tax for the period from May 1999 to September 2002 was neither paid nor recovered from 428 cable operators. This resulted in non-levy of advertisement tax of Rs.8 lakh.

This was pointed out in audit and both the DEOs stated between June and October 2002 that action would be taken after receiving instructions from higher authorities. The reply is not tenable as provisions for levy of the tax are already contained in the Act. Further reply was awaited. (June 2004)

The matter was reported to the Government between September 2002 and May 2003; their reply had not been received (June 2004).

6.10 Non-levy of entertainment duty

The Act (amended in 1999) provides that no duty shall be levied for providing facilities by the proprietor to persons admitted in a cinema house on such amount not exceeding one rupee per ticket as determined by the Collector of the District. If the Collector is not satisfied with the facilities provided, he may recover the duty on the amount allowed for such facilities.

Test-check of records of ACEs (Entertainment) Bhopal and Ujjain revealed that 24 proprietors of cinema houses had collected Rs.69.43 lakh between May 1999 and August 2002 for providing facilities to persons admitted in the cinema hall, without getting these determined from the Collector. Entertainment duty leviable on the amount collected for providing facilities was also not levied. This resulted in non-levy of entertainment duty amounting to Rs.31.25 lakh.

This was pointed out in audit and the AECs, Bhopal and Ujjain stated between June and October 2002 that action would be taken after determination of the amount recoverable by Collectors for providing facilities. Further reply was awaited (June 2004).

The matter was reported to the Government between September 2002 and May 2003; their reply has not been received (June 2004).

⁹ *Bhopal and Ujjain*

ELECTRICITY DUTY

6.11 Short-realisation of development cess

Madhya Pradesh *Upkar (Dwitiya Sanshodhan) Adhiniyam* 2001 provides that every distributor of electrical energy shall pay electrical development cess to the Government at the revised rate of 10 paise per unit with effect from 15 November 2001 for electrical energy sold or supplied to any consumer or consumed by himself or his staff.

Test-check of records of the Superintending Engineer (SE) (Electricity and Safety) (E&S), Indore revealed that the Executive Engineer, Operation and Maintenance (O&M) Division M.P. Electricity Board, Indore (West) had deposited cess on 6,31,73,652 units of electricity sold/consumed between November 2001 and January 2002 at pre-revised rates. This resulted in short-realisation of cess of Rs.56.86 lakh.

This was pointed out in audit and the SE (E&S) Indore stated in December 2002 that recovery would be made after examination of the case. Further reply was awaited (June 2004).

The matter was reported to the Government in March 2003; their reply had not been received (June 2004).

6.12 Loss due to non-inspection of electric installations

According to the Indian Electricity Act, 1910 and Indian Electricity Rules, 1956 fees at prescribed rates are leviable for inspection of electric installations according to their categories. Periodicity for conducting inspections of electric installations of medium voltage is triennial and in other cases, it is annual.

Test-check of the records of the Executive Engineer (EE) (Electric Safety) Khandwa, and the Superintending Engineer (SE) (E&S) Indore revealed that inspections of 5,793 high voltage electrical installations and 45,912 medium voltage electrical installations were not be carried out as per prescribed norms during the period from 1997-98 to 2001-02. This resulted in loss of Rs.26.90 lakh on account of inspection fee.

This was pointed out in audit and the EE, Khandwa stated in December 2002 that inspections as per targets fixed could not be conducted due to shortage of technical staff. The SE (Electrical & Safety), Indore, however, stated in December 2002 that departmental enquires had been instituted against two defaulting Sub-Engineers for non-conducting of inspections as per government orders. Further replies had not been received (June 2004).

The matter was reported to the Government between January and May 2003; their reply had not been received. (June 2004)

CHAPTER- VII
FOREST RECEIPTS

7.1 Results of Audit

Test-check of records of forest receipts during 2002-2003 revealed non/short-realisation of revenue amounting to Rs.271.10 crore in 233 cases which can broadly be categorised as under:

(Rupees in Crore)

S. No.		Number of cases	Amount
1.	Review Forest Offences in Madhya Pradesh	1	18.83
2.	Non-realisation due to non-exploitation of Bamboo/Timber Coupes	21	53.80
3.	Short-realisation due to sale below up-set price	24	21.92
4.	Non-realisation due to deterioration/ shortage of forest produce	16	26.27
5.	Short-realisation of revenue due to re-measurement of timber	9	1.55
6.	Short-realisation due to non-accountal of forest produces	8	0.64
7.	Short-realisation due to low yield timber/ bamboos against estimated yield	8	2.07
8.	Others irregularities	146	146.02
	TOTAL	233	271.10

A review, Forest Offences in Madhya Pradesh, and other important observations involving Rs.23.69 crore are discussed in the following paragraphs:

7.2 Review : Forest offences in Madhya Pradesh

Highlights

- Actual receipts decreased from Rs.507.60 crore in 1998-99 to Rs.306.45 crore in 2001-02, registering a 40 per cent decline.

(Paragraph 7.2.4)

- Lack of timely action for recovery of cost of damage caused to forests resulted in non-recovery of revenue of Rs.13.15 crore including penalty.

(Paragraph 7.2.7)

- There were delays ranging from one month to seventeen years in reporting, finalisation of enquiry and prosecution of offences

(Paragraph 7.2.8)

- Government was deprived of revenue of Rs.3.06 crore pertaining to 86,358 offence cases which became time barred due to lack of initiative and timely action by the Department.

(Paragraph 7.2.10)

- Deterioration in the quality of seized timber lying undisposed resulted in reduction in value by Rs.4.27 crore

(Paragraph 7.2.12)

Introductory

7.2.1 The total forest area of Madhya Pradesh in November 2000, as per Forest Survey of India Report 2001, was 95,221 sq. km. of which dense forest cover was 44,384 sq. km. The working of forest relating to exploitation and afforestation is administered by the working plan sanctioned by the Central Government. Under the Indian Forest Act, 1927 any act, causing any damage by negligence or deliberately, in felling any tree or dragging any timber, grazing of cattle, grass cutting, quarrying of stones, making encroachments, hunting/poaching of wild life etc. is an offence and is punishable with imprisonment and/or with fine, in addition to compensation for damage as the court may decide. As soon as the offence is noticed the Beat/Forest Guard is required to prepare preliminary offence report in the prescribed form and send it to the Range Officer within 48 hours. The enquiry is required to be completed in 30 days by the Range officer.

