

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

FOR THE YEAR ENDED 31 MARCH 2003

**(REVENUE RECEIPTS)**

**GOVERNMENT OF MAHARASHTRA**

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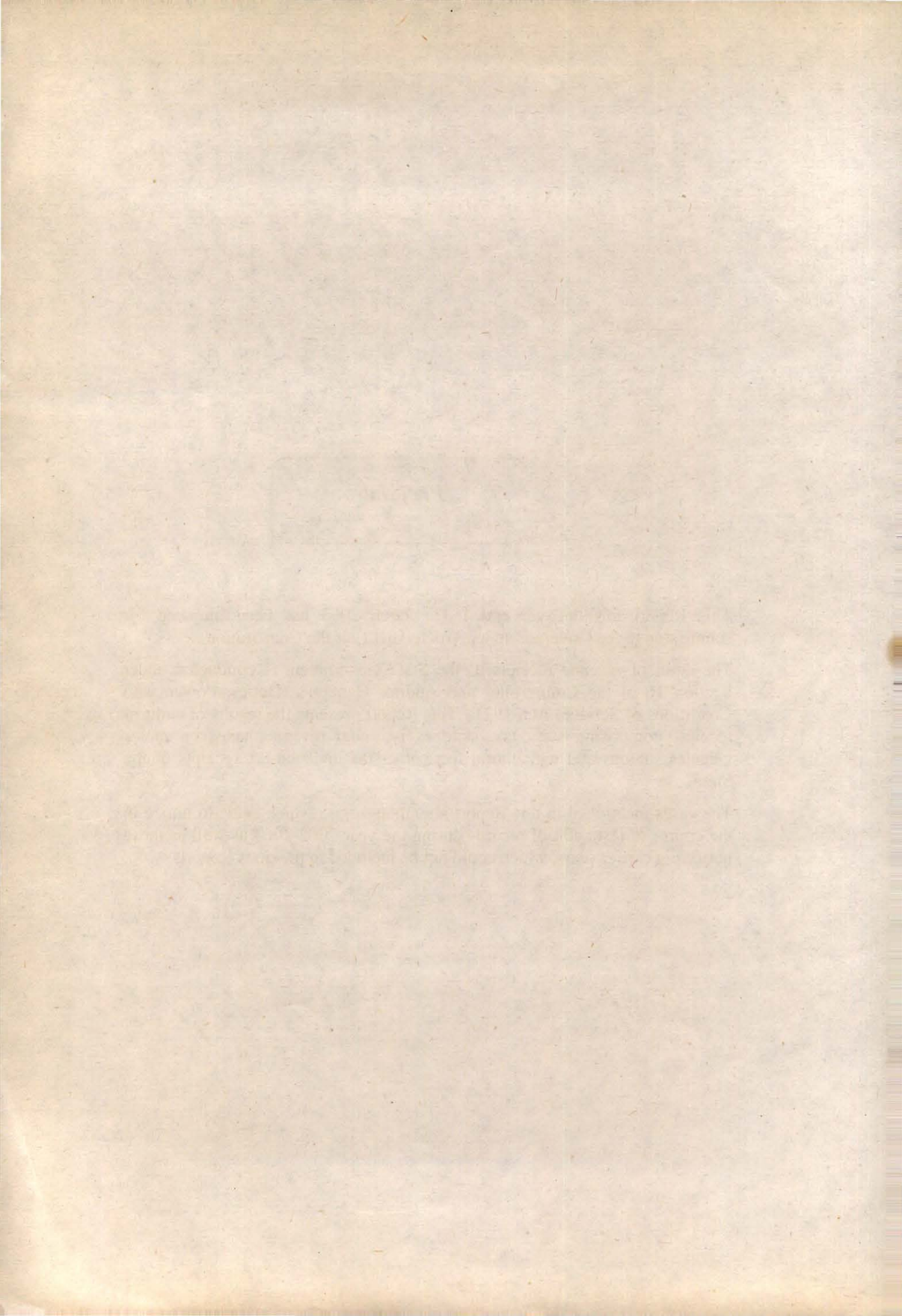


## *Preface*

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 sales tax, state excise, land revenue, taxes on motor vehicles, stamps and registration fees, other tax and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2002-2003 as well as those noticed in earlier years, which could not be included in previous Reports.





## Overview

This Report contains 37 paragraphs including 4 reviews relating to non-levy/short levy of taxes, duties, interest and penalty, *etc.*, involving Rs 1,999.22 crore. Some of the major findings are mentioned below:

### 1. General

- Total receipts of the State during the year 2002-2003 amounted to Rs 30,835.05 crore of which revenue raised by the State Government was Rs 27,048.93 crore and receipts from the Government of India were Rs 3,786.12 crore. The revenue raised constituted 88 *per cent* of the total receipts of the State and showed an increase of 2 *per cent* over the previous year 2001-2002.
- The receipts from the Government of India included Rs 2,279.97 crore on account of State's share of divisible Union taxes and Rs 1,506.15 crore as grants-in-aid and registered a decrease of 7.65 *per cent* and 10.42 *per cent* respectively over 2001-2002. The decrease in the State's share of divisible Union taxes was due to decrease in share of net proceeds assigned to the State.

[Paragraph 1.1]

- At the end of 2002-2003, the arrears in respect of some taxes administered by the Departments of Finance, Home and Energy amounted to Rs 5,879.01 crore of which Sales Tax *etc.*, alone accounted for Rs 5,673.59 crore.

[Paragraph 1.6]

- In respect of the taxes administered by the Finance Department, such as sales tax, profession tax and tax on works contracts, *etc.*, 12.41 lakh assessments were completed during 2002-2003, leaving a balance of 25.06 lakh assessments pending as on 31 March 2003.

[Paragraph 1.7]

- Test check of records of sales tax, state excise, motor vehicles tax, stamp duty and registration fee, land revenue and other departmental offices conducted during the year 2002-2003 revealed under-assessment, short levy, loss of revenue, *etc.*, amounting to Rs 2,222.97 crore in 9,029 cases. The Departments concerned accepted under-assessment, short levy *etc.*, of Rs 642.44 crore in 5,614 cases pointed out in 2002-2003 and in earlier years and recovered Rs 78.20 crore.

[Paragraph 1.11]

- At the end of June 2003, 13,968 paragraphs involving Rs 791.88 crore relating to 5,529 inspection reports issued upto 31 December 2002 remained outstanding.

[Paragraph 1.12]



## 2. Sales Tax

### ➤ Package Scheme of incentives

Non-recovery of sales tax incentives from units which had closed down during the period of agreement amounted to Rs 238.09 crore in respect of 87 units.

*{Paragraph 2.2.3}*

Incorrect computation of cumulative quantum of benefits resulted in incorrect allowance of incentives of Rs 94.32 crore.

*{Paragraph 2.2.4}*

Non-payment of annual installments of deferred taxes by 112 dealers amounted to Rs 15.84 crore.

*{Paragraph 2.2.8}*

- Excess claim of losses allowed in the assessments of one oil company over the norms prescribed by the oil pricing committee involved revenue of Rs 14.36 crore.

*{Paragraph 2.3.1}*

- Incorrect grant of set-off under various provisions resulted in under-assessment of Rs 1.49 crore.

*{Paragraph 2.4}*

- Incorrect allowance of purchases used in manufacture in execution of works contract as resale, and incorrect deduction of turnover of works executed by a sub contractor without declaration of payment of tax by him, resulted in under-assessment of Rs 1.15 crore.

*{Paragraph 2.12}*

- Incorrect exemption of sales as sales, in the course of export, to two dealers resulted in under-assessment of Rs 1.27 crore.

*{Paragraph 2.13}*

## 3. Land Revenue

- Review, **Change in use of land**, revealed the following:

Conversion tax and penalty of Rs 240.89 crore was not levied in 44,022 cases of unauthorized change in use of land.

*{Paragraph 4.2.7}*

10,209 out of 10,807 cases of unauthorized change in use of land involving revenue of Rs 2.94 crore detected and reported by the City Survey Officers were not even registered in revenue records of 2 Collectorates.

*{Paragraph 4.2.8}*



Non-agricultural assessment of Rs 21.20 crore had remained unrealized from Nagpur Improvement Trust.

*[Paragraph 4.2.10]*

Non-vacation of stay granted by Government had resulted in non-realisation of non-agricultural assessment of Rs 2.28 crore.

*[Paragraph 4.2.11]*

#### **4. Other Tax Receipts**

- **Review, Levy and collection of state education cess and employment guarantee cess**, revealed the following:

Arrears of state education cess and employment guarantee cess pending collection as on 31 March 2002 amounted to Rs 224.23 crore.

*[Paragraph 5.2.7]*

Incorrect grant of exemption to 61 properties used for educational/residential/commercial purposes resulted in under-assessment of Rs 22.42 lakh.

*[Paragraph 5.2.9]*

Non-assessment of 110 properties owned by Aurangabad, Kalyan-Dombivali, Nashik, Pune, Pimpri-Chinchwad and Thane Municipal Corporations resulted in non-levy of cesses of Rs 1.49 crore (approximately).

*[Paragraph 5.2.10]*

Short/non-remittance of cesses collected by Brihan Mumbai, Thane, Nagpur and Solapur Municipal Corporations into government account amounted to Rs 11.33 crore.

*[Paragraph 5.2.11]*

- Failure to demand electricity duty on energy generated and consumed by 13 industrial units during the year 2000-2001 resulted in non-recovery of duty of Rs 2.14 crore.

*[Paragraph 5.3]*

- Non-levy of interest on incorrect retention of electricity duty collected by MSEB from consumers without remitting it to government account amounted to Rs 53.33 crore.

*[Paragraph 5.4]*

- Repair cess of Rs 42.41 crore collected during the year 2002-2003 by the Brihan Mumbai Municipal Corporation was not remitted to government account.

*[Paragraph 5.8]*



- Tax on buildings (with larger residential premises) amounting to Rs 1.47 crore collected by two offices of the Brihan Mumbai Municipal Corporation during the period between June 2000 and March 2002 was not remitted into Government account.

*{Paragraph 5.9}*

## 5. Non-Tax Receipts

### ➤ Guarantee fees

Guarantee fees not paid by six corporations amounted to Rs 668.58 crore for various periods between May 1998 and March 2003.

*{Paragraph 6.2.5}*

Penal interest not levied on overdue payments of guarantee fees by six corporations amounted to Rs 364.20 crore.

*{Paragraph 6.2.6}*

Arrears of guarantee fees and penal interest recoverable from various agencies by the Co-operation and Textiles Department amounted to Rs 166.45 crore.

*{Paragraph 6.2.7}*

- Non-enforcement of the conditions in the contract for supply of bamboo from government forests resulted in loss of revenue of Rs 4.56 crore.

*{Paragraph 6.3}*

- Non-recovery of rent in respect of barracks and hutments allotted to various political parties, state corporations, news agencies for various periods between 1971-72 to November 2002 amounted to Rs 2 crore.

*{Paragraph 6.4}*

- Review, Disposal of sand ghats, revealed the following:

Non-auction of 2,971 out of 5,175 identified sand ghats in river beds and nalla beds, and 6 sand ghats in creeks resulted in loss of revenue of Rs 95.96 crore.

*{Paragraph 6.5.6}*

Royalty/penalty for unauthorized extraction of sand amounting to Rs 2.11 crore was not recovered.

*{Paragraph 6.5.7}*

Balance auction money of Rs 0.81 crore was not paid by the highest bidders.

*{Paragraph 6.5.8}*



- Review, User charges for water supply from irrigation projects, revealed the following:

Arrears of water charges amounting to Rs 591.71 crore were pending recovery as on 31 March 2002.

*[Paragraph 6.6.7]*

Shortfall in utilisation of irrigation facilities created resulted in loss of revenue of Rs 34.99 crore during the years 1997-98 to 2001-2002.

*[Paragraph 6.6.9]*

Loss of water owing to various reasons resulted in non-availability of water with consequential loss of revenue of Rs3.53 crore.

*[Paragraph 6.6.10]*

Non-utilisation of reserved water in three districts during the periods 1996-97 and 2001-02 resulted in claims for Rs 1.27 crore remaining outstanding against various agencies.

*[Paragraph 6.6.11]*







## CHAPTER I: General

### 1.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Maharashtra during the year 2002-2003, State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(In crore of rupees)

|  | 1998-1999        | 1999-2000        | 2000-2001        | 2001-2002        | 2002-2003        |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>I. Revenue raised by the State Government</b> |                  |                  |                  |                  |                  |
| (a) Tax revenue                                  | 14,202.36        | 17,264.95        | 19,726.94        | 21,287.64        | 22,799.45        |
| (b) Non-tax revenue <sup>1</sup>                 | 3,552.71         | 3,914.78         | 5,579.94         | 4,538.66         | 4,249.48         |
|  | (3,572.70)       | (3,936.87)       | (5,596.26)       | (4,655.08)       | (4,517.47)       |
| <b>Total</b>                                     | <b>17,755.07</b> | <b>21,179.73</b> | <b>25,306.88</b> | <b>25,826.30</b> | <b>27,048.93</b> |
|  | (17,775.06)      | (21,201.82)      | (25,323.20)      | (25,942.72)      | (27,316.92)      |
| <b>II. Receipts from the Government of India</b> |                  |                  |                  |                  |                  |
| (a) State's share of divisible Union taxes       | 2,921.90         | 2,608.67         | 2,781.01         | 2,468.76         | 2,279.97         |
| (b) Grants-in-aid                                | 1,040.13         | 1,458.98         | 1,462.71         | 1,681.47         | 1,506.15         |
| <b>Total</b>                                     | <b>3,962.03</b>  | <b>4,067.65</b>  | <b>4,243.72</b>  | <b>4,150.23</b>  | <b>3,786.12</b>  |
| <b>III. Total receipts of the State</b>          | <b>21,717.10</b> | <b>25,247.38</b> | <b>29,550.60</b> | <b>29,976.53</b> | <b>30,835.05</b> |
|  | (21,737.09)      | (25,269.47)      | (29,566.92)      | (30,092.95)      | (31,103.04)      |
| <b>IV. Percentage of I to III</b>                | <b>82</b>        | <b>84</b>        | <b>86</b>        | <b>86</b>        | <b>88</b>        |

<sup>1</sup> Lottery receipts included in non-tax revenue are net of expenditure on prize winning tickets. Figures in brackets indicate gross receipts.

Note: For details, please see Statement No. 11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Maharashtra for the year 2002-2003. Figures under the head "0020-Corporation Tax, 0021 - Taxes on Income other than Corporation Tax, 0028- Other taxes on Income and Expenditure, 0032 - Wealth Tax, 0037 - Customs, 0038 - Union Excise Duties, 0044- Service Tax, 0045- Other taxes and duties on commodities and services" - share of net proceeds assigned to State's booked in the Finance Accounts under tax revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this Statement.



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

| (In crore of rupees)   |                  |                  |                  |                  |                  |  |
|--|------------------|------------------|------------------|------------------|------------------|--|
| 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. Sales Tax   |                  |                  |                  |                  |                  |  |
| (a) State Sales Tax etc.   | 6,731.73         | 8,853.84         | 10,331.08        | 10,071.89        | 11,746.21        | (+) 17   |
| (b) Central Sales Tax  | 1,334.88         | 1,655.18         | 1,865.31         | 2,059.50         | 1,742.14         | (-) 15   |
| 2. State Excise  | 1,748.74         | 1,875.68         | 1,779.51         | 1,787.26         | 1,938.68         | (+) 8  |
| 3. Stamps and Registration Fees  | 1,607.87         | 1,939.83         | 2,200.92         | 2,442.68         | 2,823.11         | (+) 16   |
| 4. Taxes and Duties on Electricity   | 711.23           | 377.71           | 933.59           | 1,034.26         | 1,149.18         | (+) 11   |
| 5. Taxes on vehicles   | 636.95           | 708.30           | 785.84           | 947.79           | 941.23           | (-) 1  |
| 6. Taxes on Goods and Passengers   | 281.02           | 331.94           | 100.23           | 1,027.39         | 245.03           | (-) 76   |
| 7. Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments | 546.27           | 807.96           | 946.78           | 981.98           | 1,028.56         | (+) 5  |
| 8. Other Taxes and Duties on Commodities and Services  | 491.21           | 536.52           | 568.96           | 674.27           | 798.90           | (+) 18   |
| 9. Land Revenue  | 112.46           | 177.87           | 214.72           | 260.46           | 386.41           | (+) 48   |
| 10. Taxes on Agricultural Income   | Negligible       | 0.12             | Negligible       | 0.16             | NIL              | --   |
| <b>Total</b>   | <b>14,202.36</b> | <b>17,264.95</b> | <b>19,726.94</b> | <b>21,287.64</b> | <b>22,799.45</b> |  |

The reasons for variation, though called for were not furnished (September 2003).



**1.1.2** The details of the major non-tax revenue raised during the year 2002-2003 alongwith the figures for the preceding four years are given below:

(In crore of rupees)

| 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  | 1,653.89        | 1,724.16        | 3,161.63        | 1,845.60        | 1,777.27        | (-) 4  |
| 2.              | Dairy Development  | 735.90          | 795.53          | 794.21          | 885.83          | 800.51          | (-) 10   |
| 3.              | Other Non-Tax Receipts   | 328.77          | 370.98          | 393.66          | 616.08          | 245.07          | (-) 60   |
| 4.              | Forestry and Wild Life   | 130.31          | 134.74          | 135.16          | 134.14          | 104.58          | (-) 22   |
| 5.              | Non-ferrous Mining and Metallurgical Industries                          | 256.65          | 266.09          | 350.47          | 347.17          | 400.61          | (+) 15   |
| 6.              | Miscellaneous General <sup>2</sup> Services (including lottery receipts) | 70.86           | 149.12          | 197.00          | 125.55          | 290.14          | (+) 131  |
| 7.              | Power  | 75.51           | 75.42           | 86.45           | 85.70           | 85.79           | Negligible   |
| 8.              | Major and Medium Irrigation  | 33.65           | 61.63           | 62.49           | 86.03           | 113.05          | (+) 31   |
| 9.              | Medical and Public Health  | 81.46           | 84.91           | 77.53           | 109.78          | 95.89           | (-) 13   |
| 10.             | Co-operation   | 43.49           | 49.61           | 58.93           | 71.26           | 63.01           | (-) 12   |
| 11.             | Public Works   | 55.36           | 74.99           | 69.33           | 62.71           | 54.31           | (-) 13   |
| 12.             | Police   | 42.71           | 83.55           | 91.38           | 110.78          | 152.77          | (+) 38   |
| 13.             | Other Administrative Services  | 44.15           | 44.05           | 101.70          | 58.03           | 66.48           | (+) 15   |
| <b>Total</b>    |  | <b>3,552.71</b> | <b>3,914.78</b> | <b>5,579.94</b> | <b>4,538.66</b> | <b>4,249.48</b> |  |

The increase of 131 *per cent* in the receipts under the head Miscellaneous General Services was owing to increased collection of guarantee fees and other receipts. The reasons for variation in respect of the other non-tax receipts though called for were not furnished (September 2003).