Organisational set up

7.2.2 Principal Chief Conservator of Forests (PCCF) Madhya Pradesh, Bhopal, in overall incharge of administration. He is assisted by Additional Principal Chief Conservator of Forests (APCCF) (Protection) and PCCF (Wild Life) who are entrusted with direction and control of forest offences and wild life offences respectively. The area of the forest in a division is divided into ranges/sub-ranges and

beats. Beat/Forest Guard incharge of a beat is responsible to check the illicit felling and other types of forest offence. The work of protection of forest offences is supervised by Foresters/Deputy Rangers/ Range Forest Officer/Sub-Divisional Forest Officer (SDFO) and Divisional Forest Officer (DFO).

Audit objectives

7.2.3 Test-check of records of 20 out of 60 Territorial/General Forest Divisions¹, two out of nine Wild life Divisions² (National Park) alongwith the offices of the Additional PCCF (Protection) and the PCCF (Wild Life) for the period 1998-99 to 2002-2003 was conducted with a view to ascertain.

- effectiveness of the regulation and procedures laid down by the department;
- prompt action in reporting and disposal of the offence cases;
- follow up of the procedure, rules and provisions of the Act and
- effectiveness of the internal control mechanism in the Department.

7.2.4 Trend of revenue

Year	Budget Estimate	Actual Receipt	No. of offence cases pending as on 31 March	Percentage of decrease in revenue as compared to 1998-99	Percentage of increases of forest offences as compared to 1998-99
	<i>(Rs. in crore)</i>				
1998-99	617.00	507.60	58,688	--	--
1999-2000	500.00	315.28	66,834	38	14
2000-2001	522.00	372.56	64,881	27	11
2001-02	323.00	306.45	62,592	40	7

It would be seen from the above that actual receipts declined from Rs.507.60 crore in 1998-99 to Rs.306.45 crore in 2001-02, thus, registering a decrease of 40 per cent. The Department stated that due to ban imposed by Hon. Supreme Court, the felling was not done.

¹ Barwaha, Barwani, Burhanpur East, west and South Chhindwara, Dhar, Dindori, Jabalpur, Indore, Katni, Khandwa, Khargone, East, West and Buffer Zone Mandla, Narsinghpur, Sendhwa, North and South Seoni.

² National Park, Kandha and Pench (T.P)

Monitoring and lack of Internal Control

7.2.5 In order to maintain proper records/accounts of forest offence cases the Chief Conservator of Forests (Protection) prescribed a Preliminary Offence Report Register (POR). A quarterly return was required to be sent by the DFO through the CF to APCCF (Protection).

It was observed that POR register was not maintained properly and entries in several columns were not being made in all the divisions test-checked. Moreover, no return was sent by the DFO to the APCCF (Protection) indicating lack of effectiveness of monitoring at the apex level.

Position of offence cases

7.2.6 As per the information furnished by the Department, position of offence cases registered, cases compounded, decided by the court and cases pending decision during 1998-99 to 2002-03 (December 2002) was as under:

Year	Opening Balance	Addition	Total	Disposed off by way of compounding etc.	Balance	Percentage of disposal
1.	2.	3.	4.	5.	6.	7.
1998-99	4,23,140	58,688	4,81,828	36,679	4,45,149	8
1999-00	4,45,149	66,834	5,11,983	32,515	4,79,468	6
2000-01	4,79,468	64,881	5,44,349	32,313	5,12,036	6
2001-02	5,12,036	62,592	5,74,628	28,942	5,45,686	5
2002-03	5,45,686	43,578	5,89,264	13,224	5,76,040	2

Disposal of cases ranged between two and eight percent indicating poor disposal. The Department attributed poor disposal to the increasing work load of forestry work over the employees.

Non-realisation of Amount of compensation and penalty

7.2.7 According to the provision of Indian Forest Act, 1927 read with the Madhya Pradesh Forest Manual, Officers of the Forest Department are empowered to compound forest offence after recovering penalty or compensation for damage or both as may be determined by the concerned officer. In case the offence is not compounded, the offender is to be produced in the court of law for trial.

Test-check of record of the APCCF (Protection) revealed that the Department had not maintained any record showing year wise position of compensation and penalty determined in cases compounded during the year. However, as per information collected and supplied by the APCCF, Rs.6.88 crore³ was determined for recovery during the period April 1999 to May 2002. Out of this amount, penalty was Rs.2.40 crore while compensation of damage caused was Rs.4.48 crore. An amount of Rs.2.91 crore only was recovered upto December 2002. No action was taken to recover the balance amount of Rs.3.97 crore. Besides, a sum of Rs.9.18 crore as penalty and

³ No. of cases was not made available

compensation pertaining to the period prior to 1998-99 was still outstanding for recovery.

Thus, failure of the Department to take timely action for recovery of compensation and penalty deprived the Government of the revenue to the tune of Rs.13.15 crore.

Moreover, in April 2003, the Government of Madhya Pradesh (Forest Department) ordered closure of all forest offence cases registered prior to June 2002 under the Indian Forest Act, 1927 and also ordered to stop the pending recovery involved in the offence cases. This decision of the Government not only resulted in the loss of revenue but also encouraged the offenders.

Abnormal delay in reporting the offence cases

7.2.8 According to the provisions of Madhya Pradesh Forest Manual, the detection of an offence must be reported by the Beat/Forest guard within 48 hours, of such detection to the Range Forest Officer who is empowered to hold enquiries in such cases.

It was, however, noticed from the records of three forest divisions, that 525 offence cases were reported to range offices after considerable delay ranging from one month to seventeen years as per detailed below:

Name of Circle	Name of Division	No. of Preliminary offence report	Period of delay				
			1 month to 3 months	3 months to 5 months	5 months to 1 year	1 year to 5 years	More than 5 years and upto 17 years
Seoni	South Seoni	36	27	04	01	02	02
Indore	Indore	17	11	01	01	04	--
	Dhar	472	442	13	10	07	--
	Total	525	480	18	12	13	02

This was pointed out in audit and the DFO, Seoni (South) stated in June 2003 that the responsible employees had been asked to explain the delay. The DFO, Dhar stated in August 2002 that the Range Officers had been instructed to be careful in future. The DFO, Indore did not furnish any specific reply.

Abnormal delay in holding of enquiry

7.2.9 As per the provisions of Madhya Pradesh Forest Manual read with Government directions (March 1995), the enquiry of forest offence cases shall be completed within a period of 30 days, if enquiry is being conducted by the Range Officer and within 15 days, if enquiry is conducted by the Assistant Range Officer, from the date of detection of the offence.