<sup>2</sup> Figure is net of expenditure on prize winning lottery tickets.



## 1.2 Variations between Budget estimates and actuals

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:

| (In crore of rupees) |   |                  |           |  |                         |
|----------------------|---|------------------|-----------|--|-------------------------|
|                      | Head of Revenue   | Budget estimates | Actuals   | Variations excess (+) or shortfall (-) | Percentage of variation |
| 1.                   | Sales Tax etc.  | 14,680.00        | 13,488.35 | (-) 1,191.65                           | (-) 8                   |
| 2.                   | State Excise  | 2,150.00         | 1,938.68  | (-) 211.32                             | (-) 10                  |
| 3.                   | Stamps and Registration Fees  | 2,675.00         | 2,823.11  | (+) 148.11                             | (+) 6                   |
| 4.                   | Taxes and Duties on Electricity   | 1,117.37         | 1,149.18  | (+) 31.81                              | (+) 3                   |
| 5.                   | Taxes on vehicles   | 1,025.00         | 941.23    | (-) 83.77                              | (-) 8                   |
| 6.                   | Taxes on Goods and Passengers   | 578.80           | 245.03    | (-) 333.77                             | (-) 58                  |
| 7.                   | Other Taxes on Income and Expenditure- Tax on Professions, Trades, Callings and Employments | 1,400.00         | 1,028.56  | (-) 371.44                             | (-) 27                  |
| 8.                   | Other Taxes and Duties on Commodities and Services  | 665.89           | 798.90    | (+) 133.01                             | (+) 20                  |
| 9.                   | Land Revenue  | 313.02           | 386.41    | (+) 73.39                              | (+) 23                  |
| 10.                  | Interest Receipts   | 1,136.58         | 1,777.27  | (+) 640.69                             | (+) 56                  |
| 11.                  | Dairy Development   | 550.00           | 800.51    | (+) 250.51                             | (+) 46                  |
| 12.                  | Other Non-tax Receipts  | 460.80           | 245.07    | (-) 215.73                             | (-) 47                  |
| 13.                  | Forestry and Wild Life  | 136.50           | 104.58    | (-) 31.92                              | (-) 23                  |
| 14.                  | Non-Ferrous Mining and Metallurgical Industries   | 382.22           | 400.61    | (+) 18.39                              | (+) 5                   |



| (In crore of rupees)               |                  |                  |  |                         |
|------------------------------------|------------------|------------------|--|-------------------------|
| Head of Revenue                    | Budget estimates | Actuals          | Variations excess (+) or shortfall (-) | Percentage of variation |
| 15. Miscellaneous General services |                  |                  |  |                         |
| (i) Lottery receipts <sup>3</sup>  | 164.52           | 15.28            | (-) 149.24                             | (-) 91                  |
| (ii) Other receipts                | 199.44           | 274.86           | (+) 75.42                              | (+) 38                  |
| 16. Power                          | 97.61            | 85.79            | (-) 11.82                              | (-) 12                  |
| 17. Major and Medium Irrigation    | 127.31           | 113.05           | (-) 14.26                              | (-) 11                  |
| 18. Medical and Public Health      | 122.04           | 95.89            | (-) 26.15                              | (-) 21                  |
| 19. Co-operation                   | 53.68            | 63.01            | (+) 9.33                               | (+) 17                  |
| 20. Public Works                   | 75.98            | 54.31            | (-) 21.67                              | (-) 29                  |
| 21. Police                         | 95.79            | 152.77           | (+) 56.98                              | (+) 59                  |
| 22. Other Administrative Services  | 55.11            | 66.48            | (+) 11.37                              | (+) 21                  |
| <b>Total</b>                       | <b>28,262.66</b> | <b>27,048.93</b> |  |                         |

The reasons for variations between Budget estimates and actuals have not been received (September 2003)

### 1.3 Analysis of collection

Break-up of total collection at pre-assessment stage and after regular assessments of sales tax, motor spirit tax, profession tax, entry tax and luxury tax for the year 2002-2003 and the corresponding figures for the preceding two years as furnished by the Department was as follows:

<sup>3</sup> Net of expenditure on prize winning tickets



| (In crore of rupees)      |            |  |   |  |                 |                |                             |
|---------------------------|------------|--|---|--|-----------------|----------------|-----------------------------|
| Head of Revenue           | Year       | Amount collected at pre-assessment stage | Amount collected after regular assessment (additional demand) | Penalties for delay in payment of taxes and duties | Amount refunded | Net collection | Percentage of column 3 to 7 |
| (1)                       | (2)        | (3)                                      | (4)   | (5)  | (6)             | (7)            | (8)                         |
| <b>Finance Department</b> |            |  |   |  |                 |                |                             |
| Sales Tax                 | 2000-2001  | 9,425.45                                 | 459.62  | 52.03  | 308.68          | 9,628.42       | 98                          |
|                           | 2001-2002  | 9,001.34                                 | 494.29  | 72.79  | 330.83          | 9,237.59       | 97                          |
|                           | *2002-2003 | 9,610.38                                 | 473.29  | 50.64  | 286.70          | 9,847.61       | 98                          |
| Motor Spirit Tax          | 2000-2001  | 2,960.71                                 | Nil   | Nil  | Nil             | 2,960.71       | 100                         |
|                           | 2001-2002  | 3,282.18                                 | Nil   | Nil  | Nil             | 3,282.18       | 100                         |
|                           | *2002-2003 | 3,895.62                                 | 1.00  | Nil  | Nil             | 3,896.62       | 100                         |
| Profession Tax            | 2000-2001  | 935.92                                   | 2.52  | 1.88   | 0.28            | 940.04         | 99                          |
|                           | 2001-2002  | 962.14                                   | 4.72  | --   | 0.03            | 966.83         | 100                         |
|                           | *2002-2003 | 1,000.17                                 | 7.15  | --   | 0.32            | 1,007.00       | 99                          |
| Entry Tax                 | 2000-2001  | 3.58                                     | 3.42  | 0.18   | Nil             | 7.18           | 50                          |
|                           | 2001-2002  | 3.69                                     | 1.12  | 0.04   | --              | 4.85           | 76                          |
|                           | *2002-2003 | 7.40                                     | 1.45  | 0.03   | --              | 8.88           | 83                          |
| Luxury Tax                | 2000-2001  | 176.32                                   | 3.30  | 0.18   | 0.13            | 179.67         | 98                          |
|                           | 2001-2002  | 168.42                                   | 1.76  | 0.11   | --              | 170.29         | 99                          |
|                           | *2002-2003 | 145.74                                   | 5.40  | 0.14   | 0.27            | 151.01         | 97                          |

The table above shows that collection of revenue at pre-assessment stage ranged between 83 and 100 per cent during 2002-2003.

#### 1.4 Cost of collection

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

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



| (In crore of rupees) |                      |           |                         |   |   |   |
|----------------------|----------------------|-----------|-------------------------|---|---|---|
|                      | Head of Revenue      | Year      | Collection <sup>4</sup> | Expenditure on collection of revenue <sup>5</sup> | Percentage of expenditure on collection | All India average percentage for the year 2001-2002 |
| 1.                   | Sales Tax            | 2000-2001 | 12,196.39               | 107.94  | 0.89                                    | 1.26  |
|                      |                      | 2001-2002 | 12,131.39               | 100.26  | 0.83                                    |   |
|                      |                      | 2002-2003 | 13,779.70               | 104.91  | 0.76                                    |   |
| 2.                   | State Excise         | 2000-2001 | 1,779.51                | 27.61   | 1.55                                    | 3.21  |
|                      |                      | 2001-2002 | 1,787.26                | 26.80   | 1.49                                    |   |
|                      |                      | 2002-2003 | 1,938.68                | 28.44   | 1.43                                    |   |
| 3.                   | Motor Vehicles Taxes | 2000-2001 | 785.84                  | 44.21   | 5.62                                    | 2.99  |
|                      |                      | 2001-2002 | 947.78                  | 29.74   | 3.13                                    |   |
|                      |                      | 2002-2003 | 942.80                  | 30.09   | 3.19                                    |   |

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

### 1.5 Collection of sales tax per assessee

According to information furnished by the department, the sales tax collection per assessee during the years from 1998-99 to 2002-03 was as under :

(Amount in crore of rupees)

| Year      | No. of assessees | Sales tax revenue | Revenue/ assessee |
|-----------|------------------|-------------------|-------------------|
| 1998-1999 | 3,82,665         | 8,953.45          | 0.02              |
| 1999-2000 | 3,76,523         | 11,724.70         | 0.03              |
| 2000-2001 | 4,05,979         | 12,196.39         | 0.03              |
| 2001-2002 | 4,37,889         | 12,131.39         | 0.03              |
| 2002-2003 | 6,04,275         | 13,779.70         | 0.02              |

### 1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs 5,879.01 crore of which Rs 2,609.28 crore were outstanding for more than 5 years as detailed in the following table:

<sup>4</sup> Figures as per Finance Accounts

<sup>5</sup> Figures as furnished by the department are at variance with the Finance Accounts.



(In crore of rupees)

| Sr. No.      | Head of Revenue      | Amount outstanding as on 31 March 2003 | Amount outstanding for more than 5 years as on 31 March 2003 | Remarks  |
|--------------|----------------------|--|--|--|
| 1.           | Sales Tax etc.       | 5,673.59                               | 2,513.70   | Stay orders were granted by Appellate Authorities for Rs 3,575.06 crore, while balance of Rs 2,098.53 crore were under different stages of recovery.   |
| 2.           | State Excise         | 10.96                                  | 6.51   | i) Recovery of Rs 9.06 crore was pending in appeals with various Appellate Authorities.<br>(ii) Recovery in respect of the balance of Rs 1.90 crore was under various stages of action.  |
| 3.           | Electricity Duty     | 23.85                                  | 5.94   | (i) District Collectors were directed to recover the amount as arrears of land revenue.<br>(ii) Co-operation Department had been instructed to deduct the electricity dues from loans payable to concerned factories.<br>(iii) Concerned electrical inspectors had issued notices to the consumers against whom dues were outstanding. |
| 4.           | Motor Vehicles Taxes | 170.61                                 | 83.13  | Special drive was being undertaken by the Department and actions specified under Land Revenue code was being taken.  |
| <b>Total</b> |                      | <b>5,879.01</b>                        | <b>2,609.28</b>  |  |

The Revenue and Forests and Irrigation and Public Works Departments, responsible for collection of some of the major receipts, had not furnished details of arrears of revenue (September 2003).

### 1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2002-2003, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2002-2003 as furnished by the Sales Tax Department in respect of sales tax, motor spirit tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contracts were as follows:



| Name of tax               | Opening balance  | New cases due for assessment during 2002-2003 | Total assessments due | Cases disposed of during 2002-2003 | Balance at the end of the year | Percentage of Column 6 to 4 |
|---------------------------|------------------|---|-----------------------|------------------------------------|--------------------------------|-----------------------------|
| (1)                       | (2)              | (3)   | (4)                   | (5)                                | (6)                            | (7)                         |
| <b>Finance Department</b> |                  |   |                       |                                    |                                |                             |
| Sales Tax                 | 18,29,144        | 8,62,569                                      | 26,91,713             | 10,32,940                          | 16,58,773                      | 62                          |
| Motor Spirit Tax          | 7,391            | 1,767   | 9,158                 | 650                                | 8,508                          | 93                          |
| Profession Tax            | 6,61,951         | 2,54,429                                      | 9,16,380              | 1,92,834                           | 7,23,546                       | 79                          |
| Purchase tax on sugarcane | 2,598            | 530   | 3,128                 | 240                                | 2,888                          | 92                          |
| Entry tax                 | 3,945            | --  | 3,945                 | 3,936                              | 9                              | 0.2                         |
| Lease Tax                 | 5,374            | 1,336   | 6,710                 | 1,027                              | 5,683                          | 85                          |
| Luxury Tax                | 5,394            | 1,814   | 7,208                 | 1,381                              | 5,827                          | 81                          |
| Tax on works contracts    | 80,862           | 28,498  | 1,09,360              | 8,325                              | 1,01,035                       | 92                          |
| <b>Total</b>              | <b>25,96,659</b> | <b>11,50,943</b>                              | <b>37,47,602</b>      | <b>12,41,333</b>                   | <b>25,06,269</b>               |                             |

The department stated that since entry tax is recovered in full before granting registration certificate under the Motor Vehicles Tax Act, no formal assessment proceedings were undertaken. Hence, no new cases were shown as due for assessment during 2002-2003.

It would be seen from the table that cases pending as on 31 March 2003 ranged from 0.2 to 93 *per cent* of the total cases due for assessments under various heads.

### 1.8 Evasion of tax

The details of cases of evasion of tax detected by the sales tax and state excise Departments, cases finalised and the demands for additional tax raised as reported by the Departments were as follows:



| 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 (In lakh of rupees) |   |
| 1.     | Sales Tax        | 4,753                             | 2,604                           | 7,357 | 2,569   | 9,257.70                             | 4,788   |
| 2.     | State Excise     | 8                                 | --                              | 8     | 1   | 1.94                                 | 7   |

### 1.9 Write-off and waiver of revenue

During the year 2002-2003, demands for Rs 29.42 lakh (in 1,158 cases), Rs 3.44 lakh (in 43 cases), and Rs 1.79 lakh (in 24 cases) relating to sales tax, motor vehicles taxes and state excise respectively were written off by the Departments as irrecoverable. Reasons for the write-off of these demands as reported by the Departments were as follows:

| Reasons                                | (In lakh of rupees) |              |                      |             |              |             |
|--|---------------------|--------------|----------------------|-------------|--------------|-------------|
|  | Sales Tax           |              | Motor Vehicles Taxes |             | State Excise |             |
|  | No. of cases        | Amount       | No. of cases         | Amount      | No. of cases | Amount      |
| 1. Whereabouts of defaulters not known | 981                 | 11.95        | 43                   | 3.44        | 2            | 0.08        |
| 2. Defaulters no longer alive          | --                  | --           | --                   | --          | 9            | 0.72        |
| 3. Defaulters not having any property  | 144                 | 0.06         | --                   | --          | 4            | 0.11        |
| 4. Defaulters adjudged insolvent       | --                  | --           | --                   | --          | 5            | 0.47        |
| 5. Other reasons                       | 32                  | 0.08         | --                   | --          | 1            | 0.08        |
| 6. Remission of penalty                | 1                   | 17.33        | --                   | --          | 3            | 0.33        |
| <b>Total</b>                           | <b>1,158</b>        | <b>29.42</b> | <b>43</b>            | <b>3.44</b> | <b>24</b>    | <b>1.79</b> |



### 1.10 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-2003, as reported by the Departments were as follows:

(Amount in lakh of rupees)

|    |   | <u>Sales Tax</u> |           | <u>Taxes and Duties<br/>on Electricity</u> |        | <u>State Excise</u> |        | <u>Works Contracts</u> |        |
|----|---|------------------|-----------|--|--------|---------------------|--------|------------------------|--------|
|    |   | No. of<br>cases  | Amount    | No. of<br>cases                            | Amount | No. of<br>cases     | Amount | No. of<br>cases        | Amount |
| 1. | Claims outstanding at the beginning of the year | 4,054            | 4,063.00  | 114  | 379.15 | 58                  | 27.93  | 55                     | 55.00  |
| 2. | Claims received during the year                 | 32,601           | 29,554.00 | 97   | 313.44 | 16                  | 7.54   | 382                    | 860.00 |
| 3. | Refunds made during the year                    | 24,251           | 27,963.00 | 87   | 220.86 | 15                  | 6.90   | 376                    | 766.00 |
| 4. | Balance outstanding at the end of the year      | 12,404           | 5,654.00  | 124  | 471.73 | 59                  | 28.57  | 61                     | 149.00 |

### 1.11 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 2002-2003 revealed under-assessment/short levy/loss of revenue amounting to Rs 2,222.97 crore in 9,029 cases. During the course of the year the Departments accepted under-assessment of Rs 642.44 crore in 5,614 cases pointed out in 2002-2003 and earlier years and recovered Rs 78.20 crore. No replies have been received in respect of the remaining cases.

This Report contains 37 paragraphs including 4 reviews relating to non-levy/short levy of taxes, duties, interest and penalties *etc.*, involving Rs 1,999.22 crore. The Departments/Government have accepted audit observations involving Rs 553.98 crore of which Rs 2.34 crore had been recovered upto December 2003. No replies have been received in the other cases.



### **1.12 Response of Government to audit objections**

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

Inspection Reports issued upto 31 December 2002 pertaining to offices under the Finance, Home, Revenue and Forests, Industries, Energy and Labour, Housing and Special Assistance, Urban Development, Public Works, Co-operation and Textiles, Irrigation, Agriculture, Animal Husbandry, Dairy Development and Fisheries, Public Health, Education and Employment, Law and Judiciary Departments disclosed that 13,968 objections relating to 5,529 IRs involving Rs 791.88 crore remained outstanding at the end of June 2003. Of these, 2,216 IRs containing 4,511 objections involving Rs 179.15 crore had not been settled for more than 4 years. The yearwise position of the outstanding IRs and paragraphs is detailed in Annexure.

In respect of 529 paragraphs relating to 197 IRs involving Rs 118.96 crore issued upto December 2002, even the first replies, which were required to be received from the Heads of Offices within one month, had not been received.

A review of the IRs which were pending due to non-receipt of replies, in respect of the various Departments, revealed that the Heads of the Offices and the Heads of the Departments (Secretaries) failed to send any reply to a large number of IRs/paragraphs, indicating that no action was taken to rectify the defects, omissions and irregularities pointed out in the IRs issued by the AGs. The Secretaries of the Departments, who were also informed of the position through half yearly reports, did not ensure prompt and timely action. Such inaction would result in continuation of serious financial irregularities and loss of revenue to the Government despite these having been pointed out in Audit.

The details of outstanding inspection reports were reported to Government in August 2003; their reply had not been received (September 2003).

### **1.13 Departmental Audit committee meetings**

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted by the Government. These Committees are chaired by Joint Secretary/Deputy



Secretary of the concerned Administrative Department and attended among others by the officers concerned of the State Government and the offices of the Principal Accountant General (Audit)-I, Mumbai/ Accountant General (Audit)-II, Nagpur.

In order to expedite the clearance of outstanding audit observations, it is necessary that the Audit Committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During the year 2002-2003, only the Home, Revenue & Forests and Finance Departments out of the eight Government Departments concerned convened a meeting of the Audit Committee. This indicates that the Government Departments did not make effective use of the machinery created for settling outstanding audit observations.

#### **1.14 Response of the Departments to draft Audit paragraphs**

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

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2003 were forwarded to the Secretaries of the respective Departments between March 2003 and August 2003 through demi official letters. Replies to most of the paragraphs have not been received; 59 such paragraphs have been included in this Report.

#### **1.15 Follow up on Audit Reports-summarised position**

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

Review of outstanding explanatory memoranda on paragraphs included in the Reports of the Comptroller and Auditor General of India (Revenue Receipts) disclosed that as on 31 August 2003 the Departments had not submitted remedial explanatory memoranda on 38 paragraphs for the years from 1996-97 to 2000-2001 as detailed below.



| Sr. No.      | Name of the department | 1996-1997 | 1997-1998 | 1998-1999 | 1999-2000 | 2000-2001 | Total     |
|--------------|------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1.           | Revenue and Forests    | 4         | 6         | 9         | 4         | 8         | 31        |
| 2.           | Irrigation             | 1         | --        | --        | --        | --        | 1         |
| 3.           | Home                   | --        | 1         | 2         | --        | --        | 3         |
| 4.           | Public Works           | --        | --        | 1         | --        | 1         | 2         |
| 5.           | Finance                | --        | --        | 1         | --        | --        | 1         |
| <b>Total</b> |                        | <b>5</b>  | <b>7</b>  | <b>13</b> | <b>4</b>  | <b>9</b>  | <b>38</b> |

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

The Public Accounts Committee had discussed 116 selected paragraphs pertaining to Audit Reports for the years from 1986-87 to 1995-96 and given their recommendations on 72 paragraphs which have been incorporated in their 27<sup>th</sup> Report (1994-95), 9<sup>th</sup> Report (1995-96), 12<sup>th</sup>, 13<sup>th</sup>, 14<sup>th</sup> and 18<sup>th</sup> Report (1996-97), 21<sup>st</sup> Report (1997-98) and 5<sup>th</sup> Report (2000-2001). However, action taken notes have not been received in respect of recommendations of the Public Accounts Committee from the concerned Departments as detailed below.

| Year         | <u>Name of the Department</u> |                     |                               | Total     |
|--------------|-------------------------------|---------------------|-------------------------------|-----------|
|              | Home                          | Revenue and Forests | Industries, Energy and Labour |           |
| 1986-87      | --                            | 1                   | --                            | 1         |
| 1987-88      | --                            | --                  | --                            | --        |
| 1988-89      | --                            | --                  | --                            | --        |
| 1989-90      | 1                             | 4                   | --                            | 5         |
| 1990-91      | 8                             | 2                   | --                            | 10        |
| 1991-92      | --                            | 1                   | 2                             | 3         |
| 1992-93      | --                            | 8                   | 1                             | 9         |
| 1993-94      | 1                             | 3                   | 1                             | 5         |
| 1994-95      | --                            | 2                   | --                            | 2         |
| 1995-96      | --                            | 3                   | --                            | 3         |
| <b>Total</b> | <b>10</b>                     | <b>24</b>           | <b>4</b>                      | <b>38</b> |



## CHAPTER II : Sales Tax

### 2.1 Results of audit

Test check of records of sales tax conducted during the year 2002-2003 revealed under-assessment/short levy/loss of revenue amounting to Rs 379.28 crore in 1,445 cases, which broadly fall under the following categories:

| Sr. No.      | Category                                    | No. of cases | Amount<br>(In crore of rupees) |
|--------------|---|--------------|--------------------------------|
| 1.           | Non-levy/short levy of tax                  | 660          | 15.46                          |
| 2.           | Incorrect allowance of set-off              | 404          | 6.64                           |
| 3.           | Non-levy/short levy of interest/penalty     | 111          | 3.51                           |
| 4.           | Omission to forfeit tax collected in excess | 14           | 0.04                           |
| 5.           | Other irregularities                        | 256          | 353.63                         |
| <b>Total</b> |   | <b>1,445</b> | <b>379.28</b>                  |

During the course of the year 2002-2003, the Department accepted under-assessments of Rs 5.95 crore involving 744 cases, of which 92 cases involving Rs 0.53 crore had been pointed out during 2002-2003 and the rest in earlier years. Of these, the Department recovered Rs 0.99 crore.

A few illustrative cases involving financial effect of Rs 358.05 crore are given in the following paragraphs:



## 2.2 Sales tax incentives under package schemes of incentives

### 2.2.1 Introduction

Mention was made in para 2.3 of the Report of the Comptroller and Auditor General of India on Revenue Receipts for the year ended 31 March 1998 regarding inadequacies in the implementation of the package schemes of incentives. The compliance to the audit observations has not been received from Government. In furtherance of the above, a test check of records maintained in the office of the Deputy Commissioner of Sales Tax (Incentives and Enforcement) in the Commissionerate in Mumbai and by 15 assessing officers in Aurangabad, Ghatkopar (Mumbai) and Pune-II Divisions, relating to dealers holding eligibility/entitlement certificates was conducted during April 2003 and May 2003. The deficiencies/defects pointed out earlier persisted as noticed during the above mentioned test check as also during local audit of units in Kolhapur and Nashik Divisions as detailed in the succeeding paragraphs.

### 2.2.2 Monitoring of availing of incentives

(i) According to the package schemes of incentives, procedural rules and the Departmental circular instructions, the availment of incentive by the eligible units is required to be monitored by the sales tax authorities through scrutiny of periodical returns filed by the units and completion of assessments of the eligible units. The Act provides that where all returns are filed within 6 months from the end of the year, the assessments are to be completed within three years. However, where returns are not furnished for any period, the Assessing Officer shall at any time within eight years, proceed to assess the dealer. As per the schemes, assessments of eligible units are required to be completed on priority basis. The Department had not prescribed any periodical statement to watch pendency in assessments of units eligible for exemption from payment of taxes. As such, position of pendency of these cases was not available in the Department. The Department had prescribed monthly statement showing progress in assessments of units eligible for deferment of taxes to be submitted by Assessing Officers to the Deputy Commissioner of sales tax of the division.

Scrutiny of monthly statements furnished by three divisions to the commissionerate revealed that assessments of eligible units were not completed on priority and were in arrears. The pendency of assessments of eligible units under deferment mode as on 31 March 2003 was as under:

| Division   | No. of assessments<br>pending | Period               |
|------------|-------------------------------|----------------------|
| Aurangabad | 2,182                         | 1994-95 to 2001-02   |
| Pune-II    | 1,454                         | 1991-92 to 2001-02   |
| Ghatkopar  | 326                           | (Not made available) |



The pending assessments, included assessments relating to the periods falling between 1992-93 and 1999-2000 of 7 units (6 from Pune Division and 1 from Ghatkopar Division) closed between September 1994 and April 2001 which had availed of sales tax incentives of Rs 1.95 crore.

(ii) The Department had prescribed various registers to be maintained by the Assessing Officers for effective monitoring of the availing of incentives either through returns or assessments. It was noticed that though the prescribed registers were maintained, they were incomplete in as much as entries regarding incentives claimed in returns, incentives allowed in assessments and subsequent modification on account of revision, appeal or rectification were not recorded and brought upto date.

(iii) In Pune, 14 units were closed. However, dates of closure and incentives availed of were not available on record. Consequently, the incentives recoverable and the dates from which amount was due could not be ascertained.

### 2.2.3 Non-recovery of incentives from closed units.

The package schemes of incentives, the certificates issued thereunder and the procedural rules provide that if a unit is closed during the period of availing incentive or the registration certificate is cancelled, the amount of sales tax incentives availed is recoverable with interest/penalty forthwith.

Test check of records in April 2003 and May 2003 revealed that 87 eligible units which had availed incentives of Rs 238.09 crore were closed during the period between 1987 and 2002 which was within the operative period of the eligibility certificates/agreements as detailed in the following table, which also indicates the position of recovery.

(Amount in crore of rupees)

| Division   | Exemption    |  | Deferment    |  | Total        |        |
|--|--------------|--|--------------|--|--------------|--------|
|  | No. of units | Amount<br>Period of<br>availment         | No. of units | Amount<br>Period of<br>availment         | No. of units | Amount |
| Aurangabad   | 15           | 5.50<br>Between 1983-84<br>and 2000-01   | 14           | 15.41*<br>Between 1989-90<br>and 2000-01 | 29           | 20.91  |
| <b>Remarks</b><br>No action was taken for recovery of the amounts in 23 cases; 3 cases were pending finalisation with BIFR, 2 dealers were asked by the Department in July 2001 to pay the incentives; in 1 case factory was attached by implementing agency but no recovery was made.<br>The Assessing Officer stated in 20 cases that unless eligibility certificate was cancelled by implementing agencies, the amount could not be recovered. The reply is not tenable as incentives availed of were recoverable as soon as the units were closed. Reply in the remaining cases had not been received (December 2003). |              |  |              |  |              |        |
| Ghatkopar  | 7            | 31.09#<br>Between<br>1982-83 and 2000-01 | 20           | 45.14@<br>Between 1983-84<br>and 2001-02 | 27           | 76.23  |
| <b>Remarks</b><br>No action for recovery was initiated in 14 cases involving Rs 4.52 crore; 5 cases were under BIFR of which one case was taken over by SBI for recovery of its dues; 8 cases were under liquidation/taken over by financial institutions, claims being lodged only in 4 cases including one case disposed of by SICOM. Final action taken in the remaining cases was not intimated (December 2003).   |              |  |              |  |              |        |



| Division  | Exemption    |  | Deferment    |   | Total        |               |
|---|--------------|--|--------------|---|--------------|---------------|
|   | No. of units | Amount<br>Period of availment              | No. of units | Amount<br>Period of availment               | No. of units | Amount        |
| Pune  | 11           | <u>1.94</u><br>Between 1984-85 and 2000-01 | 18           | <u>84.54</u><br>Between 1982-83 and 2000-01 | 29           | 86.48         |
| <b>Remarks</b><br>Eligibility certificates in 5 cases were proposed to be cancelled, including one case in which implementing agency unilaterally settled liabilities and recovered its dues. However, incentives of Rs 1.21 crore remained unrecovered. No action for recovery was initiated in the remaining cases (December 2003). |              |  |              |   |              |               |
| Kolhapur  |              |  | 1            | <u>54.04</u><br>Between 1996-97 and 1998-99 | 1            | 54.04         |
| <b>Remarks</b><br>No action has been taken for recovery (December 2003)   |              |  |              |   |              |               |
| Nashik  | 1            | <u>0.43</u><br>Between 1994 and 1998       |              |   | 1            | 0.43          |
| <b>Remarks</b><br>Unit closed and labour dispute pending in the Industrial Court (December 2003).   |              |  |              |   |              |               |
| <b>Total</b>  | <b>34</b>    | <b>38.96</b>                               | <b>53</b>    | <b>199.13</b>                               | <b>87</b>    | <b>238.09</b> |

Notes: \*Includes excess availment of deferment of tax of Rs 6.07 lakh by a dealer.

@Includes excess deferment of taxes of Rs 6.22 lakh by a dealer.

#Includes excess availment of exemption of Rs 1.58 lakh by a dealer.

Though, the Bombay Sales Tax Act, 1959 empowers the sales tax authorities to recover tax dues as arrears of land revenue as provided in the Maharashtra Land Revenue Code, 1966, in none of the cases action was so initiated (May 2003)

Section 38C inserted in February 1999 in the Bombay Sales Tax Act, 1959 provides that any amount of tax, interest or any other sum, payable by a dealer or any other person under the Act, should be the first charge on the property of the dealer or any other person as the case may due.

It was noticed in audit in May 2003 that a unit that had closed its business after availing incentives of Rs 12.60 lakh, had been taken over by SICOM in June 2000. SICOM intimated the Department in June 2001 that the assets would be sold for recovery of its dues. Further, it advised the Department to take up the matter with the company for recovery of the incentives; however neither any claim was lodged nor was any recovery made.

Thus, lack of action on the part of department in invoking the provisions of the Act, resulted in non-recovery of the dues.

#### 2.2.4 Incorrect computation of cumulative quantum of benefits

As per the package scheme of incentives and the Bombay Sales Tax Rules, 1959, the cumulative quantum of incentives eligible to an unit for exemption from payment of tax shall include the amount of sales tax, turnover tax, additional tax and surcharge which would have been payable to the



Government, if the dealer was not holding the certificate of entitlement. Moreover, such dealers opting for the incentive scheme cannot avail of full or partial exemption from payment of tax admissible as per Act/Rules/Government notifications.

Test check revealed that the cumulative quantum of benefits was incorrectly worked out in the following cases:

(Amount in crore of rupees)

| Sr. No. | Division<br>No. of dealers         | Period<br>Month of<br>assessment   | Commodity                            | Sales/<br>purchases | Amount<br>of<br>incentives | Nature of observations  |
|---------|------------------------------------|--|--------------------------------------|---------------------|----------------------------|---|
| 1.      | <u>Aurangabad</u><br>3             | 1994-95 to<br>1999-2000<br>Between<br>October<br>1998 &<br>March<br>2003 | Foreign<br>liquor (beer)             | 413.33<br>(sales)   | 89.92                      | Tax was incorrectly worked out on local sales of Rs 72.10 crore from October 1995 to 15 January 1997 at 4 per cent and at Nil rate of tax on remaining sales of Rs 341.23 crore as per general exemption, as against schedule rate of 35 per cent upto September 1995 and 20 per cent thereafter. |
| 2.      | <u>Ghatkopar</u><br>1              | 1997-98 &<br>1998-1999<br>March<br>2001 and<br>February<br>2002          | Chemicals                            | 73.91<br>(sales)    | 2.96                       | Tax was not worked out on the sales covered by general exemption.   |
| 3.      | <u>Aurangabad/<br/>Nashik</u><br>3 | 1997-98 to<br>1998-1999<br>April 2000<br>May 2000<br>and March<br>2002   | Fertilizers                          | 31.71<br>(sales)    | 1.27                       | Tax was not worked out on the sales covered by general exemption.   |
| 4.      | <u>Pune</u><br>1                   | 1997-98 to<br>1998-1999<br>November<br>2000 and<br>October<br>2001       | Automobile<br>tubes &<br>flaps       | 3.44<br>(sales)     | 0.10                       | The tax on estimated sales turnover of flaps was worked out at 10 per cent instead of 13 per cent   |
| 5.      | <u>Pune</u><br>1                   | 3 July<br>1997 to 31<br>March<br>1998<br>March<br>2001                   | Printed<br>computer<br>stationery    | 1.33<br>(sales)     | 0.04                       | The tax was worked out at 10 per cent instead of 13 per cent.   |
| 6.      | <u>Pune</u><br>1                   | 1998-99<br>March<br>2002   | Diapers/<br>Sanitary<br>napkins etc. | 0.79<br>(Purchases) | 0.03                       | Purchase tax was computed at 2 per cent instead of 6 per cent   |
| 10      |                                    |  |                                      | 524.51              | 94.32                      |   |

Thus, incorrect computation of cumulative quantum of benefits resulted in incorrect allowance of incentives under the schemes to the tune of Rs 94.32 crore



### ***Incorrect deferment of taxes***

As per the rules, a unit holding certificate for deferment of taxes is permitted to defer the taxes payable after reducing set off or refund to which the eligible unit is entitled under the Act or rules.

**2.2.5** In Ghatkopar Division, while finalising assessment of a dealer in June 1998, it was noticed that the dealer was entitled to a set off of Rs 24.83 lakh. This set off was required to be adjusted against his tax liability, however, the Assessing Officer refunded the set off and deferred the entire sales tax liability which was incorrect and resulted in irregular refund of Rs 28.60 lakh including interest.

On this being pointed out, the Department revised the assessment order in March 2002 raising additional demand for Rs 38.90 lakh (including interest of Rs 10.30 lakh). The dealer had filed appeal before the tribunal. Report on development in appeal has not been received (December 2003).

**2.2.6** In respect of 2 eligible units in Aurangabad, in the assessments for the years 1996-97 and 1998-99, set off of Rs 5.19 crore was not reduced from the taxes of Rs 57.21 crore which were allowed to be deferred. This resulted in excess deferment of taxes of Rs 5.19 crore.

On this being pointed out in audit, the Assessing Officer stated that the sales tax liability was to be determined after calculating the sales tax and purchase tax payable on purchases of raw material as defined in the rules. The reply is not tenable as the rule provides for reduction of set off or refund due to a dealer for arriving at the amount of tax to be deferred.

### ***2.2.7 Incorrect grant of certificate.***

A dealer in Sangli was issued eligibility certificate (EC) under the 1988 scheme by the Western Maharashtra Development Corporation Ltd., despite non-fulfillment of eligibility criteria of ISI registration. Further, as against the authorised sales tax incentives (exemption mode) limit of Rs 45.85 lakh for the period from 1 March 1993 to 28 February 1999, the dealer had availed incentives of Rs 75.85 lakh. This resulted in excess availment of incentives of Rs 30 lakh.

On re-examination of the eligibility of the dealer on receipt of a complaint, the Director of Industries held him ineligible. Consequently, the state level committee decided on 25 September 2002 to recover the incentives availed of by the dealer. However, the incentives of Rs 75.85 lakh availed had not been recovered (August 2003).

On this being pointed out in April 2003, the Deputy Commissioner (Incentives and Enforcement) stated that the Department had nothing to do in the matter of grant of certificates as it merely endorsed the entitlement certificate received from the implementing agency and incorporated the date of effect of the EC. The reply of the Department is not tenable as it did not address the point regarding excess incentives and action taken to safeguard the interest of revenue.



### 2.2.8 Non-payment of installments (deferred taxes)

As per the package scheme of incentives and the Bombay Sales Tax Rules, 1959 taxes allowed to be deferred for 12/10 years are payable thereafter in annual installments not exceeding 6/5 installments. A test check of registers maintained by 11 Assessing Officers revealed that 112 dealers had not paid the installments of deferred taxes as shown below:

(Amount in crore of rupees)

| Division     | No. of dealers | Assessment years in which taxes were deferred between | Due date for payment of installments between | Amount of installments due but not paid |
|--------------|----------------|---|--|---|
| Aurangabad   | 15             | 1984-85 and 1991-92                                   | 1999-2000 and 2002-03                        | 4.91                                    |
| Ghatkopar    | 18             | 1983 and 1991-92                                      | 1996-97 and 2002-03                          | 4.06                                    |
| Pune-II      | 79             | 1982-83 and 1992-93                                   | 1996-97 and 2002-03                          | 6.87                                    |
| <b>Total</b> | <b>112</b>     |   |  | <b>15.84</b>                            |

On this being pointed out, the Assessing Officers in Aurangabad stated (May 2003) that two dealers had paid installments of Rs 4.09 crore to implementing agency; in one case claim for Rs 3.79 lakh was lodged with the official liquidator; in yet another case of a closed unit, revenue recovery certificates were issued for recovery of Rs 27.80 lakh and in four cases for recovery of Rs 17.60 lakh, letters had been issued between February 2000 and February 2003. The Assessing Officer in Ghatkopar Division stated that one unit from which installments of Rs 0.01 crore were due was under BIFR and another unit from which installments of Rs 29.46 lakh were due was taken over and disposed of by implementing agency for recovery of their dues and no recovery of deferred taxes was made. Replies in respect of the remaining cases have not been received (September 2003).

Lack of follow up action by the Department resulted in non-recovery of installments to the tune of Rs 15.84 crore.