It was noticed that out of 3.39 lakh cases registered up to 2002-2003 in 17 forest divisions and two National Parks, 91,539 cases were pending finalisation over the prescribed periods as per details given below:

Name of Circle	Nos. of Divisions	No. of cases pending for enquiry	Period of delay in finalisation of enquiry as on 31.3.2003				
			1 month to 6 months	6 months to one year	One year to three years	Three years to five years	More than five years
Chhindwara	03	6,372	846	1,268	1,068	1,234	1,956
Jabalpur	06	28,006	1,955	894	5,454	7,628	12,075
Khandwa	06	42,641	3,679	4,607	18,722	2,925	12,708
Seoni	02	13,609	750	617	986	1,540	9,716
National Park, Kanha	01	556	97	105	58	62	234
National Park, Pench	01	355	--	53	133	119	50
Total	19	91,539	7,327	7,544	26,421	13,508	36,739

Delay in holding of enquiry resulted in non-compounding of the cases and also delayed prosecution in the Court, thus, causing a loss to the Government.

Time barred cases for prosecution in the Court

7.2.10 The Indian Penal Code provides that no court shall take cognizance of an offence case if it has not been presented before the court of law within a prescribed period. The period of prosecution of cases in a court ranges from six months to three years depending upon the nature of the offence committed.

As per information furnished by 18 divisions⁴ 86,358 offences cases relating to different categories and involving government revenue of Rs.3.06 crore had become time barred as on March 2003, as these cases were not prosecuted in a court of law within the prescribed time. Thus, lack of initiative and timely action deprived the government of revenue of Rs.3.06 crore.

Delay in compounding of the case

7.2.11 Test-check of records of thirteen forest divisions revealed that though Preliminary Enquiry Reports were finalised, prompt action was not taken by the Department for compounding such cases. The delay in compounding ranged from 3 years to 20 years as detailed below:

⁴ Barwaha, Barwani, Burhanpur, Chhindwara (East), (West) and (South), Dindori, Jabalpur, Katni Khandwa, Khargone, Mandla (East), (West) and (Buffer Zone), Narsinghpur, Senqhwā, Seoni (North) and National Park (PT) Kanha.

Name of Circle	Name of Divisions	No. of cases compounded	Period of delay in compounding			
			3 to 5 Years	5 to 10 Years	10 to 20 Years	More than 20 Years
1.	2.	3.	4.	5.	6.	7.
Indore	Indore	3,132	1,,272	1,484	376	--
	Dhar	934	--	301	316	317
Jabalpur	Jabalpur	301	--	90	100	111
	Dindori	224	--	151	57	16
	West Mandla	705	--	470	219	16
	East Mandla	656	--	300	198	158
	Buffer Zone	138	--	120	17	01
	Katni	1,410	--	641	416	353
Khandwa	Khandwa	4,572	2,877	1,666	29	--
	Khargone	4,142	1,130	2,670	245	97
	Barwani	545	537	05	03	--
	Sendhwa	1,239	1,222	11	--	06
	Burhanpur	2,132	1,641	381	110	--
Total	13 Divisions	20,130	8,679	8,290	2,086	1,075

This was pointed out in audit and the DFOs stated that delay in compounding was due to delay in enquiry. The reply is not tenable since the delay caused was after the finalisation of enquiry reports. The above facts indicate that the departmental mechanism to deal with Forest offences was weak and ineffective. This also reflects on the lack of timely supervision and effective monitoring.

Loss of revenue due to deterioration of seized Forest produce

7.2.12 According to the Madhya Pradesh Forest Manual, the useful life of cut timber and firewood in the forest will be presumed to be five years and that of bamboos to be two years. For other commodities, their utility limit will depend on their nature. The valuation of timber and firewood may be reduced by one-fifth of the original value for every year which elapsed between the date when the loss occurred and the date when the material was felled or converted.

It was noticed in 18 forest division that 12,997 cubic metre of timber, 2,33,923 poles and 31,527 fuel stack valued at Rs.4.27 crore were seized during 1998-99 to 2002-2003. The forest produce were neither transported to the depots for sale nor disposed of by way of auction etc. resulting in non-realisation of government revenue of Rs.4.27 crore.

This was pointed out in audit and the concerned authorities admitted the loss and stated that it was beyond the control of the Department to bring the timber to sale depots. The reply is not tenable as timber could have been auctioned/sold on the spot or necessary measures taken to bring to the sale depots to safeguard government revenue.

Loss of revenue due to illicit felling

7.2.13 Felling/removal of forest produce from forest area without a valid authorisation is an offence punishable with fine besides confiscation of the produce. The Department also prescribed inspection of beats by the various forest officers in order to control illicit felling.

Test-check of records of the DFO, Khandwa revealed that illicit felling of 7,299 trees of various girth was noticed in 14 compartments of 7 beats during April to July 2002. The estimated value of trees was Rs.1.56 crore. The Department lodged 31 POR cases and seized 108.524 cmt. timber valued at Rs.14.65 lakh. The remaining forest produce valued at Rs.1.41 crore was removed by the miscreants. Thus, failure of the Department to protect the forest resulted in loss of Rs.1.41 crore.

Significant shortfall in the inspection of beats

7.2.14 In order to control illicit felling of forests, Government prescribed in October 1995 inspection of beats by various forest officers. Accordingly, Range Assistant was required to inspect every beat in his jurisdiction twice a month where as Range Officer, SDO, DFO will inspect beat four times, three times and twice in a month respectively.

The position of beat inspection during 1998-99 to 2002-2003 in 14 forest divisions was as under:

Sl. No.	Name of divisions	Designation	Inspection required during 1998-99 to 2002-03	Inspection, actually conducted	Short fall	Percentage of short-fall
1.	2.	3.	4.	5.	6.	7
1.	North Seoni	DFO	48	22	26	54
		SDO	221	109	112	50
		RO	1296	552	744	57
		Dy. RO	5976	1631	4345	72
2.	South Seoni	DFO	48	26	22	45
3.	Jabalpur	DFO	70	30	40	57
		SDO	72	42	30	41
4.	Dindori	DFO	48	9	39	81
		SDO	466	164	302	65
		RO	2080	888	1192	57
		Range Asstt/ Dy. RO	3848	1678	2170	56
5.	West Mandla	DFO	72	43	29	40
6.	East Mandla	DFO	96	37	59	61
		SDO	216	48	168	78
		RO	920	415	505	55
7.	Buffer Zone Mandla	RO	1200	443	757	63
		Range Asstt./ Dy. R.O	1680	697	983	58
8.	Katani	DFO	108	50	58	54
		SDO	108	45	63	58
		RO	144	73	71	49

1.	2.	3.	4.	5.	6.	7
9.	East Cihindwara	DFO	24	14	10	42
10.	Khargone	DFO SDO	72 72	33 27	39 45	54 62
11.	Barwani	DFO SDO RO Range Asstt./Dy. RO	120 112 707 1782	31 43 131 802	69 69 576 980	57 61 81 55
12.	Barwaha	DFO SDO RO Dy. RO	48 108 288 864	25 52 119 364	23 56 169 500	47 52 58 58
13.	Burhanpur	DFO SDO RO Dy. RO	120 540 1344 3360	51 197 509 1622	69 343 835 1738	57 63 62 52
14.	Sendhwa	DFO SDO RO	115 162 637	52 75 331	63 87 306	55 54 48

It would be seen from the above that between 1998-99 and 2002-03, there was shortfall in beat inspection ranging from 40 to 81 per cent. The above facts indicate that internal control of the Department to monitor the supervision at various levels was weak.

Encroachment on Forest land

7.2.15 The Indian Forest Act, 1927, prohibits clearing of forest land for cultivation or any other purpose. It also stipulates that any person unauthorisedly occupying any forest land is summarily evicted. Forest officers have been authorised to pass eviction orders under the Act.

The position of encroachment of forest land as on December 2001 was as under:

	Case	Area in hectare
Total encroachment	22,048	1,10,053.723
No. of cases for which Notice for eviction were issued	16,672	89,003.387
No. of Evicted cases	4,108	26,120.111

The progress of eviction of encroachment was thus, very poor. The Department had not furnished any information in remaining 5,376 cases involving an area of 21,050.336 hectare of forest land. Yearwise details were not made available.

Wild Life offences.

7.2.16 Hunting/poaching of any wild life is an offence and is punishable with imprisonment and or with fine in addition to compensation for damage as the courts may decide. Position of wild life offence cases in sixteen Forest Divisions and two National Parks was as under:

Year	Cases registered	Cases dropped	Cases finalised	Cases pending in the	
				Court	Department
Up to March 1998	381	99	56	212	14
1998-1999	77	10	13	44	10
1999-2000	105	12	19	51	23
2000-2001	111	9	22	61	19
2001-2002	116	21	15	57	23
2002-2003	93	24	2	50	17
Total	883	175	127	475	106

It would be seen from the above that disposal of cases during the period was very poor. The number of case registered during each year was far more than the disposal during that year.

Recommendations

7.2.17 The above facts reveal that forest offences could not be checked effectively due to lack of proper supervision and effective control over field formations. To safeguard the government revenue/forest cover Government may consider taking the following steps :

- a close monitoring on the report of disposal of cases is at the apex level,
- strengthening internal control mechanism in the Department so that instructions issued at apex level are followed up by field offices.

The above points were reported to the Government in August 2003; their reply had not been received (June 2004).

7.3 Loss of revenue due to abnormal variation in estimated and actual production of timber

The Working Plan of each division specifies the number of coupes to be exploited from year to year and also the estimated yield of coupes. After marking the trees, the coupes are handed over to the production division for exploitation. The variation between estimated and actual yield should not exceed 10 per cent.

The figures of estimated yield, actual yield and shortfall and percentage of short-fall of timber and fuel wood during the year 2000-01 and 2001-02 in two divisions, the records of which test-checked between December 2001 and August 2002 revealed huge variations between actual yield and estimated yield as shown under:

Sl. No.	Divisions	Year	Particulars	Estimated Quantity	Actual yield	Shortfall	Percentage
1.	Divisional Forest Officer (Production) Dindori	2000-01	Timber Fuel wood	2350 cu m 590 Nos	1441.998 cu m 234 Nos	908.002 cu m 356 Nos	39% 60%
2.	Divisional Forest Officer (General) Katni	2000-01	Timber	88 cu m	28.641 cu m	59.359 cu m	67%
		2001-02	Timber Fuel wood	120.795 cu m 951 Nos	15.358 cu m 593 Nos	105.437 cu m 358 Nos	87% 38%
		TOTAL	Timber Fuel wood	2558.795 cu m 1541 Nos	1485.997 cu m 827 Nos	1072.798 cu m 714 Nos	42% 46%

The short-fall in actual production ranged between 38 to 87 per cent in case of timber and fuel wood. The reasons for shortfall were not investigated. Thus, the production fell short by 965.518 cmt. in the case of timber and 643 fuel stacks involving loss of revenue Rs.30.91 lakh after adjustment of exploitation expenses of Rs.11.20 lakh.

This was pointed out in audit and the DFO (Production) Dindori stated in December 2001 that the trees felled were sal borer affected and it was not possible to obtain the actual yield as per estimated quantity. The DFO, Katni stated in August 2002 that the coupes in which felling operations were carried out were classified under mixed forest improvement series and sal forest improvement series in the working plan. Under such series, dying, and deceased trees were marked for felling and estimation of timber and fuel was very difficult. The replies are not tenable as the marking of trees and estimation of yield were carried out keeping in view all the factors.

The matter was reported to the Government in April 2003; their reply had not been received (June 2004).

7.4 Loss of revenue in disposal of industrial bamboo

7.4.1 Test-check of records of the DFO (Production), Betul revealed that 8,618.736 sale units (SU) of industrial bamboo felled during the year 1998-99 and 1999-2000 were sold to M/s OPM in auction on 23 April 2001 and on 22 September 2001 at a cost of Rs.49.05 lakh against the upset price of Rs.1.27 crore. This resulted in loss of revenue of Rs.77.46 lakh.

The Government, to whom the matter was referred, accepted the facts and endorsed in November 2003 the reply of the DFO that efforts were made repeatedly to dispose of the bamboo since July 1999 and July 2000 but could only be sold in April and September 2001.