The matter was reported to Government in June 2003; their reply has not been received (December 2003).

## 2.3 Tax under the Motor Spirit Tax Act, 1958

The levy and collection of tax on sales of motor spirit is governed by the Bombay Sales of Motor Spirit Taxation Act, 1958 and the Rules made thereunder. Tax is levied at the stage of first sale by an importer or manufacturer of motor spirit.



The results of scrutiny of the records of assessments of four oil companies<sup>1</sup> are detailed in the following paragraphs :

### 2.3.1 Losses

The Act and Rules do not provide for specific percentage of losses on account of leakage/evaporation, transportation *etc.*, to be allowed as deduction in computing the turnover of sales liable to tax.

The Oil Pricing Committee (OPC) had fixed in 1976 norms for permissible loss on account of evaporation/storage of petrol and diesel as 0.5 *per cent* and 0.12 *per cent* respectively.

On the basis of these norms, the excess claim of losses allowed in the assessments of Bharat Petroleum Corporation Ltd, for the years from 1990-91 to 1994-95 in respect of petrol and/or diesel involved revenue of Rs 14.36 crore as detailed in the following table:

| (Amount in crore of rupees) |         |                               |  |                    |                            |                    |                                     |                                       |                                       |            |                        |
|-----------------------------|---------|-------------------------------|--|--------------------|----------------------------|--------------------|-------------------------------------|---------------------------------------|---------------------------------------|------------|------------------------|
| Year                        | Product | Total quantity in lakh litres | Loss allowed as per returns in lakh litres | Percentage of loss |                            |                    | Excess claim in lakh litres (3 x 7) | Average sale rate per litre in rupees | Average value of excess claim (8 x 9) | Tax rate % | Tax involved (10 x 11) |
|                             |         |                               |  | Allowed            | Permitted as per OPC norms | Excess claim (5-6) |                                     |                                       |                                       |            |                        |
| (1)                         | (2)     | (3)                           | (4)  | (5)                | (6)                        | (7)                | (8)                                 | (9)                                   | (10)                                  | (11)       | (12)                   |
| 1990-91                     | Diesel  | 52,595.28                     | 382.88                                     | 0.72               | 0.12                       | 0.60               | 315.57                              | 2.69                                  | 8.49                                  | 17         | 1.44                   |
| 1991-92                     | Petrol  | 9,190.47                      | 53.90                                      | 0.58               | 0.50                       | 0.08               | 7.35                                | 8.02                                  | 0.59                                  | 20         | 0.11                   |
|                             | Diesel  | 79,953.12                     | 1,440.92                                   | 1.80               | 0.12                       | 1.68               | 1,343.21                            | 2.90                                  | 38.95                                 | 20         | 7.79                   |
| 1992-93                     | Diesel  | 49,341.46                     | 382.13                                     | 0.77               | 0.12                       | 0.65               | 320.72                              | 2.36                                  | 7.56                                  | 20         | 1.51                   |
| 1993-94                     | Diesel  | 51,916.86                     | 543.82                                     | 1.04               | 0.12                       | 0.92               | 477.64                              | 2.02                                  | 9.65                                  | 20         | 1.93                   |
| 1994-95                     | Petrol  | 12,115.20                     | 77.85                                      | 0.64               | 0.50                       | 0.14               | 16.96                               | 5.80                                  | 0.98                                  | 21         | 0.20                   |
|                             | Diesel  | 42,308.10                     | 349.32                                     | 0.82               | 0.12                       | 0.70               | 296.16                              | 2.22                                  | 6.57                                  | 21         | 1.38                   |
| <b>Total</b>                |         |                               |  |                    |                            |                    |                                     |                                       |                                       |            | <b>14.36</b>           |

Note : The value is worked out adopting average sale price of the product as per returns

### 2.3.2 Non-levy of interest

Under the provisions of the Act and the Rules, every trader liable to pay tax is required to furnish a monthly statement of motor spirit sold and purchased during the preceding month and pay tax due before the end of the calendar month. For delay in payment of tax, interest at the rate of 2 *per cent* per month or part thereof is leviable.

On scrutiny of records of two oil companies<sup>2</sup> it was revealed that taxes payable for the periods falling between 1988-1989 and 1993-1994 were paid late by 1 to 90 days. The Assessing Officer, however, while finalizing the assessments in March 1998 did not levy interest for belated payment of tax. This resulted in under assessment of Rs 24.09 lakh.

The above points were brought to the notice of the Department in November 2002 & March 2003 and to Government in June 2003; their replies have not been received (December 2003).

<sup>1</sup> Indian Oil Corporation, Bharat Petroleum Corporation Ltd, Hindustan Petroleum Corporation Ltd, and Indo-Burma Petroleum Co.

<sup>2</sup> Indo-Burma Petroleum Co. and Indian Oil Corporation



## 2.4 Incorrect grant of set-off

**2.4.1** According to the Bombay Sales Tax Act, 1959 and Rule 41 D made thereunder, a manufacturer who has paid taxes on the purchases of goods and used them within the state in the manufacture of taxable goods for sale or export or in packing of goods so manufactured, is allowed set-off of taxes paid in excess of four *per cent* of the purchase price (2 *per cent* in case of raw material from 1 October 1995). From 1 July 1997, reduction of 2 *per cent* of the purchase price (3 *per cent* on outside Maharashtra State purchases from April 1998) is to be made on local and outside the state purchases restricted to 4 *per cent* of the purchase price on which set off is claimed. Where the purchase price is inclusive of tax, a formula has been prescribed for calculating the amount of set-off. Where manufactured goods are transferred outside the state, otherwise than by way of sale, set-off of taxes paid on raw materials including packing materials is allowed in excess of 6 *per cent* instead of 4 *per cent*. Further, interest is leviable as per the provision of the Act.

It was noticed that in assessing 21 dealers between July 1997 and March 2002 in nine divisions<sup>3</sup> for periods between 1993-94 and 1999-2000, set-off was allowed in excess due to mistakes in computation resulting in under-assessment of Rs 28.59 lakh including interest of Rs 2.31 lakh. A few illustrative cases are detailed in the following table:

| Sr. No. | Name of the Division<br>No. of dealers | Assessment period<br>Month of assessment | Nature of irregularity   | Under-assessment including interest<br>(In lakh of rupees) |
|---------|--|--|--|--|
| 1       | <u>Andheri</u><br>2                    | (i) <u>1997-98</u><br>January 2001       | Set off of Rs 20.58 lakh was allowed as against Rs 16.91 lakh admissible.  | 4.33   |
|         |  | (ii) <u>1997-98</u><br>February 2001     | Set-off reduced on account of branch transfer was incorrect  | 1.38   |
| 2       | <u>Mandvi</u><br>1                     | <u>1997-98</u><br>May 2000               | Set-off was incorrectly computed without deduction of 2 <i>per cent</i> of purchases from registered dealers and from outside the state. | 1.69   |
| 3       | <u>Pune</u><br>1                       | <u>1997-98</u><br>August 2000            | As against set off of Rs 12.62 lakh admissible set off was incorrectly worked out at Rs 14.42 lakh.                                      | 2.12   |

<sup>3</sup> Andheri, Bandra, Borivali, Churchgate, Mandvi, Nariman point, Pune, Thane and Worli



| Sr. No. | Name of the Division<br>No. of dealers | Assessment period<br>Month of assessment | Nature of irregularity   | Under-assessment including interest<br>(In lakh of rupees) |
|---------|--|--|--|--|
| 4       | Thane<br>2                             | (i) 1996-97<br>February 1999             | Set-off was not reduced proportionately in respect of labour charges and scrap sales   | 1.99   |
|         |  | (ii) 1998-99<br>March 2002               | Set-off was incorrectly computed   | 5.50   |
| 5       | Worli<br>3                             | (i) 1996-97<br>August 2000               | Set-off was incorrectly computed without deduction of 2 per cent of purchases from registered dealer's and from outside the state. | 1.34   |
|         |  | (ii) 1997-98<br>December 2000            | Set-off was incorrectly computed without deduction of 2 per cent of purchases from registered dealer's and from outside the state. | 1.06   |
|         |  | (iii) 1998-99<br>March 2002              | Set-off was not reduced on account of branch transfer  | 1.94   |

On this being pointed out (between July 1998 and September 2002) the Department rectified the mistakes and raised additional demands for Rs 28.59 lakh including interest. Eight dealers had paid Rs 13.58 lakh and Rs 9.19 lakh was adjusted against the refunds due to seven dealers. Report on recovery in the remaining cases has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in eleven cases and their reply in the remaining cases has not been received (December 2003).

**2.4.2** By an amendment effective from 1 May 1998, set-off of taxes paid on purchases was admissible to a dealer who manufactures goods for sale or export. However, when such manufacture results in production of goods other than taxable goods, set-off is not admissible on purchases of goods including capital assets effected prior to 1 April 1998.

It was noticed that in assessments between March 2000 and October 2001, in the cases of 11 dealers in three divisions<sup>4</sup> for various periods falling between 1991-92 and 1997-98, set-off was incorrectly allowed on purchases of goods including capital assets effected prior to 1 April 1998 and used in the manufacture of sugar which is a tax free commodity. This resulted in under-assessment of Rs 32.34 lakh.

On these cases being pointed out between June 2001 and December 2002, in one case in Aurangabad Division, the assessment was rectified raising demand for Rs 1.63 lakh which was adjusted in May 2003 against the refund due to the dealer in the assessment for the year 1999-2000. The Dy. Commissioner of Sales Tax, Nashik stated in September 2002 that the dealers manufacture

<sup>4</sup> Aurangabad, Nashik and Sangli



taxable as well as tax free goods and as such were entitled to set-off. The reply is not tenable as the Commissioner of sales tax had clarified in June 1998 that the proviso prohibiting grant of set-off on purchases effected prior to 1 April 1998 would apply to a manufacturing activity resulting in production of taxable as well as tax-free goods.

The matter was reported to Government in May 2003; Government concurred with the action taken in the case of the dealer in Aurangabad Division, their reply in the remaining cases has not been received (December 2003).

**2.4.3** Under the provisions of Rule 41 F of the Bombay Sales Tax Rules, 1959, a manufacturer is entitled to full set-off of taxes paid or deemed to have been paid on purchases of goods used by him within the state in the manufacture of specified goods for sale, excluding those which are treated as capital assets and parts, components and accessories of such capital assets. When manufactured goods are transferred outside the state otherwise than as sale, set-off is allowed in excess of six *per cent* of the purchase price.

It was noticed that while assessing between January 1997 and February 2001, 7 dealers in 6 divisions, set-off under rule 41 F was incorrectly granted for reasons stated against each in the following table. This resulted in under-assessment of Rs 34.71 lakh including interest of Rs 5.18 lakh.

| Sr. No. | Name of the Division | Assessment period<br>Month of assessment | Nature of irregularity   | Under-assessment including interest/penalty<br>(In lakh of rupees) |
|---------|----------------------|--|--|--|
| 1.      | Churchgate           | <u>1996-97</u><br>February 2000          | Incorrect allowance of set-off due to treating dispensing of medicines as manufacturing activity   | 0.56   |
| 2.      | Thane                | <u>1994-95</u><br>February 2000          | Purchase of battery scrap treated as purchase of non-ferrous metal   | 1.33   |
| 3.      | Nashik               | (i) <u>1994-95</u><br>January 1997       | Set off was allowed on purchases of goods resold and not used in manufacture.  | 0.58   |
|         |                      | (ii) <u>1996-97</u><br>December 2000     | Set off was not reduced by 6 <i>per cent</i> of purchase price in respect of goods transferred to branches outside the state.              | 0.51   |
| 4.      | Bandra               | <u>1997-98</u><br>February 2001          | Set-off on purchases of S.S. Strips was worked out at 4 <i>per cent</i> instead of 2 <i>per cent</i> which was the rate of tax applicable. | 0.40   |



| Sr. No.      | Name of the Division | Assessment period<br>Month of assessment                        | Nature of irregularity   | Under-assessment including interest/penalty<br>(In lakh of rupees) |
|--------------|----------------------|---|--|--|
| 5.           | Pune                 | 1997-98<br>February 2001  | Full set-off incorrectly allowed on purchases used in the manufacture of compressors for refrigerators and air conditioners under Rule 41F instead of under Rule 41D in excess of 4 per cent | 30.57  |
| 6.           | Ghatkopar            | 1993-94<br>1994-95<br>1995-96<br>January 1999,<br>February 1999 | Set-off allowed on purchases used in manufacture of plastic goods in full under Rule 41F instead of under Rule 41D in excess of 4 per cent.  | 0.76   |
| <b>Total</b> |                      |   |  | <b>34.71</b>   |

On this being pointed out in audit between December 1997 and March 2002, the Department revised/rectified the assessment orders raising additional demands for Rs 34.71 lakh. In two cases, Department recovered Rs 1.73 lakh between January 2001 and September 2002. Two dealers went in appeal (May 2001 and July 2001). Report on developments in appeal and recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in four cases. Replies in respect of the remaining cases have not been received (December 2003).

**2.4.4** Under the provisions of Rule 42 H of the Bombay Sales Tax Rules, 1959 a dealer having a turnover of sales in excess of Rs 1 crore (Rs 50 lakh from 1 October 1996 and Rs 40 lakh from 15 May 1997) was entitled, for the period from 1 October 1995 to 31 March 1999, set-off of tax paid on the purchases of goods including packing material. The set-off was admissible provided purchase price of the goods was not allowed as deduction from the turnover of sales. Similarly, set-off was not admissible on the purchases sold on declarations.

It was noticed that in the assessments between January 1998 and April 2001, in the case of 9 dealers in 6 divisions for various periods falling between April 1995 and March 1999, set-off was incorrectly allowed resulting in under-assessment of Rs 10.40 lakh, including interest and penalty of Rs 2.28 lakh as detailed in the following table:



| Sr. No.      | Name of the Division<br>No. of dealer(s) | Assessment period<br>Month of assessment | Nature of irregularity   | Under-assessment including interest/penalty<br>(In lakh of rupees) |
|--------------|--|--|--|--|
| 1.           | <u>Churchgate</u><br>1                   | <u>1996-97</u><br>February 2000          | Set-off was incorrectly allowed on purchases allowed as deduction from the turnover of sales.  | 1.13   |
| 2.           | <u>Bandra</u><br>1                       | <u>1998-99</u><br>April 2001             | Set-off was incorrectly allowed on purchases allowed as deduction from the turnover of sales and also incorrectly computed.                        | 2.26   |
| 3.           | <u>Nariman point</u><br>1                | <u>1995-96</u><br>January 2001           | Set-off of Rs 1.51 lakh was incorrectly allowed on purchases from registered dealers resold prior to 30 September 1995 when VAT was not applicable | 2.06   |
| 4.           | <u>Mandvi</u><br>3                       | (i) <u>1995-96</u><br>January 1998       | Incorrect computation of set-off.  | 0.91   |
|              |  | (ii) <u>1997-98</u><br>June 2000         | --do--   | 0.50   |
|              |  | (iii) <u>1997-98</u><br>November 2000    | Set-off of Rs 0.57 lakh incorrectly allowed on purchases of goods sold on declarations which was inadmissible.                                     | 0.68   |
| 5.           | <u>Andheri</u><br>2                      | (i) <u>1998-99</u><br>January 2001       | Incorrect computation of set-off.  | 0.63   |
|              |  | (ii) <u>1998-99</u><br>April 2001        | --do--   | 0.81   |
| 6.           | <u>Borivali</u><br>1                     | <u>1995-96</u><br>February 1999          | Set-off was incorrectly allowed on purchases allowed as deduction from the turnover of sales.  | 1.42   |
| <b>Total</b> |  |  |  | <b>10.40</b>   |

On this being pointed out between January 2000 and October 2002, the Department revised/reassessed the assessments in 8 cases, raising additional demands for Rs 8.34 lakh and in the remaining case had initiated action for reassessment. Five dealers had paid Rs 3.98 lakh and three dealers had filed appeals. Report on developments in appeal, action taken in the remaining case and recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in five cases. Replies in the remaining cases have not been received (December 2003).

**2.4.5** Under the provisions of the Bombay Sales Tax Act, 1959 and the rules made thereunder with effect from 1st April 1984, a registered dealer is entitled to set-off of taxes paid on the purchases of goods specified in entry 6 of Schedule B (B-6 goods) to the Act and used in the process of manufacture of goods falling under the same schedule entry for sale or export. Further, where the process of manufacture results in production of B-6 goods as well as other goods, set off shall be allowed to the extent of manufacture of B-6 goods only



on the basis of sale price. Besides, interest is leviable as per the provisions of the Act.

In Nagpur, it was noticed in August 1998, that while assessing in May 1997 a manufacturer of transmission towers for the period from 1 April 1994 to 31 March 1995, set off of taxes paid was allowed at Rs 19.10 lakh on raw materials used in manufacture. As transmission tower is not covered by entry in B-6, set off was inadmissible. This resulted in underassessment of Rs 19.10 lakh.

On this being pointed out the Department stated that additional demand of Rs 43.16 lakh (including interest of Rs 24.06 lakh) was raised. The dealer had filed an appeal in May 2002. Report on developments in appeal has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## **2.5 Short levy of sales tax**

Under the Bombay Sales Tax Act, 1959 the rate of tax leviable on any commodity is determined with reference to the relevant provisions in the Act. Further, the State Government may, by notification exempt any class of sales or purchases from payment of whole or any part of the tax payable under the provisions of the Act, subject to such conditions as may be prescribed by the Government. Besides, turnover tax, additional tax and interest are also leviable as per the provisions of the Act.

It was noticed that in assessing 22 dealers in 10 divisions<sup>5</sup> between February 1996 and March 2002 for the periods between 1990-91 and 1999-2000 due to application of incorrect rate of tax, there was under-assessment of Rs 56.82 lakh.

On these cases being pointed out between June 1997 and September 2002 the Department revised/rectified the assessments, raising additional demands of Rs 56.82 lakh. An amount of Rs 5.95 lakh was recovered from eight dealers and seven dealers had filed appeals. Report on developments in appeal and recovery in the remaining cases has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in six cases. Replies in the remaining cases have not been received (December 2003).

## **2.6 Non/short levy of interest**

Under the provisions of the Bombay Sales Tax Act, 1959, if a dealer does not pay tax within the prescribed time he shall be liable to pay simple interest at the prescribed rate.

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<sup>5</sup> Andheri, Aurangabad, Bandra, Borivali, Churchgate, Kolhapur, Nariman point, Pune-I, Pune-II and Thane



It was noticed in the assessments finalised between July 1997 and March 2001, of 8 dealers in 6 divisions<sup>6</sup> for the periods falling between 1 April 1990 and 31 March 1998, interest was either short levied or not levied in eight cases. Of these, in one case action to levy interest deferred in the assessment order was also not levied while deciding the appeal. This resulted in short/non-levy of interest of Rs 34.46 lakh.