7.4.2 Test-check of records of DFO (Production) Betul revealed that 11 lots of 4,849.571 Notional Ton (NT) of industrial bamboo, felled in 2000-2001 could not be disposed of upto September 2002 although in the auctions held on 22 September 2001 and 26 December 2001, offers of Rs.43.56 lakh and Rs.43.97 lakh respectively were received against the upset price of Rs.75.02 lakh. The sale was not sanctioned by the Conservator of Forests, Betul as the bid was more than 30 percent less and was not within the powers delegated to the Conservator of Forests. The matter was not referred to the Addl. PCCF (Production) for approval of bid.

The Government to whom the matter was referred endorsed in November 2003 the reply of the DFO, Betul stating that the above bamboos had since been disposed of in the auction held on 23 March 2003 at a cost of Rs.21.95 lakh. The reply indicated that against the upset price of Rs.75.02 lakh, the actual realisation of revenue was only Rs.21.95 lakh which was even lower than the earlier offers of Rs.43.56 lakh and Rs.43.97 lakh respectively. Non-disposal of the bamboos at the rates received in second bid i.e. Rs.43.97 lakh resulted in loss of revenue of Rs.22.02 lakh.

7.5 Loss of revenue due to non-working in bamboo coupes

As per instructions issued by the Chief Conservator of Forests (Nationalisation) in October 1975, the bamboo clumps, wherever they might be existing in a coupe and under whatever density of crop, were to be worked without exception and no bamboo area in a coupe was to be left unworked. It was further reiterated by the Chief Conservator of Forests (Production) in August 2000 that felling of bamboo should not be stopped, in any circumstances, in the coupes due for working.

Test-check of records of the Divisional Forest Officer (Production) North, Balaghat, revealed that 25 coupes of bamboos with workable area of 9,778.108 hectare were due for working during 2000-2001 and 2001-2002. These coupes duly demarcated for working with an estimated quantity of 7,147.212 N.T. (Commercial) and 9,217.551 N.T. (Industrial) bamboo were handed over to the production division during 2000-2001 and 2001-2002. These coupes were, however, not worked to date, resulting in loss of revenue of Rs.3.17 crore.

The Government to whom the matter was referred in November 2002 stated that the matter was submitted to the Task Force for consideration and working. The permission to work these coupes was not accorded due to *Naxalite* activities and the labourers and transporters were not ready to work in such areas. The Government would obviously need to take serious and effective steps in the interest of revenue to tackle these chronic problems.

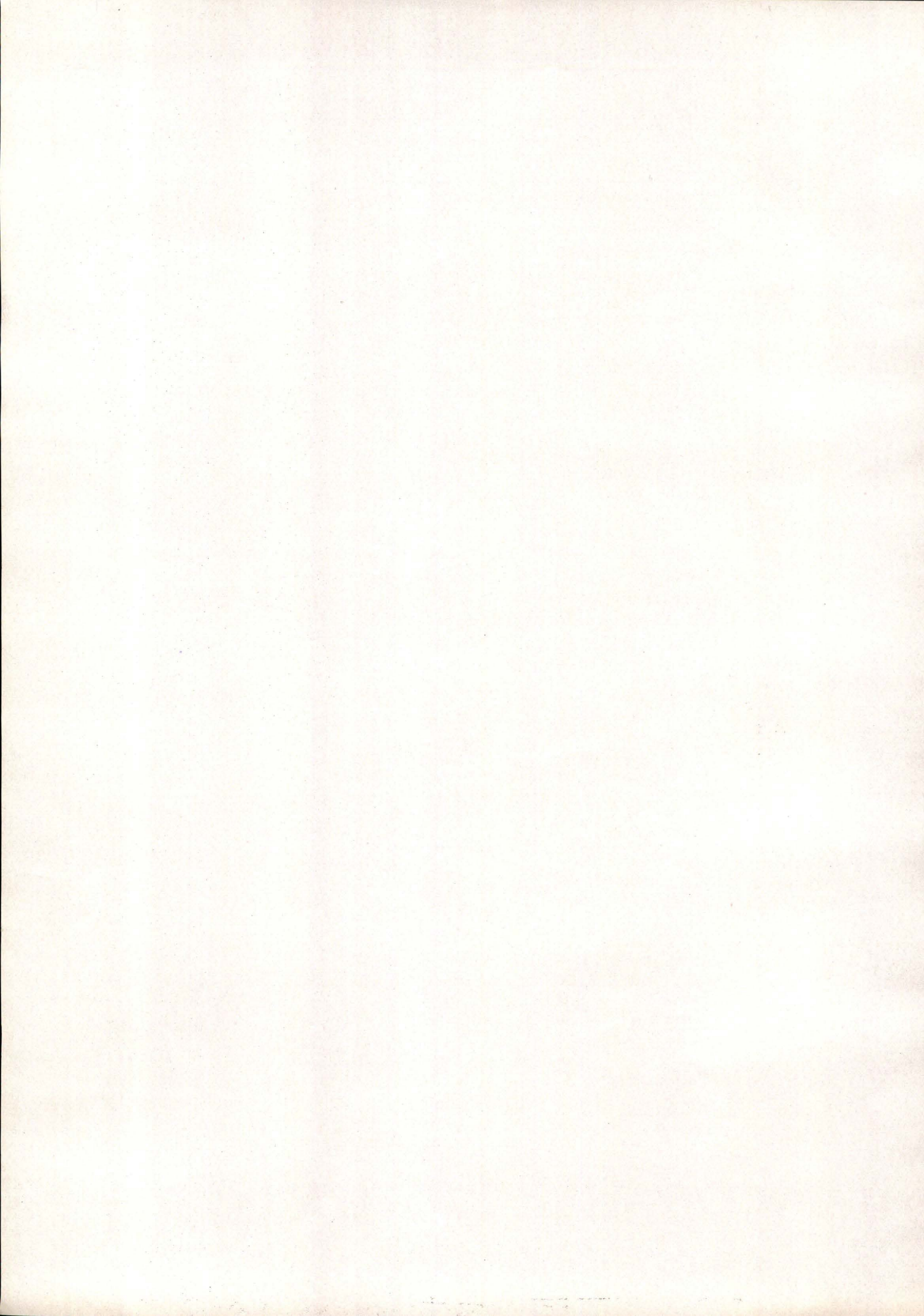
7.6 Loss of revenue due to low yield of bamboo

As per Departmental procedure, the estimated quantity of bamboo is determined by the territorial division by survey, demarcation and drawing of sample plots in the area of bamboo. The coupe is then handed over to the production division for exploitation. The Chief Conservator of Forests (Production) issued instructions in November 1997 that correct estimation of the workable and unworkable area be done at the time of demarcation and probable yield of bamboo be worked out for entire coupe to avoid difference in probable and actual yield.

Test-check of the records of the Divisional Forest Officer (Production) Balaghat revealed that against the estimated yield of 2,485 NT commercial and 2,150 NT industrial bamboo from six coupes during 2000-2001 and 2001-2002, the division could extract only 1,560 NT commercial and 1,527 NT industrial bamboo resulting in revenue loss of Rs.38.60 lakh.

This was pointed out in audit and the Divisional Forest Officer stated August 2002 that low yield was due to calculation of estimated quantity based on drawing sample plot in a very small portion of the whole area, whereas the extraction was done on the basis of actual availability of bamboo in the coupes. It was also stated that *Naxalite* problem was the main reason besides the location of some coupes on hilly, sensitive areas and availability of bamboos being rare at certain places in the coupe. The reply is not acceptable as the estimated yield was expected to be worked out by the DFO after due consideration of all factors mentioned in the working plan.

The matter was reported to the Government in March 2003; their reply had not been received (June 2004).



CHAPTER- VIII
MINING RECEIPTS

8.1 Results of Audit

Test-check of records relating to assessment and collection of mining revenue during the year 2002-2003 revealed non/short-assessment of royalty, dead rent, non-recovery of contract money, royalty, mineral area development cess, non-levy of interest on belated payment of royalty etc. amounting to Rs.39.81 crore in 1,280 cases which can broadly be categorised as under:

(Rupees in Crore)

Sl. No.		Number of cases	Amount
1.	Non-assessment of royalty and dead rent	149	4.37
2.	Non/short-realisation of mineral area development cess and revenue against Revenue Recovery Certificates	754	1.65
3.	Non/short-levy of interest on belated payments of royalty	60	4.65
4.	Non-levy of royalty and penalty on minor minerals and non-recovery of contract amount, stamp duty and registration fee.	55	6.74
5.	Others	262	22.40
	TOTAL	1,280	39.81

A few illustrative cases involving Rs.120.86 crore are discussed in the following paragraphs:

8.2 Non/Short-levy of dead Rent

According to the provisions of the Madhya Pradesh Minor Mineral Rules, 1996 and terms of lease deed, a lessee shall be liable to pay royalty or dead rent, whichever is higher, on minerals extracted from the lease area. Dead rent is, however, required to be deposited in advance on or before 20 January each year. If a lessee fails to pay the dead rent/royalty due in time, he shall be liable to pay interest at the rate of 24 percent per annum for the period of default.

8.2.1 Test-check of records of nine Mining Officers¹ revealed that in the cases of 71 lessees, either the returns furnished by them were nil or the royalty of Rs.2.36 lakh deposited by them was less than the dead rent payable during the period between March 1997 and December 2002. The lessees were liable to pay dead rent of Rs.39.25 lakh but the Department failed to recover the same. This resulted in short-realisation of dead rent of Rs.36.89 lakh. In addition, interest amounting to Rs.14.64 lakh was also chargeable.

This was pointed out in audit and the Mining Officer, Mandsaur stated in September 2002 that demand notices had been issued for recovery. The replies in other cases were awaited (June 2004).

The matter was reported to the Government between December 2002 and March 2003; their reply had not been received (June 2004).

8.2.2 Test-check of records of Mining Officer, Chhattarpur revealed that a mining lease in favour of M.P. Mining Corporation for 10 years was sanctioned in March 1998. The Department had failed to recover the dead rent of Rs.4.24 lakh for the period from July 1998 to December 2002 from the lessee. In addition, the lessee was liable to pay interest of Rs.1.90 lakh. This resulted in non-realisation of dead rent of Rs.6.14 lakh.

This was pointed out in audit and the Mining Officer, Chhattarpur stated in May 2003 that Madhya Pradesh Mining Corporation had been asked to deposit the amount.

The matter was reported to the Government in March 2003; their reply was awaited (June 2004).

8.3 Blockage of Govt. revenue due to delay in finalisation of cases of illicit extraction.

According to the Mines and Minerals (Regulation & Development) Act, 1957 no person shall undertake any prospecting or mining operations in any area without prospecting licence or mining lease granted under the Act. Under Mineral Concession Rules, 1960 an application for renewal of mining lease shall be made at least twelve months before the date on which it is due to expire. Further, as per Madhya Pradesh Land Revenue Code, 1959, any person, who extracts or removes minerals from any

¹ Bhopal, Chhattarpur, Dhar, Mandsaur, Neemuch, Panna, Sidhi, Umaria and Vidisha

mine or quarry without lawful authority, shall be liable to pay penalty of an amount not exceeding double the market value of the mineral so extracted or removed.

Test-check of records of Mining Officer, Chhindwara revealed that the lease of Nandan Colliery in favour of Western Coalfield Ltd. expired on 3 May 1997. As renewal of lease was not applied within the prescribed time, the Department registered seven cases of illicit mining between the period November 1997 and September 1999. No action to impose penalty of Rs.116.26 crore was taken.

This was pointed out in audit and the Mining Officer, Chhindwara stated in December 2002 that cases had been submitted to the Collector for further action. The reply is not tenable as the cases were returned by the Collector in July 2002 for want of details like maps, khasra numbers, witnesses and signing the cases by the Mining Officer. No action had been taken by the Mining Officer to resubmit the cases till December 2003.

The matter was reported to the Government; their reply had not been received (June 2004).

8.4 Short-realisation of royalty based on conversion factor

According to the provision of Mines and Minerals (Regulation and Development) Act, 1957 and Rules made thereunder, a lessee is liable to instal a weighing machine near the pit head of lease area for the purpose of weighing the minerals extracted before their removal from the site. The State Government directed in December 1992 that if the lessee did not install weighing machine in leased area, the royalty on limestone should be charged from the lessee manufacturing cement at the rate of 1.6 ton of lime stone for manufacturing one ton of cement.

Test-check of records of Mining Officer, Rewa revealed that a lessee had manufactured 42.24 metric tons of cement during the year 2001-2002 and paid royalty of Rs.23.23 crore on extraction of limestone of 44.21 lakh metric tons. As per the conversion factor, for producing 42.24 lakh metric tons of cement, 67.59 lakh metric tons of lime stone was required on which the royalty of Rs.27.04 crore was recoverable. This resulted in short-realisation of revenue Rs.3.81 crore.