On this being pointed out the Department raised additional demands of Rs 34.46 lakh in April 2000 and December 2002. In two cases, dealers paid Rs 1.77 lakh and in one case appeal was filed in September 2001 against observed assessment. Report on developments in appeal and recovery in the remaining cases has not been received (December 2003).

The matter was reported to Government in April and May 2003; Government concurred with the action taken by Department in two cases; replies in the remaining cases have not been received (December 2003).

## **2.7 Non-forfeiture of excess collection of tax**

Under the provisions of the Bombay Sales Tax Act, 1959, a registered dealer liable to pay tax in respect of any sale may collect on the sale of goods any sum by way of tax from any other person. No registered dealer shall collect any amount by way of tax in excess of the amount of tax payable by him. In such cases, penalty is leviable not exceeding the amount collected by way of tax. Excess collection of tax except for the amounts refunded to the purchasers shall be forfeited and after deduction of expenses on collection be transferred to the consumer protection and guidance fund.

In Thane, it was noticed in April 2000, that while assessing a dealer in June 1999 for the period 1 April 1995 to 31 March 1996, as against the tax collection of Rs 63.34 lakh, the tax payable was determined at Rs 58.83 lakh. This resulted in excess tax collection of Rs 4.51 lakh which was not forfeited.

On this being pointed out the Department reassessed the dealer in August 2001 and raised additional demand of Rs 9.02 lakh including penalty of Rs 4.51 lakh. Report on recovery has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## **2.8 Short levy of tax due to incorrect exemption**

Under the provisions of the Bombay Sales Tax Act, 1959, the state government by notification exempted with effect from 1 October 1995 to 31 March 1999, tax in excess of 8 *per cent* on sale of goods on which the rate of sales tax was less than 16 *per cent* subject to certain conditions. One of the conditions was that the dealer should file monthly returns and pay tax at the rate of 8 *per cent*.

<sup>6</sup> Mazgaon, Nariman Point, Pune-I, Pune-II, Thane and Worli



It was noticed that while assessing between March 1998 and January 2001, four dealers in four divisions<sup>7</sup> for the periods falling between 1995-96 and 1998-99, tax in excess of 8 per cent was exempted despite the dealers not filing monthly returns and making payment of tax. This resulted in under-assessment of Rs 6.91 lakh including interest of Rs 1.26 lakh.

On this being pointed out, the Department revised/rectified the assessments raising additional demands for Rs 6.91 lakh including interest of Rs 1.26 lakh. One dealer had filed appeal in June 2002. Report on developments in appeal and recovery in the remaining cases has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken in one case, their reply has not been received in the remaining cases (December 2003).

## **2.9 Non/short levy of turnover tax/additional tax**

Under the provisions of the Bombay Sales Tax Act, 1959 every dealer whose annual turnover of sales or purchases exceeded Rs 12 lakh, was liable to pay turnover tax during the period from 13 July 1986 to 30 September 1995. The rate of turnover tax was 1.25 per cent of the taxable turnover (1.50 per cent with effect from 1 April 1993 where turnover of sales or purchases exceeded Rs 1 crore). Besides, additional tax at 15 per cent (12 per cent upto 31 March 1994) of the sales tax/purchase tax payable was leviable where the turnover of sales or purchases exceeded Rs 10.00 lakh.

It was noticed that while assessing five dealers between November 1997 and February 2002 in three divisions<sup>8</sup> for various assessment periods falling between 1 April 1993 and 31 March 1996, though the gross turnover of sales/purchases of the dealers exceeded the prescribed limits for levy of turnover tax/additional tax, the same were not levied. This resulted in under-assessment of Rs 8.50 lakh including interest of Rs 3.57 lakh.

On this being pointed out, the Department raised additional demands aggregating Rs 8.50 lakh. Two dealers had paid Rs 4.28 lakh and three dealers had filed appeals against the demand raised by Department. Report on developments in appeal and recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in two cases and their reply in the remaining cases has not been received (December 2003).

## **2.10 Non-levy of purchase tax**

Under the provisions of the Bombay Sales Tax Act, 1959 and the rules made thereunder, during the period from 1 September 1990 to 30 September 1995 a dealer purchasing any goods specified in Part I of Schedule 'C' was liable to

<sup>7</sup> Andheri, Kolhapur, Nashik and Pune

<sup>8</sup> Mazgaon, Nariman Point and Thane



pay purchase tax at the rate of two paise in the rupee on the turnover of such purchases not resold by him. Besides, additional tax and interest are leviable as per the provisions of the Act.

**2.10.1** It was noticed that while assessing between March 1996 and April 1998 five dealers, one each in five divisions<sup>9</sup>, purchase tax though leviable, was not levied on the purchase of goods valued at Rs 3.80 crore during the periods falling between April 1991 and March 1996. This resulted in under-assessment of Rs 7.10 lakh (including interest of Rs 2.30 lakh).

On this being pointed out, the Department revised/reassessed the assessments raising additional demands for Rs 7.10 lakh. While one dealer paid Rs 0.44 lakh another dealer paid Rs 1.57 lakh and the balance amount of Rs 2.98 lakh was waived under the Amnēsty Scheme. Report on recovery in the remaining cases has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department in one case, their replies have not been received in the remaining cases (December 2003).

**2.10.2** In Nagpur, while assessing a dealer manufacturing sponge iron for the periods 1997-98 and 1998-99, purchase tax was levied on purchases of goods valued at Rs 3.86 crore and Rs 4.20 crore respectively as disclosed by the assessee for those two years. However, on cross verification of the purchases with the records of the selling dealer in January 2003, it was revealed that the dealer had not disclosed purchases of goods valued at Rs 5.30 crore during 1997-98 and Rs 2.07 crore during 1998-99. This resulted in short levy of purchase tax of Rs 10.37 lakh including interest of Rs 5.63 lakh.

On this being pointed out (January 2003) the Department accepted the objection but stated (July 2003) that the assessee had filed appeal against the original assessments and the audit objection was referred to the Appellate Authority for corrective action. Further report has not been received (December 2003).

The matter was reported to Government in August 2003; their reply has not been received (December 2003).

## **2.11 Incorrect grant of exemption**

Under the Central Sales Tax Act, 1956 inter-State sales or purchases of any goods other than declared goods which are not supported by declaration in Form 'C' or Form 'D' are liable to tax at 10 *per cent* or at the rate applicable to sale or purchase of such goods inside the State under the sales tax law of the appropriate State, whichever is higher. The Act, further provides that when the sale of any goods inside the appropriate State is exempted generally from tax or subjected to tax generally at a rate which is lower than four *per cent*, the rate of tax applicable to the inter-State sale or purchase of such goods shall be nil or the lower rate. For this purpose, a sale or purchase of any goods shall not be deemed to be exempt from tax generally under the sales tax law of the appropriate State if under the law, the sale or purchase of such goods is

<sup>9</sup> Andheri, Borivali, Churchgate, Nashik and Thane



exempt only in specified circumstances or under specified conditions. The price based exemption of sale or purchase of any goods is a conditional exemption.

In Mumbai, while assessing a manufacturer of pens, ball pens and refills in January 1999, inter-State sales of Rs 1.02 crore during the period from 1 April 1995 to 31 March 1996 were exempted from Central Sales Tax. Since the sale of ball pens was price linked and the exemption granted was conditional<sup>10</sup>, such exemption was inadmissible. Moreover, inter-State sales not supported by declaration were liable to tax at 10 *per cent*. This resulted in under assessment of Rs 21.42 lakh including interest of Rs 11.27 lakh.

On this being pointed out, the Appellate Authority while deciding the appeal in December 2000 raised additional demand for Rs 21.42 lakh. The dealer had filed second appeal before the tribunal in May 2001. Report on developments in appeal has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department (December 2003).

## **2.12 Incorrect allowance of resale**

Under the provisions of the Maharashtra Works Contracts (Re enacted) Act, 1989, resales of declared goods and goods other than declared goods are allowed as deduction from the taxable turnover with effect from 1 January 1992, if these purchases were from dealers registered under the Bombay Sales Tax Act, 1959 and used in the execution of works contracts in the same form without doing any thing to them which amounts to manufacture. The rate of tax leviable under the Act was 4 *per cent* for declared goods and 8 *per cent* for goods other than declared goods upto 31 December 1991. With effect from 1 January 1992, tax is leviable at the rate of 4 *per cent* in respect of declared goods and 10 *per cent* in respect of goods other than declared goods.

**2.12.1** In Mumbai, while assessing in April 1997, a dealer engaged in works contract for fabrication, erection and installation of structural bridges for the period from 1 April 1990 to 31 March 1994, turnover of sales of Rs 3.74 crore of structures fabricated out of purchases of billets, angles, beams etc., were allowed as resales instead of being taxed at 8/10 *per cent* as the activity of the dealer amounted to manufacture. The incorrect allowance of resales resulted in short levy of tax of Rs 75.61 lakh including interest of Rs 2.84 lakh.

On this being pointed out in October 1998, the Department revised the assessment orders in March 2002 and raised additional demands aggregating Rs 75.61 lakh including interest of Rs 2.84 lakh. Report of final action taken has not been received (December 2003).

The matter was reported to Government in May 2003; Government concurred with the action taken by the Department (December 2003).

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<sup>10</sup> Only sales of fountain pen/ball pens and refills whose selling price did not exceed Rs 30, Rs 25 and Rs 5 were exempted from tax



**2.12.2** The Act also provides that when works are executed by the principal contractor through a sub-contractor, deduction towards turnover of sales from the total contract value of the principal contractor is allowed, if supported by a valid declaration in form XXIV from the sub-contractor towards payment of tax in respect of works executed by him; otherwise no deduction is admissible to the principal contractor and tax thereon is leviable at the rate of 8 *per cent*.

In Nagpur, while assessing in September 1998 a dealer for the periods falling between October 1986 and December 1991, incorrect deduction of turnover of goods valued at Rs 1.33 crore used by the sub-contractor in the execution of works contract was allowed which was not supported by valid declaration. This resulted in short levy of tax amounting to Rs 42.95 lakh including penalty and interest.

On this being pointed out in July 1999 the Department, while accepting the objection stated that the assessment was revised raising additional demands aggregating Rs 39.21 lakh. The dealer had paid Rs 4.10 lakh and report on recovery of balance amount of Rs 35.11 lakh has not been received (December 2003).

The matter was reported to Government in July 2003; their reply has not been received (December 2003).

### **2.13 Under-assessment of tax**

Under the provisions of the Central Sales Tax Act, 1956 the last sale or purchase of any goods preceding the sale or purchase occasioning the export of those goods out of the territory of India shall be deemed to be in the course of export, if the last sale or purchase took place and was for the purpose of complying with the agreement or order for such export provided the selling dealer produces a certificate in Form 14 B (in case of a dealer within the State) duly filled and signed by the exporter along with evidence of export of goods.

It was noticed in Nariman Point and Kolhapur Divisions, while assessing two dealers for the periods 1992-93 and 1994-95 in September 1998 and June 1999 respectively, that sales of goods valued at Rs 5.33 crore were exempted from tax on mere production of certificates in Form 14 B, though the sales effected to local dealers were prior to the receipt of purchase order from the foreign buyer or did not mention the details of pre existing order or agreement for or in relation to the export. This resulted in under-assessment of Rs 1.27 crore including interest of Rs 65.66 lakh and turnover tax of Rs 3.90 lakh which remained to be taxed in one case.

On this being pointed out, the Department revised the assessments raising additional demand for Rs 1.17 crore instead of Rs 1.27 crore owing to totaling mistake in the revision order of the dealer of Nariman Point. The dealer in Kolhapur had filed appeal against the rectification order in February 2003. Report on action taken to rectify the mistake and for recovery in one case and developments in appeal in the other case has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).



## 2.14 Internal audit

The internal audit wing in the Department is headed by a Deputy Commissioner who is assisted by four Assistant Commissioners and works under the control of the Commissioner of Sales Tax.

All assessment cases with tax liability of above Rs 4 lakh assessed by Assistant Commissioners and Sr. Assistant Commissioners and assessments finalised by the enforcement branch are audited by the internal audit wing. Cases involving refund of Rs 25 lakh and above are audited prior to issue of the refund payment order. Cases assessed during a year are subjected to audit in the following year.

According to information furnished by the Dy. Commissioner (Audit), the objections raised, disposed of and outstanding during the periods from 1999-2000 to 2002-03 was as follows:

(Amount in crore of rupees)

| Year      | Opening balance |        | Additions    |        | Disposal     |        | Closing balance |        | Percentage of disposal |        |
|-----------|-----------------|--------|--------------|--------|--------------|--------|-----------------|--------|------------------------|--------|
|           | No. of cases    | Amount | No. of cases | Amount | No. of cases | Amount | No. of cases    | Amount | cases                  | Amount |
| 1999-2000 | 9,155           | 120.48 | 1,838        | 13.99  | 2,107        | 8.24   | 8,886           | 126.23 | 19.16                  | 6.13   |
| 2000-2001 | 8,886           | 126.23 | 1,479        | 33.02  | 4,949        | 85.91  | 5,416           | 73.34  | 47.14                  | 53.95  |
| 2001-2002 | 5,416           | 73.34  | 2,413        | 12.56  | 123          | 4.51   | 7,706           | 81.39  | 2.00                   | 5.25   |
| 2002-2003 | 7,706           | 81.39  | 843          | 12.00  | 465          | 9.43   | 8,284           | 83.96  | 4.00                   | 11.57  |

The table indicates that while the disposal of objections during 2000-2001 was 47.14 per cent, it was only 2 per cent during 2001-2002 and rose to 4 per cent, during 2002-2003. This indicates laxity on the part of the Department in settling internal audit observations.



### CHAPTER III : STATE EXCISE, TAXES ON MOTOR VEHICLES AND STAMP DUTY & REGISTRATION FEES

#### 3.1 Results of audit

Test check of records relating to state excise, taxes on motor vehicles and stamp duty and registration fees conducted during the year 2002-03 revealed short levy, loss of revenue *etc.*, amounting to Rs 27.56 crore in 2,474 cases as detailed below:

| Sr. No.                                 | Category   | No. of cases | Amount<br>(In lakh of rupees) |
|---|--|--------------|-------------------------------|
| <b>A – STATE EXCISE</b>                 |  |              |                               |
| 1.                                      | Non-levy/short levy of excise duty                                       | 15           | 0.83                          |
| 2.                                      | Short recovery of licence /privilege fees/escort charges/interest        | 197          | 33.67                         |
| 3.                                      | Short/non-recovery of supervision charges/bonus                          | 14           | 1.08                          |
| 4.                                      | Miscellaneous  | 104          | 10.11                         |
|   | <b>Total</b>   | <b>330</b>   | <b>45.69</b>                  |
| <b>B – TAXES ON MOTOR VEHICLES</b>      |  |              |                               |
| 5.                                      | Non-levy/short levy of tax   | 1,691        | 268.68                        |
| 6.                                      | Miscellaneous  | 27           | 21.30                         |
|   | <b>Total</b>   | <b>1,718</b> | <b>289.98</b>                 |
| <b>C – STAMPS AND REGISTRATION FEES</b> |  |              |                               |
| 7.                                      | Non-levy of stamp duty on instruments executed by co-operative societies | 19           | 74.72                         |
| 8.                                      | Incorrect grant of exemption of stamp duty and registration fees         | 81           | 252.00                        |
| 9.                                      | Short levy due to misclassification of documents                         | 127          | 1,270.61                      |
| 10.                                     | Short levy due to under valuation of property                            | 196          | 815.12                        |
| 11.                                     | Other irregularities   | 3            | 8.35                          |
|   | <b>Total</b>   | <b>426</b>   | <b>2,420.80</b>               |
| <b>Grand Total</b>                      |  | <b>2,474</b> | <b>2,756.47</b>               |



During the year 2002-2003, the Department accepted and recovered under-assessments *etc.*, in 1,290 cases amounting to Rs 289.89 lakh, of which 445 cases involving Rs 36.44 lakh had been pointed out during 2002-03 and the rest in earlier years.

A few illustrative cases noticed during 2002-2003 and in earlier years involving financial effect of Rs 1.57 crore are given in the following paragraph:

## **A – STATE EXCISE**

### **3.2 Non-recovery of interest**

Under the provisions of the Bombay Prohibition Act, 1949 if the amount of duties, taxes and fines are not paid within the due date or the prescribed period, simple interest at the rate of 2 *per cent* per month is chargeable on the amount from the date it becomes due.

A test check of records in 6 offices<sup>1</sup> revealed that in respect of 24 licenses, interest on delayed payment of licence fees amounting to Rs 5.37 lakh, for various periods falling between May 1998 and September 2001, was neither paid by the licensees nor demanded by the Department because of non-observance of the provisions of the Act.

On this being pointed out, the Department recovered Rs 5.00 lakh in 24 cases between February 2001 and March 2003. Report on recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; Government confirmed the recovery (December 2003).

## **B - TAXES ON MOTOR VEHICLES**

### **3.3 Short/non-recovery of motor vehicles tax**

Under the Bombay Motor Vehicles Tax Act, 1958 and the Rules made thereunder, tax at the prescribed rate is leviable on all vehicles used or kept for use in the State. The Act further provides that tax leviable shall be paid in advance by the registered owner of the vehicle. With effect from 1 October 1996, one time tax (OTT) at the prescribed rate is leviable in respect of four wheeler vehicles. Payment of one time tax was made compulsory for light motor vehicles registered on or after 1 May 2000 and extended from 1 June 2001 to existing light motor vehicles paying tax at the annual rate. Interest at the rate of 2 *per cent* of the amount of tax for each month or part thereof is payable in each case of default in payment of tax.

During the course of test check of records in seventeen offices, it was noticed that in respect of 574 vehicles registered in those offices, tax amounting to

<sup>1</sup> Commissioner of State Excise, Maharashtra State, Mumbai and Superintendent of State Excise, Alibag, Mumbai (City), Mumbai (Suburbs), Parbhani, Pune



Rs 65.06 lakh was either not paid or paid short by the vehicle owners for various periods falling between 1996-97 and 2001-02. Also, no demand notices were issued by the Department because of inadequate review of records.

On this being pointed out, the Department intimated recovery amounting to Rs 32.71 lakh in respect of 270 vehicles. Report of recovery in respect of the remaining vehicles has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## **C - STAMPS AND REGISTRATION FEES**

### **3.4 Short levy of stamp duty on lease deed**

Stamp duty on lease deeds depending upon the lease period is levied at the rate prescribed in Schedule I to the Bombay Stamp Act, 1958.

In Sub-Registry Mumbai ('S' series), two lease deeds were executed in April 1998 and October 1998 for a period of fifteen and ten years respectively for a consideration of Rs 1.73 crore. The stamp duty of Rs 17.34 lakh was to be levied, against which only Rs 11.80 lakh was levied. This resulted in short levy of stamp duty of Rs 5.54 lakh.

On this being pointed out, the Inspector General of Registration accepted the audit observation in September 2002 and January 2003 and recovered Rs 0.55 lakh. Report on recovery of the balance amount has not been received (December 2003).