This was pointed out in audit and the Mining Officer, Rewa stated in January 2003 that information regarding production of cement and clinker was being collected from the lessee to work out the royalty leviable. Further reply was awaited (June 2004).

The matter was reported to the Government in January 2003; their reply had not been received (June 2004).

8.5 Short-realisation of royalty

According to the Mineral Concession Rule, 1960, a lessee is liable to pay royalty on minerals removed/consumed from the lease area during the month by the prescribed date. If a lessee fails to pay the royalty due in time, he shall liable to pay interest at the rate of 24 percent per annum for the period of default.

Test-check of records of Mining Offices, Sidhi and Bhopal revealed that four lessees had extracted, removed or consumed 2,211.246 metric tons (MT) bauxite, 429.95 MT. fire clay and 3,3018.5 cubic meter black stones from the leased area during the period January 1999 to June 2002. Against the royalty of Rs.7.85 lakh payable, the lessees paid royalty of Rs.1.97 lakh only. This resulted in short-realisation of royalty amounting to Rs.5.88 lakh. In addition, interest amounting to Rs.1.12 lakh was also chargeable.

This was pointed out in audit and the Mining Officer, Bhopal stated in November 2002 that action would be taken after scrutiny of the cases, whereas the Mining Officer, Sidhi stated in May 2003 that demand notice for payment of royalty alongwith interest thereon had been issued to the lessee.

The matter was reported to the Government between January and February 2003; their reply had not been received (June 2004).

8.6 Non-levy of interest on belated payments of royalty

According to the Mineral Concession Rules, 1960 if a lessee fails to pay royalty on specified dates, he shall be liable to pay simple interest at the rate of 24 per cent per annum from the sixtieth day of the expiry of the stipulated date.

Test-check of the records of Mining Officer, Rewa revealed that a lessee holding four mining leases for extraction of lime stone had paid royalty after a delay ranging from 4 days to 92 days during the period January 2001 to March 2002 for which interest amounting to Rs.14.20 lakh was not levied.

This was pointed out in audit and the Mining Officer, Rewa stated in January 2003 that demand notice for interest amount of Rs.14.20 lakh had been issued. Recovery had not been intimated (June 2004).

The matter was reported to the Government in March 2003; their reply was awaited (June 2004).

CHAPTER- IX

OTHER NON-TAX RECEIPTS

9.1 Results of Audit

Test-check of records relating to Public Works, Water Resources and Food and Civil Supplies Department during the year 2002-2003 revealed short-realisation and loss of revenue amounting to Rs.39.37 crore in 3,538 cases which can broadly be categorised as under:

(Rupees in Crore)

Sl. No.		Number of cases	Amount
	PUBLIC WORKS DEPARTMENT		
1.	Non-levy of licence fee at penal rates	95	0.06
2.	Non-recovery of losses	10	0.32
3.	Non-imposition of penalty for non-employment of technical staff.	88	0.06
4.	Others	2,984	16.99
	WATER RESOURCES DEPARTMENT		
5.	Non-levy of betterment contribution	88	4.36
6.	Non-imposition of penalty for non employment of technical staff	13	0.01
7.	Non-imposition of penalty on belated payment	1	0.14
8.	Others	173	17.13
	FOOD AND CIVIL SUPPLIES DEPARTMENT		
9.	Non-disposal of confiscated goods	51	0.06
10	Others	35	0.24
	TOTAL	3,538	39.37

A few illustrative cases involving Rs.5.31 crore are discussed in the following paragraphs:

Public Works Department

9.2 Non-realisation of lease money

As per the Madhya Pradesh Works Department Manual, 1983, the right to collect toll tax on bridges may be given out on lease. As per the terms and conditions of lease deed for collection of toll tax, the lessee is required to pay the instalments of lease money on the dates mentioned in the lease deed failing which interest at the rate of 10 percent per annum shall be charged. If the lessee continues to default, the lease may be terminated and unexpired portion of lease be re-auctioned at the risk and cost of the original lessee or the collection of toll tax may be made departmentally.

In seven Public Works (Building and Roads) Divisions¹, it was noticed that 32 leases for collection of toll tax on toll bridges were auctioned for Rs.1.62 crore during the period between 1997-1998 and 2001-2002. Of these, 22 lessees had deposited Rs.87 lakh with delay ranging between 1 to 319 days out of the total lease money of Rs.1.38 crore leaving a balance of Rs.51 lakh unrecovered. The Department neither recovered the balance amount of Rs.51 lakh nor levied interest of Rs.6.52 lakh for late payments.

In the remaining 10 cases, leases were terminated due to default in payment of instalments by the lessees. Out of this, in one case, the lease was put to reauction and in the other cases the toll tax was collected departmentally. As a result, an amount of Rs.13.61 lakh was collected against the lease amount of Rs.24.40 lakh. No action was taken to realise the balance amount of Rs.10.79 lakh, which should have been recovered from the defaulters i.e. original lessees. This resulted in non-realisation of government revenue of Rs.68.31 lakh.

The matter was reported to the Government between April 2002 and April 2003; their reply had not been received (June 2004).

9.3 Non/short-levy of licence fee of Government buildings let out to private persons/institutions

According to the Government clarifications issued in November 1985 and January 1986 read with provisions of the Madhya Pradesh Works Department Manual, 1983, the licence fee of a government building, if let out to a private person, company, club, association, local body etc. shall be recovered monthly in advance at the prescribed rates.

Test-check of records of the Director of Estate Bhopal revealed that licence fee in respect of 72 public buildings let out to private persons, local bodies, association etc. was either not recovered or recovered at incorrect rates. This resulted in non/short-realisation of revenue of Rs.52.25 lakh for the period from April 1999 to June 2002.

The matter was reported to the Government in January 2003; their reply had not been received (June 2004).

¹ Dhar, Jabalpur No.-2, Katni, Mandla No.-1, Rewa, Seoni and Sidhi

9.4 Non/short-levy of licence fee of public-buildings allotted to educational institutions

Government decided in January 1995 that the government residential buildings allotted to educational institutions be got vacated in a phased manner and licence fee be recovered at market rate.

In the Director of Estate, Bhopal, it was noticed that five government residential buildings in occupation of educational institutions were neither got vacated nor licence fee was recovered at the market rate. This resulted in non-realisation of revenue of Rs.18.48 lakh for the period from April 1999 to March 2002.