The matter was reported to the Government in May 2003 their reply has not been received (December 2003).

### **3.5 Short levy of stamp duty due to misclassification of documents**

Under the Bombay Stamp Act, 1958 when possession of the property is not given or agreed to be given, stamp duty is chargeable under Article 40 (b) of Schedule-I to the Act. However, on agreements relating to deposit of title deed, stamp duty shall be levied in accordance with Article 6 of the Act. Stamp duty under Article 40 (b) is more than that under Article 6.

In five Sub-Registries, 35 instruments relating to mortgaging of properties for securing loans amounting to Rs 30.85 crore without giving possession of the properties, were misclassified as agreements relating to deposit of title deeds and stamp duty was levied at lower rates. This resulted in short levy of stamp duty amounting to Rs 14.83 lakh as detailed below:



(Amount in lakh of rupees)

| Sr. No.      | Name of the sub-Registry | Year of registration | No. of documents | Stamp duty leviable | Stamp duty levied | Short levy   |
|--------------|--------------------------|----------------------|------------------|---------------------|-------------------|--------------|
| 1.           | SR V<br>Aurangabad       | 2001                 | 21               | 7.79                | 2.66              | 5.13         |
| 2.           | SR Daund                 | 2001                 | 1                | 2.00                | 0.50              | 1.50         |
| 3.           | SR V<br>Haveli,Pune      | 1998                 | 5                | 2.66                | 0.19              | 2.47         |
| 4.           | SR I<br>Borivali         | 2000                 | 1                | 2.00                | 0.50              | 1.50         |
| 5.           | SR Akola <sup>2</sup>    | 2001                 | 7                | 5.90                | 1.67              | 4.23         |
| <b>Total</b> |                          |                      | <b>35</b>        | <b>20.35</b>        | <b>5.52</b>       | <b>14.83</b> |

On this being pointed out, the Inspector General of Registration accepted the short levy and directed the Sub-Registrars to initiate action for recovery. Report on recovery has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

### 3.6 Short levy of stamp duty due to incorrect-classification of document

According to the provisions of the Bombay Stamp Act, 1958, an instrument by which the co-owners divide or agree to divide their property, is treated as partition and stamp duty is to be charged under Article 46 of Schedule I to the Act *ibid*. Any non-testamentary disposition of movable or immovable property for the purpose of distributing property of the settler among his family or those for whom he desires to provide is called settlement and stamp duty is leviable under Article 55(ii) of the Act. Further, a penalty at the rate of 2 per cent per month on the deficit amount of stamp duty is also leviable.

In Sub Registry (Haveli-I) Pune, it was noticed that a document was registered in May 2001 without mentioning the value of the property. The true market value of the property based on ready reckoner worked out to Rs 1.95 crore. The Registering Authority while registering the document treated it as partition deed instead of settlement deed as evident from the recital, and levied stamp duty of Rs 2.07 lakh instead of Rs 19.50 lakh. This resulted in short levy of stamp duty of Rs 17.43 lakh and penalty of Rs 8.71 lakh.

On this being pointed out, the Inspector General of Registration accepted the short levy of Rs 12.59 lakh based on value of the property worked out as Rs 1.47 crore. The reply is not tenable as the short levy had to be worked out

<sup>2</sup> Figures include registration fee also.



considering the true market value of property as Rs 1.95 crore based on the ready reckoner and penalty was leviable as per the Act.

The matter was reported to Government in July 2003; their reply has not been received (December 2003).

### **3.7 Short levy of stamp duty due to under valuation of property**

As per the Bombay Stamp Act, 1958 stamp duty and registration fee on conveyance deed is leviable on the true market value of the property at the rates applicable to the area in which the property is situated. Besides, a penalty at the rate of 2 *per cent* per month or part thereof on the deficit amount of stamp duty is also payable.

In Sub-Registry, Haveli-I, Pune in respect of thirteen instruments of conveyance registered in 2001, stamp duty and registration fee of Rs 15.51 lakh was charged on the consideration of Rs 1.41 crore set forth in the instruments. The true market value of the property amounted to Rs 4.18 crore on which stamp duty and registration fee of Rs 44.33 lakh was payable. Thus, under valuation of the property resulted in short levy of stamp duty and registration fee of Rs 28.82 lakh and penalty of Rs 11.63 lakh.

On this being pointed out, the Inspector General of Registration accepted short levy of stamp duty and registration fee. However, penalty was not levied. Report on action taken for recovery has not been received (December 2003).

The matter was referred to the Government in July 2003; their reply has not been received (December 2003).







## CHAPTER IV : LAND REVENUE

### 4.1 Results of Audit

Test check of records of land revenue conducted during the year 2002-2003 revealed under assessment, short levy, loss of revenue etc., amounting to Rs 441.18 crore in 373 cases which broadly fall under the following categories:

| Sr. No.      | Category  | Number of cases | Amount (In crore of rupees) |
|--------------|---|-----------------|-----------------------------|
| 1.           | Review on change in use of land   | 1               | 268.80                      |
| 2.           | Non-levy/short levy/incorrect levy of NAA, ZP/VP cess, conversion tax and royalty | 212             | 129.47                      |
| 3.           | Non-levy/short levy/incorrect levy of increase of land revenue                    | 17              | 0.69                        |
| 4.           | Non-levy/short levy of occupancy price etc.                                       | 117             | 41.77                       |
| 5.           | Short levy of measurement fees etc.   | 26              | 0.45                        |
| <b>Total</b> |   | <b>373</b>      | <b>441.18</b>               |

During the course of the year 2002-2003, the Department accepted under assessment of Rs 21.75 crore in 382 cases which had been pointed out in earlier years and recovered the same.

A few illustrative cases involving financial effect of Rs 10.05 crore and a review, **change in use of land**, involving financial effect of Rs 268.80 crore are given in the following paragraphs :



## **4.2 Review: Change in use of land**

### **4.2.1 Highlights**

- Conversion tax and penalty of Rs 240.89 crore was not levied in 44,022 cases of unauthorised change in use of land.

(Paragraph 4.2.7)

- 10,209 out of 10,807 cases of unauthorised change in use of land involving revenue of Rs 2.94 crore detected and reported by the City Survey Officers were not even registered in revenue records of 2 Collectorates.

(Paragraph 4.2.8)

- Non-agricultural assessment of Rs 21.20 crore had remained unrealized from Nagpur Improvement Trust.

(Paragraph 4.2.10)

- Non-vacation of stay granted by Government had resulted in non-realisation of non-agricultural assessment of Rs 2.28 crore.

(Paragraph 4.2.11)

### **4.2.2 Introduction**

Under the Maharashtra Land Revenue (M.L.R.) Code, 1966, land revenue is assessed with reference to the use of land such as agricultural, residential, commercial or any other purpose. Land held or assessed for one purpose cannot be used for another purpose without obtaining the permission of the Collector. When land assessed to agriculture is used for non-agricultural (NA) purpose or vice versa or being assessed to one non-agricultural use is used for another non-agricultural purpose, then the assessment is liable to be altered. Conversion tax was payable at the rate of 3 times the non agricultural assessment (NAA) up to May 1999 and 5 times thereafter. Land pertaining to unauthorised use is either to be restored to its original use or to be regularised. For regularisation of unauthorised use of land fine/penalty may be imposed by the Collector.

### **4.2.3 Organisational set-up**

The District Collector is empowered to grant permission for change in use of land. He is assisted by the Tahasildars and Talathis. The Revenue Department at government level is subdivided into two parts for administration viz. i) Revenue Branch, and ii) Land Records Branch. Revenue Branch is mainly concerned with grant of permission for change in use of land, assessment of land revenue and levy thereof. It is administered by six Divisional Commissioners at regional level and 35 District Collectors at district headquarters. Settlement Commissioner and Director of Land Records, Pune is the administrative head of the Land Record branch with six Regional Deputy Directors working under his control assisted by 35 District Superintendents of land records. City Survey Officers/Taluka Inspectors of Land Records work under the District Superintendents of Land Records in urban and rural areas respectively and are responsible for detecting and



reporting to Tahasildars the cases of unauthorised conversion of use of land. The Divisional Commissioner is the regional administrative head and acts as Appellate Authority in respect of cases decided by the District Collector. Supplementary directives are issued and policy decisions are taken by the Government from time to time under the provisions of the Code.

#### 4.2.4 Audit objectives

With a view to assess the mechanism of implementation of codal provisions in assessment and realisation of land revenue on authorised as well as on unauthorised change in use of land, records were scrutinized in audit to ascertain.

- (i) whether the competent authority granted permission for the change in use of land within the prescribed period;
- (ii) whether NAA was levied timely and accounted for;
- (iii) whether the cases of unauthorised conversion were disposed of promptly and the fine/penalty/conversion tax was recovered wherever applicable.

#### 4.2.5 Scope of Audit

The records of 7 District Collectors, 34 Tahasildars, 6 Sub Divisional Officers (SDOs), 14 City Survey Officers (CSOs) and 5 Taluka Inspector of Land Records Offices (TILR) covering the period from 1997-98 to 2001-02 were test checked in seven out of the 35 districts between January 2003 and August 2003. Results of the test check are mentioned in the following paragraphs.

#### 4.2.6 Trend of revenue collection

The position of assessment, realisation and arrears of NAA during the years from 1997-98 to 2001-2002 is given in the table below:

| (Amount in crore of rupees) |                 |                        |       |                                      |         |
|-----------------------------|-----------------|------------------------|-------|--------------------------------------|---------|
| Year                        | Opening Balance | Demand during the year | Total | Recovery (percentage of Col. 5 to 4) | Balance |
| 1                           | 2               | 3                      | 4     | 5                                    | 6       |
| 1997-98                     | 45.44           | 29.79                  | 75.23 | 18.29 (24)                           | 56.94   |
| 1998-99                     | 56.94           | 18.60                  | 75.54 | 19.31 (26)                           | 56.23   |
| 1999-2000                   | 56.23           | 16.07                  | 72.30 | 18.97 (26)                           | 53.33   |
| 2000-01                     | 53.33           | 30.79                  | 84.12 | 45.02 (55)                           | 39.10   |
| 2001-02                     | 39.10           | 51.55                  | 90.65 | 57.44 (63)                           | 33.21   |

From the above details, it is evident that percentage recovery of non agricultural assessment ranged between 24 per cent and 63 per cent during the period from 1997-98 to 2001-02.

#### 4.2.7 Non-levy of conversion tax and non-imposition of penalty

Under the provisions of Section 45 of the MLR Code, 1966 read with Government of Maharashtra Circular dated 28 February 1989, the holder of land who has changed the use of land unauthorisedly is liable to pay non agricultural assessment and fine. A show cause notice asking the offender to apply within a period of 6 months from the date of issue of notice with necessary documents is required to be issued by the Collector under Section 45(1). Conversion tax wherever applicable, is required to be levied u/s 47 (B) when the unauthorised use is regularised. In case, the holder of land does not



apply for regularisation within six months, the Collector may impose penalty not exceeding Rs 300 for such contravention and a further penalty not exceeding Rs 30 for each day during which the contravention persists.

A test check of records in 7 Tahsils of two districts<sup>1</sup> revealed that 44,022 cases of unauthorised change in use of land were detected during the period from 1996-97 to 2001-02. Notices were also issued to the holders of land who did not apply for regularisation of unauthorised change in use of land. The Department did not take any further action either to regularise the illegal use of land or restore the land to its original use. This resulted in non-recovery of penalty of Rs 169.74 crore and conversion tax of Rs 71.15 crore as per details given below :

(Amount in crore of rupees)

| Sr. No.      | Name of the Additional Tahasildar | No. of cases detected by the Department | Penalty leviable at Rs 300/ case | Further penalty leviable at Rs 30/ day/ case | Total penalty leviable (4) +(5) | Non-levy of conversion tax |
|--------------|-----------------------------------|---|----------------------------------|--|---------------------------------|----------------------------|
| (1)          | (2)                               | (3)                                     | (4)                              | (5)  | (6)                             | (7)                        |
| 1.           | Borivali-II                       | 7,226                                   | 0.22                             | 22.93  | 23.15                           | 8.27                       |
| 2.           | Thane                             | 2,415                                   | 0.07                             | 10.16  | 10.23                           | 9.81                       |
| 3.           | Kurla-III                         | 4,973                                   | 0.15                             | 17.29  | 17.44                           | 0.80                       |
| 4.           | Kalyan-II                         | 3,702                                   | 0.11                             | 10.97  | 11.08                           | 12.14                      |
| 5.           | Kalyan-I                          | 12,418                                  | 0.37                             | 67.70  | 68.07                           | 11.35                      |
| 6.           | Andheri                           | 5,309                                   | 0.16                             | 14.91  | 15.07                           | 22.49                      |
| 7.           | Kurla-I                           | 7,979                                   | 0.24                             | 24.46  | 24.70                           | 6.29                       |
| <b>Total</b> |                                   | <b>44,022</b>                           | <b>1.32</b>                      | <b>168.42</b>                                | <b>169.74</b>                   | <b>71.15</b>               |

On this being pointed out, Collector, Andheri stated that the matter had been referred to Government for permission to levy penalty. The reply is not tenable as the Act empowers the Collector to take action and there was no need to refer the case for any clarification to the Government. The Collector, Thane stated that the powers had already been delegated to the Additional Tahasildars (NAA) for taking appropriate action under the provisions of the MLR Code. The Additional Tahasildars (NA), Thane, however, stated that conversion tax was not levied for want of application for regularisation from the land holders. The reply is not tenable as no action was taken by the Additional Tahasildars either to impose penalty or to restore the land used unauthorisedly to its original use. Neither any report was submitted nor was it called for by the Collector. No returns had been prescribed to bring the facts to the notice of Collector or to the Government. Consequently, no monitoring could be done at the apex level.

#### 4.2.8 Non-levy of non-agricultural assessment

Under the provisions of the MLR Code, cases of unauthorised change in use of land detected by the CSOs and Taluka Inspectors during their survey, are reported to the Tahasildars in urban areas and to SDOs in the rural areas respectively. Collectors or the sub-ordinate officers to whom the powers have been delegated are required to assess the NAA and penalty. The show cause notices are issued to the landholders asking them to restore the land to its

<sup>1</sup> Mumbai Sub-urban and Thane



original use or to get it regularised within a period of six months. No time limit has been fixed for finalisation of these cases.

Cross verification of records of nine CSOs in four districts<sup>2</sup> with that of the respective Tahasildars revealed that 10,807 cases of unauthorised use involving NAA of Rs 2.94 crore detected by CSOs, were reported to the respective Tahasildars. The cases in two districts, Thane and Mumbai Suburban District, were not produced to audit while in two other districts Nagpur and Aurangabad, they were lying unattended.

In reply to audit it was stated by the Tahasildar, Thane and Mumbai Suburban District that 10,209 cases reported by the CSOs were not traceable in their records. The Tahasildars of Nagpur and Aurangabad however, intimated that 598 cases reported to them were pending. Thus, absence of time limit for disposal of cases and inadequate monitoring resulted in non-levy of NAA of Rs 2.94 crore.

#### **4.2.9 Short realisation of NAA due to non-application of revised rates**

Under the provisions of Section 113(ii) of the MLR Code, the standard rate of NAA shall remain in force for a period of 5 years and shall be revised thereafter. The rates of NAA were revised in September 2001 by the Government retrospectively with effect from 1 August 2001.

During the course of audit, it was however, noticed that in three districts Aurangabad, Pune and Kolhapur, the Department continued to recover the NAA in 16,896 cases at pre revised rates during the year 2001-02. This resulted in short realisation of NAA of Rs 92.02 lakh and conversion tax of Rs 13.60 lakh.

On this being pointed out in audit, the Tahasildars concerned stated that recovery will be done after due verification.

#### **4.2.10 Non-recovery from Nagpur Improvement Trust**

Under the provisions of Section 168 of the MLR Code, the Nagpur Improvement Trust (NIT) is liable to pay NAA to State Government in respect of the land leased by it to allottees. Land revenue is to be levied with reference to the nature of use of land.

During the course of audit, it was noticed that NAA of Rs 6.38 crore was payable by NIT for the period 1987-88 to 2000-01. However, the amount was neither paid by the NIT nor demanded by the Department.

On this being pointed out the Department raised a demand for Rs 21.20 crore in December 2002. However, no recovery has been made as NIT, Nagpur had referred the matter to Government in February 2003 for adjustment of stamp duty payable to them by Government. The Collector, Nagpur stated in September 2003 that the matter was pending with the Government for decision.

#### **4.2.11 Non-vacation of stay by government.**

In accordance with government instructions issued in August 1993, any stay granted by Government without specifying the period of stay shall be deemed

<sup>2</sup> Mumbai Sub-urban, Thane, Nagpur and Aurangabad



to have been vacated automatically after lapse of three months from the date of issue of the stay order.

During the course of scrutiny of records in Kolhapur District, it was noticed that in 5,778 cases, demand of Rs 2.28 crore for the year 2001-02 was raised at the revised rates. However, recovery was stayed by the Additional Secretary, Revenue & Forests Department in May 2002. Since, no specific period was mentioned in the stay order granted by the Government, the stay should have been treated as vacated after August 2002. However, no action was taken for recovery resulting in non-realisation of NAA of Rs 2.28 crore.

On this being pointed out, Collector stated that recovery would be made after Government vacates the stay. The reply is not tenable as the Government orders are self-explanatory and it was necessary to recover the NAA as the stay granted automatically lapsed after three months of its issue.

#### **4.2.12 Non-recovery of NAA and fine due to pendency of cases in appeal**

Under the provisions of the MLR Code and the Rules made thereunder, the Collector is empowered to regularise the unauthorised change in use of land if the holder so desires subject to payment of NAA, fine and conversion tax wherever applicable. Government has issued instructions in October 1987 that maximum possible fine (40 times of NAA) should be imposed while deciding the regularisation of unauthorised change in use of land so as to discourage the tendency for unauthorised change. No time limit has been fixed for disposal of appeals.

During the course of audit, it was noticed that 177 cases of unauthorised change in use of land were regularised by Additional Tahasildar (NAA) Kurla-III at Chembur, between 1998 and 2001 by imposing maximum fine of 40 times of NAA. All the land holders had gone in appeal in 2001-02 to the Additional Upper Deputy Collector (MSD) Mumbai against the orders of the Additional Tahasildar (NAA) Kurla-III with the request to condone the fine imposed by him. The appeal cases involving government revenue of Rs 24.75 lakh are lying with the Additional Upper Deputy Collector MSD, Mumbai for a period ranging from 1 to 2 years. In the absence of any time limit for disposal of the appeal cases, government revenue remained unrealised.

On this being pointed out the Additional Upper Deputy Collector, (MSD), Mumbai stated in August 2003 that the cases would be examined by making a reference to the Additional Tahasildar (NAA), Kurla.

#### **4.2.13 Non-raising of demand**

As soon as the order permitting change in use of land is accorded by the Collector, a copy of the same is endorsed to the talathi of the respective unit for keeping necessary note in the registers in Form TF-II and VF-II to watch recovery from the land holders.

Cross verification of permissions granted for non-agricultural use issued by Collectors/SDO with records of respective Talathis, revealed that permission for change in use of land measuring 3,964.47 hectare was granted by Collectors in 32 cases but no entries about such change in use of land were



made in TF-II and VF-II registers by the respective Talathis. This resulted in non-realisation of revenue to Government to the extent of Rs 12.07 lakh for the period from 1997-98 to 2001-02.

On this being pointed out, the Tahasildars concerned stated in June 2003 that action for recovery would be taken after making necessary entries in TF-II and VF-II.

#### **4.2.14 Non-recovery of measurement fee**

As per instructions, measurement fee at the rate of Rs 500 or Rs 1,000 per property/plot is recoverable in respect of rural and urban areas respectively

During scrutiny of records in 3 districts of Pune, Solapur and Yeotmal, it was noticed that in 307 cases and 181 cases in urban and rural areas respectively, change in use was permitted by the respective authorities during the period from 1997-98 to 2001-02. However, measurement fee of Rs 6.11 lakh was not recovered from the land holders.

On this being pointed out the respective CSOs and TILRs stated in August 2003 that necessary recovery would be done.

#### **4.2.15 Conclusion and Recommendation**

Audit findings show monitoring of the cases pending conversion was not satisfactory. The Department failed to levy conversion tax and penalty for illegal use of land. Besides, appeal cases pending finalisation also adversely affected revenue collection. State Government may consider the following steps to improve the effectiveness of the system:

- (i) Devise suitable control mechanism for levy and realization of conversion tax and fine in accordance with the prescribed procedures and norms.
- (ii) Prescribe norms for disposal of appeals pending finalisation with Revenue Authorities.
- (iii) Ensure that the records are maintained properly for timely and effective recovery.

### **4.3 Non-realisation due to non-revision of lease rent.**

Under the provisions of the Maharashtra Land Revenue Code, 1966 and the Rules framed thereunder, any government land can be leased out to any person under grant or contract for such period, for such purpose and on such conditions as may be determined. The grantee of such land shall be called government lessee and shall pay lease rent for the lease period as per the terms and conditions of the lease.

During the course of audit, it was noticed that government land measuring 17,988.20 square meters<sup>3</sup> comprising 3 holdings in Mumbai (Tahsil Borivali) was leased out to M/s Paramount Hotels Private Limited on 30 May 1983 and July 1987 for lease periods of 15 and 30 years subject to payment of lease rent at 8 *per cent* per annum on the prevailing market value of land. As per terms and conditions of lease agreement, the lease rent was to be revised after every

<sup>3</sup> 17988.20 sq.mtrs. = (5538.20+10000+2450) sq.mtrs



5 years on the basis of market value of the land prevailing at that time. Lease rent was, however, not so revised from due dates by taking into consideration the market value of land. This resulted in non-realisation of Rs 2.13 crore.

On this being pointed out, the Department revised the lease rent with retrospective effect for two holdings<sup>4</sup> only in March 2002 and raised demand for Rs 9.26 crore<sup>5</sup> in March 2002, out of which, Rs 0.45 crore only has been recovered in March 2002 and April 2002 leaving a balance of Rs 8.81 crore which could not be recovered due to stay on recovery granted by the Government in June 2002. However, in the third case, the Department stated that revision was not done for want of valuation report from the Town Planning Department.

The matter was reported to Government in June 2003; their reply has not been received (December 2003).

#### **4.4 Non-levy of non-agricultural assessment, increase of land revenue and conversion tax.**

Under the provisions of the Maharashtra Land Revenue Code, 1966 and the Rules framed thereunder read with Government Resolution (December 1988), agricultural land when acquired under the Land Acquisition Act, 1894 and made over for non-agricultural purpose, is liable to non-agricultural assessment (NAA) with reference to the use of land from the date of commencement of non-agricultural use or after the completion of six months from the date of possession whichever is earlier. The increase of land revenue (ILR) at 50 per cent or 100 per cent of land revenue is payable based on the area of land holding. Besides, conversion tax equal to three times the NAA is leviable if the land is situated within the areas of municipal corporation or municipal councils of A or B class.

**4.4.1** In Jalna Tahsil, State Government allotted acquired land measuring 5,68,600 sq. mtrs. within Jalna Municipal Council to Agricultural Produce Market Committee (APMC) for construction of market yard in 1986. It was noticed in May 2002 that the Sub-Divisional Officer, Jalna had ordered Tahasildar, Jalna to levy NAA tax on the built up area of 1,96,333 sq. mtrs. However, Tahasildar Jalna had neither assessed nor levied the NAA tax from 1986-1987 to 2002-2003. This resulted in non-levy of government revenue of Rs 48.36 lakh comprising NAA tax of Rs 23.27 lakh, ILR of Rs 23.27 lakh and conversion tax of Rs 1.82 lakh.

On this being pointed out, the Tahasildar, Jalna accepted the audit observation in January 2003 and raised demand for Rs 48.36 lakh against which the APMC had paid Rs 20.28 lakh. Further progress of recovery has not been received (December 2003).

The matter was reported to Government in June 2003; their reply has not been received (December 2003).

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<sup>4</sup> 5538.20 and 10000sq. mtrs.

<sup>5</sup> As the up-to-date demand was raised by the department.



**4.4.2** In two Tahsils<sup>6</sup> of Thane district, land measuring 10,03,302.93 square meters<sup>7</sup> was put to non-agricultural use. Though the land revenue was assessed and recovered, ILR was either not levied or short levied. This resulted in short/non-levy of increase of land revenue of Rs 18.14 lakh.

On this being pointed out, the Department accepted in February 2003 the under-assessment but no recovery was effected (December 2003).

The matter was reported to Government in July 2003; their reply has not been received (December 2003).

#### **4.5 Non-levy of land revenue and cess due to failure in making entries in basic records**

Under the provisions of the Maharashtra Land Revenue Manual, Volume-V register in Taluka Form (TF) II and in Village Form (VF) II are basic records and the entries made therein form the basis for assessing land revenue for raising demand for non-agricultural assessment (NAA). Failure to make entries in the forms may result in non-recovery of land revenue and consequent recurring loss.

Sub-Divisional Officer, Jalna accorded permission for non-agricultural use of 40,000 square meters of land in village Jafrabad (Jalna district), in February 1995, out of which 24,592 square meters was proposed for residential purpose. However, the orders conveying permission of NAA were not entered in the relevant records *i.e.* TF-II/VF-II. This resulted in non-levy of land revenue of Rs 12.38 lakh including cess of Rs 10.71 lakh for the period from 1995-96 to 2002-03.

On this being pointed out, the Tahasildar, Jalna accepted the omission in January 2003 and stated that demand notices would be issued. Further progress of recovery has not been received (December 2003).

The matter was reported to Government in June 2003; their reply has not been received (December 2003).

<sup>6</sup> Palghar and Vasai

<sup>7</sup> 1003302.93 sq.mtr. =(210800+92800+215600+138988+256087+89027.93) sq.mtr.



1. The first part of the paper is devoted to a general discussion of the problem of the origin of life. It is shown that the problem is one of the most important and most difficult in the history of science. It is a problem which has attracted the attention of philosophers, scientists, and the general public alike. The problem is one of the most important and most difficult in the history of science. It is a problem which has attracted the attention of philosophers, scientists, and the general public alike.

2. The second part of the paper is devoted to a discussion of the various theories which have been advanced to explain the origin of life. It is shown that there are many different theories, each of which has its own merits and its own difficulties. The theories range from the idea of spontaneous generation to the idea of intelligent design. Each theory has its own merits and its own difficulties.

3. The third part of the paper is devoted to a discussion of the evidence which has been used to support the various theories. It is shown that there is a great deal of evidence which supports the idea of spontaneous generation. There is also a great deal of evidence which supports the idea of intelligent design. The evidence is often conflicting, and it is difficult to see how one theory can be supported more than another.

4. The fourth part of the paper is devoted to a discussion of the philosophical implications of the problem of the origin of life. It is shown that the problem has important implications for our understanding of the nature of life and the universe. It is a problem which has attracted the attention of philosophers, scientists, and the general public alike.

5. The fifth part of the paper is devoted to a discussion of the future of the problem of the origin of life. It is shown that there is still much to be learned about the origin of life. There are many questions which remain unanswered, and it is likely that new theories will be advanced in the future. The problem is one of the most important and most difficult in the history of science. It is a problem which has attracted the attention of philosophers, scientists, and the general public alike.



## CHAPTER V : OTHER TAX RECEIPTS

### 5.1 Results of audit

Test check of records of departmental offices conducted during 2002-2003 revealed short realisation or loss of revenue amounting to Rs 111.70 crore in 4,662 cases as listed below :

| Sr. No.      | Nature of receipt   | No. of cases | Amount<br>(In crore of rupees) |
|--------------|---|--------------|--------------------------------|
| 1.           | <b>Review: Education cess and employment guarantee cess</b> | 1            | 13.05                          |
| 2.           | Tax on Buildings (with larger residential premises)         | 593          | 0.28                           |
| 3.           | Entertainments duty   | 862          | 1.45                           |
| 4.           | Electricity duty  | 101          | 53.86                          |
| 5.           | Profession tax  | 3,084        | 0.54                           |
| 6.           | Repair cess   | 21           | 42.52                          |
| <b>Total</b> |   | <b>4,662</b> | <b>111.70</b>                  |

During the course of the year 2002-2003, the Departments concerned accepted under-assessments *etc.*, in 3,166 cases involving Rs 93.39 crore, of which 161 cases involving Rs 0.05 crore related to 2002-03 and the rest to earlier years. The Departments recovered Rs 50.98 crore in 3,165 cases.

A review, **Levy and collection of state education cess and employment guarantee cess**, having a financial effect of Rs 13.04 crore and a few illustrative cases having financial effect of Rs 100.79 crore are given in the following paragraphs:



## A - STATE EDUCATION CESS AND EMPLOYMENT GUARANTEE CESS

### 5.2 Review: Levy and collection of state education cess and employment guarantee cess

#### 5.2.1 Highlights

- Arrears of state education cess and employment guarantee cess pending collection as on 31 March 2002 amounted to Rs 224.23 crore.

(Paragraph 5.2.7)

- Incorrect grant of exemption to 61 properties used for educational/residential/commercial purposes resulted in under-assessment of Rs 22.42 lakh.

(Paragraph 5.2.9)

- Non-assessment of 110 properties owned by Aurangabad, Kalyan-Dombivali, Nashik, Pune, Pimpri-Chinchwad and Thane Municipal Corporations resulted in non-levy of cesses of Rs 1.49 crore (approximately).

(Paragraph 5.2.10)

- Short/non-remittance of cesses collected by Brihan Mumbai, Thane, Nagpur and Solapur Municipal Corporations into government account amounted to Rs 11.33 crore.

(Paragraph 5.2.11)

#### 5.2.2 Introduction

The Maharashtra Education and Employment Guarantee (Cess) Act, 1962 provides for levy of cess on lands and buildings in municipal areas and on agricultural lands on which crops are raised for the purpose of providing for the cost of promoting education in the State of Maharashtra. State Education Cess (SEC) on land and buildings is levied as a percentage of the annual letting value. Where the land and building is used for non-residential purpose, the rate of cess is twice that prescribed for residential purpose. With effect from 1 April 1975, Employment Guarantee Cess (EGC) is also leviable on lands and buildings used for non-residential purpose as a percentage of the annual letting value<sup>1</sup> for raising resources for implementing the employment guarantee scheme. State education cess and employment guarantee cess are payable at slab rates provided in Schedules A and C of the Act respectively. The assessment of the properties is done by the municipal corporations in cities, municipalities in other areas and the Collectors in cantonments. The Revenue

<sup>1</sup> Annual letting value – means the rateable value or annual letting value or gross annual letting value of buildings or lands as determined in accordance with the relevant municipal law.

Rateable value – Amount of annual rent for which such land/building might reasonably be expected to be let from year to year minus ten per cent of the said annual rent.



& Forests Department is responsible for administering the provisions of the Act.

### 5.2.3 Organisational set-up

The municipal corporation in cities, municipalities in other areas and Collectors in cantonments are authorised to levy and collect the cesses on behalf of the State Government and remit it to government account. The municipal corporations and municipalities are entitled to rebate as prescribed by the State Government.

### 5.2.4 Audit objective

Detailed check of the records of municipal corporations was conducted with a view to ascertain

- (i) whether the system of levy and collection of education cess and employment guarantee cess on lands and buildings was effective and efficient;
- (ii) whether exemption granted and arrears levied in accordance with the prescribed rules and cesses collected were credited in time to government account;
- (iii) whether internal control existed for assessment and recovery.

### 5.2.5 Scope of audit

The relevant records relating to the periods 1997-98 to 2001-02 in eight<sup>2</sup> out of 15 municipal corporations in the state were selected for test check. The eight selected corporations have 49 offices. Of these, records in 24 offices were test checked between December 2002 and April 2003.

### 5.2.6 Budget estimates and actuals

The Budget estimates and actuals of state education cess and employment guarantee cess receipts during the years from 1997-98 to 2001-2002 were as under :

(Amount in crore of rupees)

| Sr. No. | Year      | Budget estimates | Actuals | Variations increase (+) decrease(-) | Percentage of variation column 5 to column 3 |
|---------|-----------|------------------|---------|-------------------------------------|--|
| (1)     | (2)       | (3)              | (4)     | (5)                                 | (6)  |
| 1.      | 1997-1998 | 79.08            | 94.99   | (+) 15.91                           | (+) 20                                       |
| 2.      | 1998-1999 | 106.24           | 103.07  | (-) 3.17                            | (-) 3  |
| 3.      | 1999-2000 | 111.49           | 136.90  | (+) 25.41                           | (+) 23                                       |
| 4.      | 2000-2001 | 114.84           | 103.14  | (-) 11.70                           | (-) 10                                       |
| 5.      | 2001-2002 | 120.58           | 210.70  | (+) 90.12                           | (+) 75                                       |

<sup>2</sup> Aurangabad, Brihan Mumbai, Kalyan-Dombivali, Nashik, Navi Mumbai, Pimpri-Chinchwad, Pune and Thane.



It would be seen from the above table that there is wide variation between the budget estimates and actuals except during 1998-1999. This indicates that the budget estimates were not prepared on realistic basis. On this being pointed out, the Finance Department stated in May 2003 that the collection depends on the actual land revenue recovery, which was not constant, as its collection by the local bodies, was uncertain. The steep increase in collection during the year 2001-2002 was stated to be due to recovery of Rs 144.71 crore from Brihan Mumbai, Pune, Pimpri-Chinchwad and Nagpur Municipal Corporations by adjustment against grants payable to them by Government. The reply of the Department is not tenable, as it should devise a method for prompt payment by local bodies of government dues in to government account immediately on their receipt. This would also reduce accumulation of arrears, which are mounting high as detailed below.

### 5.2.7 Arrears of revenue

As per information collected from the eight municipal corporations, the arrears as on 31 March 2002 amounted to Rs 224.23 crore as shown below :

| (Amount in crore of rupees) |                         |               |                    |               |
|-----------------------------|-------------------------|---------------|--------------------|---------------|
| Sr. No.                     | Name of the Corporation | S.E.C         | E.G.C.             | Total         |
| 1.                          | Brihan Mumbai           | 106.81        | 21.62              | 128.43        |
| 2.                          | Kalyan-Dombivali        | 6.35          | 0.50               | 6.85          |
| 3.                          | Thane                   | 1.63          | 1.46               | 3.09          |
| 4.                          | Navi Mumbai             | 46.95         | 9.65               | 56.60         |
| 5.                          | Pimpri-Chinchwad        | 14.23         | 3.05               | 17.28         |
| 6.                          | Pune                    | 5.92          | Not made available | 5.92          |
| 7.                          | Nashik                  | 1.63          | 0.31               | 1.94          |
| 8.                          | Aurangabad              | 2.33          | 1.79               | 4.12          |
| <b>Total</b>                |                         | <b>185.85</b> | <b>38.38</b>       | <b>224.23</b> |

In none of the corporations except Mumbai and Navi Mumbai Corporations, yearwise break up of the arrears was made available.

The details of the yearwise break up of arrears in respect of Mumbai and Navi Mumbai Municipal Corporations were as follows:

#### (i) Yearwise break up

| (Amount in crore of rupees) |               |              |              |             |
|-----------------------------|---------------|--------------|--------------|-------------|
| Year                        | Mumbai        |              | Navi Mumbai  |             |
|                             | SEC           | EGC          | SEC          | EGC         |
| Upto 1997-98                | 19.26         | 4.41         | 16.97        | 3.21        |
| 1998-99                     | 5.75          | 0.93         | 6.05         | 1.17        |
| 1999-2000                   | 8.43          | 1.49         | 7.59         | 1.51        |
| 2000-01                     | 27.42         | 5.65         | 8.95         | 1.79        |
| 2001-02                     | 45.95         | 9.14         | 7.39         | 1.97        |
| <b>Total</b>                | <b>106.81</b> | <b>21.62</b> | <b>46.95</b> | <b>9.65</b> |



## (ii) Agewise break-up

(Amount in crore of rupees)

|                         | Mumbai        |              | Navi Mumbai  |             |
|-------------------------|---------------|--------------|--------------|-------------|
|                         | SEC           | EGC          | SEC          | EGC         |
| More than 20 years      | 2.04          | 1.15         | -            | -           |
| Between 15 and 20 years | 1.82          | 0.50         | -            | -           |
| Between 10 and 15 years | 3.94          | 0.81         | -            | -           |
| Between 5 and 10 years  | 7.33          | 1.44         | -            | -           |
| Between 3 and 5 years   | 9.89          | 1.45         | 23.02        | 4.38        |
| Between 1 and 3 years   | 81.79         | 16.27        | 23.93        | 5.27        |
| <b>Total</b>            | <b>106.81</b> | <b>21.62</b> | <b>46.95</b> | <b>9.65</b> |

The Revenue and Forests Department responsible for administering the Act is required to maintain relevant records detailing the cesses pending recovery with the collecting agencies, and is also required to watch remittances of the collection into government treasury. However, no such records were produced to audit. The position of arrears was also not made available to audit by the Department.

Agewise analysis in respect of Brihan Mumbai Municipal Corporation indicated that Rs 15.13 crore (SEC) & Rs 3.90 crore (EGC) were in arrears for more than five years and arrears of Rs 91.68 crore (SEC) & Rs 17.72 crore (EGC) were between one and five years old.

**5.2.8 Non-recovery of arrears from closed factories**

Under the Act, education cess and employment guarantee cess is to be levied and collected on lands and buildings used or intended to be used for non-residential purposes.

Information furnished by four<sup>3</sup> municipal corporations revealed that SEC and EGC amounting to Rs 3.04 crore relating to the period between 1997-98 and 2001-02 was due from 335 closed factories which had closed business prior to 1997. The municipal corporations had not indicated the follow up action taken for recovery of the same from the occupiers.