This was pointed out in audit and the Director of Estate, Bhopal stated in September 2002 that in two cases revenue recovery certificates had been issued. Reply in other cases was awaited (June 2004).

The matter was reported to the Government between January and April 2003; their reply had not been received (June 2004).

9.5 Short-levy of licence fee on Public buildings allotted to Journalists and news papers for office use

As per the instructions issued by Government in December 1990, if the government accommodation is allotted to newspaper agencies for office use, the licence fee shall be recovered at market rate. Market rates of government accommodation were revised by the Superintending Engineer, PWD, (B&R), Bhopal in February 1991 which were again revised by government in July 2000.

In the Director of Estates, Bhopal, it was noticed that 14 buildings were allotted to journalist/newspaper agencies for office use during the period April 1960 to June 2001, but the licence fee in respect of these buildings was recovered at pre-revised rates. This resulted in short-realisation of licence fee of Rs.13.22 lakh during the period from April 1999 to March 2002.

This was pointed out in audit and the Director of Estates, Bhopal stated in September 2002 that steps for recovery of licence fee at revised rates would be taken. Further reply was awaited (June 2004).

The matter was reported to the Government in December 2002 and again in April 2003; their reply had not been received (June 2004).

9.6 Loss of revenue due to non-acceptance of highest bid

According to the provisions of Madhya Pradesh Public Works Department Manual, 1983, toll tax on bridges is to be collected either on giving lease to contractor or departmentally.

Test-check of records of the Executive Engineer (EE) Public Works (Building and Roads) Divisions, Rewa and Mandla revealed that highest bids of Rs.2.20 lakh for collection of toll tax on bridge in Mandla Division for the year 2000-2001 and Rs.8.05 lakh for bridge in Rewa Division for the year 2001-2002 were received against the upset price of Rs.2.62 lakh and Rs.8.04 lakh respectively. The bids were rejected, the reasons for which were not on record. In the subsequent auctions the bid received were low and hence, toll tax collection was done departmentally and revenue of Rs.3.80 lakh was realised. Thus, non-acceptance of bids offered by intending lessees resulted in loss of revenue of Rs.6.45 lakh.

This was pointed out in audit and the EE Rewa Division stated in April 2002 that offered bid being the single tender was rejected and in subsequent auction the bids were too low to accept, hence the collection of toll tax was made departmentally. The reply is not tenable as due to non acceptance of bid higher than reserved price, the government was put to loss. The reply in other case and further action taken in the matter had not been received (June 2004).

The matter was reported to the Government between June 2002 and April 2003; their reply had not been received (June 2004).

Water Resources Department

9.7 Non-levy of betterment contribution

The Madhya Pradesh Irrigation Act, 1931 provides for levy and collection of betterment contribution at the rate of Rs.140 per acre payable in lump sum or at the rate of Rs.224 per acre payable in 20 annual instalments from the permanent holders of land benefited by a new canal constructed after 1 April 1951 (at a cost of Rs.5 lakh or more or which has a command area of 1000 acre or more). The contribution is recoverable from such date as would be notified by Government but not earlier than three years from the date of commencement of the operation of the canal.

Test-check of the records of eight Water Resources Divisions¹, revealed that 47 Schemes were completed at a total cost of Rs.131.49 crore between the years 1980-81 and 1997-98. The Department had not notified the dates from which betterment contribution would be levied and did not specify the beneficiaries and command areas. This resulted in non-levy of betterment contribution of Rs.3.37 crore (calculated at lumpsum rate of Rs.140 per acre).

This was pointed out in audit the EEs Rewa, Dabra, Ganj Basoda and Jhabua stated that action would be taken to recover the betterment contribution. The EE, Satna and Sagar-I stated that the matter would be taken up with the Government for issue of notification. The reply in other cases and progress made in the cases was awaited (June 2004).

The matter was reported to the Government between April 2002 and April 2003; their reply had not been received (June 2004).

9.8 Short-levy/recovery of penalty on belated payments of water rates

The Irrigation Manual provides for levy of penalty at the prescribed rates for belated payment of water rates.

Test-check of the records of the EE, Water Resources Division, Dabra (Gwalior), revealed that the Department collected arrears of water rate of Rs.1.27 crore during the period from 1998-99 to 2001-02. Against the penalty of Rs.16.52 lakh recoverable, the Department recovered Rs.2.48 lakh only. This resulted in short-realisation of penalty of Rs.14.04 lakh.

¹ Chhindwara, Dabra (Gwalior), Ganj Basoda (Vidisha), Harda, Jhabua, Rewa, No.-I Sagar and Satna

This was pointed out in audit and the EE, Water Resource Division, Dabra stated in May 2002 that recovery would be made after scrutiny of records. Further reply was awaited (June 2004).

The matter was reported to the Government between August, 2002 and April 2003; their reply had not been received (June 2004).

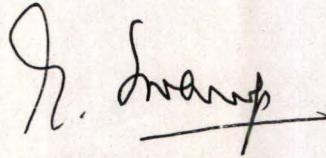
FOOD AND CIVIL SUPPLIES DEPARTMENT

9.9 Non-realisation of cost of godown

The transfer of ownership of all food grain godowns from the control of the Food Department to Madhya Pradesh State Warehousing Corporation (MPSWC) was under the consideration of Government. In June, 1978, the Government permitted the use of these godowns by MPSWC till final decision was taken. Further, the Government instructed the Collectors in December 1981, to form a committee for valuation of these godowns. The Government finally decided in October 2000 that the value of godowns and land as on date was to be fixed by the Public Works Department and this amount be recovered from the users.

Test-check of records of the Food Officer, Datia revealed that a godown having a plinth area of 895.89 square metres was under the occupation of MPSWC since November 1978. The value of godown was fixed at Rs.1.30 lakh by Collector, Datia in October 1981 and the amount was deposited by the corporation belatedly in March 2001. However, the value of godown was fixed in November 2001 at Rs.22.47 lakh by the Public Works Department in the light of Government order of October 2000. The Corporation was directed to deposit the same but the amount was not deposited. This resulted in non-realisation of revenue of Rs.21.17 lakh.

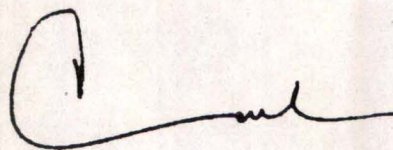
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(MEERA SWARUP)
Accountant General (Audit)-II,
Madhya Pradesh

Bhopal
The

Countersigned



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

New Delhi
The