Lack of follow up action on the part of the corporations resulted in non-recovery of Rs 3.04 crore.

**5.2.9 Incorrect grant of exemption**

Under the Act, lands and buildings belonging to a public trust registered under the Bombay Public Trust Act, 1950 and exclusively occupied for charitable purpose or public worship are exempt from cess. Also, lands and buildings belonging to a municipality and used exclusively for public purposes and not used or intended to be used for profit are exempt. If rent is derived, the land and buildings or portion thereof shall not be deemed to be exclusively occupied for public worship or for charitable purposes.

<sup>3</sup> Kalyan-Dombivali, Navi Mumbai, Pimpri-Chinchwad and Thane



A scrutiny of the records in nine offices<sup>4</sup> revealed that 61 properties used for educational/residential/commercial purpose were erroneously exempted from cess. Further, rent was being recovered in respect of all the properties used as hostels of private colleges/residential quarters of hospitals/markets etc. The incorrect exemption resulted in under-assessment of Rs 22.42 lakh for the years from 1997-98 to 2001-2002.

On this being pointed out the municipal corporations stated that the exemptions allowed would be examined and reply furnished. Final replies have not been received (December 2003).

#### 5.2.10 Non-assessment of properties owned by municipal corporations

State education cess & employment guarantee cess are payable at slab rates provided in the Schedules A & C to the Act.

In 6 out of the 8 municipal corporations, a test check of records revealed that the rateable value of 110 properties owned by the corporations was not fixed. The non-assessment of these properties utilised for profit, resulted in non-levy of cesses amounting to Rs 1.49 crore relating to various periods between 1997-98 and 2001-02 worked out on the basis of the data made available to audit by the land and estate wing of the respective corporations as detailed in the following table :

(Amount in lakh of rupees)

| Sr. No.      | Name of the Corporation | No. of properties | Categories of properties                                | S.E.C.        | E.G.C        | Total         |
|--------------|-------------------------|-------------------|---|---------------|--------------|---------------|
| 1.           | Thane                   | 20                | Market/. Residential Quarters/Natyagriha/ Swimming pool | 61.28         | 13.70        | 74.98         |
| 2.           | Aurangabad              | 11                | Natyagriha/Market/ Meeting hall/Quarters                | 11.20         | 2.62         | 13.82         |
| 3.           | Pimpri-Chinchwad        | 27                | Shops and stalls/ Market/Natyagriha                     | 29.93         | 7.25         | 37.18         |
| 4.           | Kalyan-Dombivali        | 4                 | Market/Natyagriha/ commercial complex/ car parking.     | 8.18          | 2.04         | 10.22         |
| 5.           | Nashik                  | 4                 | Shopping Centre/office                                  | 1.19          | 0.30         | 1.49          |
| 6.           | Pune                    | 44                | Natyagriha/Market/ Gymkhana/ Commercial Bldg.           | 8.70          | 2.19         | 10.89         |
| <b>Total</b> |                         | <b>110</b>        |   | <b>120.48</b> | <b>28.10</b> | <b>148.58</b> |

On this being pointed out in March 2003, the Pune Municipal Corporation stated that municipal properties were not being assessed and hence no cess was levied. The reply of the corporation is not tenable as every property including municipal property is to be assessed and rateable value is to be fixed for levy of SEC/EGC at specified rates unless exempted. The plea that the

<sup>4</sup> Mumbai (H/East, P/South, F/South, K/West, K/East and R/Central), Nashik, Thane and Navi Mumbai



properties are owned by the corporation and hence not assessed is incorrect, as rent is being recovered and the premises are not used for public/charitable purpose. The Thane Municipal Corporation stated that action taken to assess the properties would be intimated to audit. The remaining four corporations stated that the assessments would be done. Report of action taken has not been received (December 2003).

### 5.2.11 Short/non-remittance of cess

Under the provisions of the Maharashtra Education and Employment Guarantee Cess Act, 1962 and the rules made thereunder, the corporations are to credit the proceeds of cesses to government account before the expiry of the following week. If any municipal corporation defaults in payment to the state Government of any sum under the Act, the state Government may after holding such enquiry, fix a period for the payment of such sum. The Act also empowers the government to direct the bank/treasury in which the earnings of the municipal corporation are deposited, to pay such sum from such bank account to the state Government. Any such payment made in pursuance of the orders of the government shall be sufficient discharge to such bank/treasury from all liabilities to the municipal corporation.

A test check of records in three corporations and information furnished by three offices of the Brihan Mumbai Municipal Corporation revealed that as against collections of Rs 141.50 crore relating to state education cess, employment guarantee cess and penalty during the years 2000-2001 and/or 2001-2002, the corporations had remitted or adjusted only Rs 130.17 crore resulting in non-remittance of revenue of Rs 11.33 crore as shown below :

(Amount in crore of rupees)

| Name of the corporation  | Period  | Collection    |              |             | Adjustment/Remittance |              |             | Balance to be remitted |             |             |
|--------------------------|---------|---------------|--------------|-------------|-----------------------|--------------|-------------|------------------------|-------------|-------------|
|                          |         | S.E.C.        | E.G.C        | Penalty     | S.E.C.                | E.G.C        | Penalty     | S.E.C.                 | E.G.C       | Penalty     |
| Mumbai (city)            | 2000-01 | 15.10         | 2.94         | NIL         | 15.10                 | 2.00         | NIL         | NIL                    | 0.94        | NIL         |
|                          | 2001-02 | 20.66         | 4.07         | NIL         | 20.66                 | NIL          | NIL         | NIL                    | 4.07        | NIL         |
| Mumbai (Eastern Suburbs) | 2001-02 | 14.99         | 2.34         | 0.01        | 13.78                 | 1.88         | NIL         | 1.21                   | 0.46        | 0.01        |
| Mumbai (Western suburbs) | 2001-02 | 40.30         | 5.30         | 0.12        | 40.30                 | 4.16         | 0.09        | NIL                    | 1.14        | 0.03        |
| Thane                    | 2001-02 | 27.11         | 3.56         | NIL         | 27.16                 | 3.30         | NIL (-)     | 0.05                   | 0.26        | NIL         |
| Nagpur                   | 2001-02 | 3.05          | 0.51         | NIL         | 1.74                  | NIL          | NIL         | 1.31                   | 0.51        | NIL         |
| Solapur                  | 2001-02 | 1.27          | 0.17         | NIL         | NIL                   | NIL          | NIL         | 1.27                   | 0.17        | NIL         |
| <b>Total</b>             |         | <b>122.48</b> | <b>18.89</b> | <b>0.13</b> | <b>118.74</b>         | <b>11.34</b> | <b>0.09</b> | <b>3.74</b>            | <b>7.55</b> | <b>0.04</b> |
| <b>Grand Total</b>       |         | <b>141.50</b> |              |             | <b>130.17</b>         |              |             | <b>11.33</b>           |             |             |

On this being pointed out between July 2002 and August 2002, the Solapur Municipal Corporation stated that the amount would be credited to government account. In respect of Nagpur Municipal Corporation, government had adjusted Rs 1.56 crore against the grants due to the



corporation and the corporation had remitted Rs 0.18 crore. Report of remittance of the balance amount of Rs 11.33 crore has not been received (December 2003).

#### 5.2.12 Absence of provision for levy of interest on delayed remittance

The municipal corporations are to credit the proceeds of the cesses to government account before expiry of the following week. However, the Act does not provide for levy of penalty or interest for delay in remittance of cesses collected by the municipal corporations to government account.

Scrutiny of the remittances made by six corporations revealed that there were delays ranging from one week to over two years in the remittance of cesses collected amounting to Rs 143.73 crore as shown below :

(Amount in crore of rupees)

| Sr. No.      | Name of the Corporation | Period of delay                     | Amount of delayed remittance |              | Total         |
|--------------|-------------------------|-------------------------------------|------------------------------|--------------|---------------|
|              |                         |                                     | SEC                          | EGC          |               |
| 1.           | Thane                   | From 3 months to 12 months          | 12.65                        | 1.21         | 13.86         |
| 2.           | Kalyan-Dombivali        | From 1 week to 3 months             | 1.44                         | 0.10         | 1.54          |
| 3.           | Pimpri-Chinchwad        | From 3 months to over two years     | 34.40                        | 7.11         | 41.51         |
| 4.           | Aurangabad              | From 3 months to 12 months          | 5.66                         | 0.93         | 6.59          |
| 5.           | Navi Mumbai             | From 4 months to 12 months          | 39.78                        | 6.77         | 46.55         |
| 6.           | Pune                    | From 6 months to more than one year | 27.70                        | 5.98         | 33.68         |
| <b>Total</b> |                         |                                     | <b>121.63</b>                | <b>22.10</b> | <b>143.73</b> |

#### 5.2.13 Lack of internal control

(i) According to Schedule 9 of the Bombay Provincial Municipal Corporation Act, 1949, the municipal corporations are to maintain assessment register. In Thane Municipal Corporation in 11 out of 13 wards, initial records viz., assessment register and inspection book were not maintained. Only individual case files of assessment were maintained. In the absence of the assessment register, correctness of the rateable value fixed and the levy and collection of education and employment guarantee cesses could not be verified in audit. Similarly, in Aurangabad and Pune Municipal Corporations, in the absence of description relating to residential/non-residential/commercial properties in the assessment register, the correctness of the rateable value fixed and the cesses levied could not be verified in audit.



On this being pointed out (January 2003), the Thane Municipal Corporation stated that the matter would be investigated and results communicated to audit.

(ii) In respect of 17 municipal properties detailed in the following table, the non-levy of cesses could not be worked out as the assessments were not done and details such as area and the annual letting value was not available on record. No register to serve as a "check list register" was maintained to watch assessment and collection of government dues.

| Sr. No. | Name of the Corporation | No. of properties | Categories of properties                  |
|---------|-------------------------|-------------------|---|
| 1.      | Nashik                  | 4                 | Natyagriha/Swimming pool/ Exhibition Hall |
| 2.      | Pune                    | 4                 | Swimming Pool                             |
| 3.      | Thane.                  | 2                 | Markets                                   |
| 4.      | Aurangabad              | 1                 | Swimming Pool                             |
| 5.      | Pimpri-Chinchwad        | 6                 | Swimming Pool                             |

The above points were reported to Government in June 2003; their reply has not been received (December 2003).

#### 5.2.14 Conclusions and Recommendations

The review revealed that the Department has no control mechanism to monitor the assessment, levy and collection of the cesses and their remittance to government account. Consequently, large sums due to Government have remained out of the Consolidated Fund of the State. There is no provision for levy of interest on delayed remittance of the collections by the corporations to government account. Government may consider the following suggestions to monitor prompt realization of government dues and to enhance revenue collection:

- (i) Develop a system for monitoring the receipts under the provisions of the Act. This may include internal controls to be exercised by the Department for regulating the assessment, levy, collection and remittance of cesses to government account;
- (ii) Prescribe a register to serve as a check list for the live properties in each zone of a corporation;
- (iii) Provision in the Act for levy of interest on delay/default in remittance of collections to government account.



## **B - ELECTRICITY DUTY**

### **5.3 Non-recovery of electricity duty**

Under the provisions of the Bombay Electricity Duty Act, 1958, electricity duty at 15 paise per unit is payable with effect from 1 April 2000 on the consumption of energy generated, by a person carrying on an industry and consumed by him for such industry.

A scrutiny of the records in the office of the Electrical Inspector, Thane in April 2001 revealed that electricity duty amounting to Rs 2.14 crore on 14.24 crore units of energy generated and consumed during various periods between April 2000 and March 2001, was not levied and recovered from 13 Industrial units.

On this being pointed out, the Department issued demand notices for Rs 2.14 crore between April 2001 and May 2001 and recovered Rs 0.05 crore from 10 industrial units between April 2001 and September 2001. Report on recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

### **5.4 Non-levy of interest on incorrect retention of electricity duty**

Under the Bombay Electricity Duty Act, 1958 and the Rules made there under every licensee, who supplies electricity to consumers, is required to collect electricity duty from the consumers and together with his own charges pay it to the state government by the prescribed date. Further, if the duty collected is not deposited by the prescribed date, interest at the rate of 18 *per cent* per annum for the first three months and at the rate of 24 *per cent* per annum thereafter is chargeable on the amount of duty remaining unpaid till the date of payment.

The Maharashtra State Electricity Board (MSEB) had collected electricity duty aggregating Rs 501.26 crore for the period from March 2002 to January 2003 from the consumers but had not remitted the amount to government account by the prescribed date (February 2003). The interest payable on the unpaid duty upto the end of March 2003 amounted to Rs 53.33 crore.

The matter was reported to the Department and Government in May 2003. Government issued (March 2003) resolution adjusting the electricity duty payable by the Board for the period from 1 April 2002 to 31 March 2003. However, action taken to levy interest of Rs 53.33 crore on the incorrect retention of duty upto March 2003 has not been received (December 2003).



## C - ENTERTAINMENTS DUTY

### 5.5 Non/short realisation of entertainments duty from cable/dish antenna operators

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

During test check of records in 19 offices<sup>5</sup> in 10 districts<sup>6</sup>, it was noticed that in respect of 251 cable and dish antenna operators, entertainments duty amounting to Rs 32.51 lakh was neither paid by the operators nor demanded by the Department for various periods between May 1998 and March 2001. In 6 cases of Borivali Zone V and Wardha, entertainments duty recovered was short by Rs 1.06 lakh.

On this being pointed out in audit, the Department recovered entertainments duty of Rs 22.55 lakh from 184 cable/dish antenna operators between July 1999 and October 2002. Report on recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## D - PROFESSION TAX

### 5.6 Non/short realisation of profession tax

Under the provisions of the Maharashtra State Tax on Professions, Trades, Callings and Employment Act, 1975 and the Rules made thereunder, every person liable to pay profession tax is required to obtain certificate of enrolment from the Profession Tax Officer and pay tax annually at the rates prescribed in the schedule to the Act. In the case of salary and wage earners the employer is required to obtain a registration certificate and deduct tax at the rates prescribed in the schedule and remit it to Government.

During test check of records in ten Profession Tax Offices<sup>7</sup> it was noticed that 655 persons enrolled had not paid profession tax amounting to Rs 12.31 lakh for various periods falling between 1997-1998 and 2001-2002. Further, in three offices<sup>8</sup>, there was short recovery of Rs 0.63 lakh in respect of 88

<sup>5</sup> **R.D.C.:** Akola, Amravati, Aurangabad, Hingoli, Latur, Mumbai, Nanded and Wardha.

**Tahasildars:** Andheri Zone I, III and IV Borivali Zone V, VI, VII and VII-A, Kurla Zone IX, X, EDO Pune Zone A and E

<sup>6</sup> Amravati, Akola, Aurangabad, Hingoli, Latur, Mumbai (city), Mumbai (suburbs), Nanded, Pune and Wardha.

<sup>7</sup> Aurangabad, Barshi, Kalyan, Malegaon, Nagpur, Parbhani, Ratnagiri, Sangli, Sindhudurg and Yeotmal

<sup>8</sup> Akola, Buldhana and Mumbai



enrolled persons and Rs 1.53 lakh in the cases of three registration certificate holders for periods falling between 1998-99 and 2000-01.

On this being pointed out, the Department recovered Rs 4.15 lakh in 161 cases between September 1999 and December 2002. Report of recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## **E - REPAIR CESS**

### **5.7 Short levy of repair and reconstruction cess**

Under the provisions of the Maharashtra Housing and Area Development Act, 1976, repair and reconstruction cess is leviable at slab rates as a percentage of the rateable value of the buildings in the city of Mumbai as prescribed in the second schedule to the Act.

In Mumbai, it was noticed in 'G' and 'F'(South) wards that in respect of 62 properties repairs were completed between April 2000 and March 2001. However, due to application of incorrect slab rates an amount of Rs 13.12 lakh was levied short for the year 2000-2001.

On this being pointed out in audit, demands for Rs 1.21 lakh were raised in May 2002 at revised rates in respect of five properties in 'F' (South) ward by the Department. Report of recovery and action taken in the remaining cases has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

### **5.8 Non-remittance of repair cess**

Under the provisions of the Maharashtra Housing and Area Development Act, 1976 (effective from 5 December 1977), repair cess recovered by the Brihan Mumbai Municipal Corporation on behalf of the State Government is required to be credited to the Consolidated Fund of the State within 15 days from the date of recovery after deducting therefrom 5 *per cent* of the amount of cess recovered towards cost of collection. The Act empowers the government to direct the bank or treasury in which the earnings of the municipal corporation are deposited to pay such sums to the State Government. Any such payment made in pursuance of the orders of government shall be sufficient discharge to such bank/treasury from all liabilities to the municipal corporation.

As per information furnished by the Brihan Mumbai Municipal Corporation, repair cess amounting to Rs 42.41 crore collected by it during the period April 2002 to 31 March 2003 was not remitted to government account. No action was taken by the Department to get the government dues credited into government account.



The matter was reported to Government in May 2003; their reply has not been received (December 2003).

## **F - TAX ON BUILDINGS** **(With Larger Residential Premises)**

### **5.9 Non-remittance of tax**

Under the provisions of the Maharashtra Tax on Buildings (with Larger Residential Premises) (Re-enacted) Act, 1979 tax recovered by a municipal corporation on behalf of the State Government shall be credited to the Consolidated Fund of the State within 30 days from the date of its recovery. If any municipal corporation defaults in payment to the State Government of any sum under the Act, the State Government may after holding such enquiry, fix a period for payment of such sum. The Act also empowers the government to direct the bank/treasury in which the earnings of the municipal corporation are deposited to pay such sum from such bank account to the State Government. Any such payment made in pursuance of the orders of government shall be sufficient discharge to such bank/treasury from all liabilities to the municipal corporation.

In two offices<sup>9</sup> of the Brihan Mumbai Municipal Corporation, it was noticed that government revenue amounting to Rs 1.47 crore collected on account of tax on buildings during the periods falling between June 2000 and March 2002 was not credited to government account.

On this being pointed out in audit, the municipal corporation stated in August 2002 and April 2003 that the amount was not remitted owing to non-receipt of its dues from the Government. The reply of the corporation is not tenable as such retention is against the provisions of the Act.

The matter was reported to Government in May 2003; their reply has not been received (December 2003).

### **5.10 Non-levy of tax**

Under the provisions of the Maharashtra Tax on Buildings (with larger Residential premises) (Re-enacted) Act, 1979 tax is leviable (with effect from 1 April 1974) on all buildings in corporation area containing residential premises with floor area exceeding 125 square meters and whose rateable value exceeds one thousand five hundred rupees. The rate of tax is ten *per cent* of the rateable value of the residential premises. The tax is collected in the same manner in which property tax is collected by the municipal corporations.

It was noticed in audit that tax of Rs 82.43 lakh in respect of 2,488 properties for the period 1999-2000 and 2000-2001 was not demanded by the Brihan Mumbai Municipal Corporation. Similarly, the Kolhapur Municipal

<sup>9</sup> Mumbai (Eastern Suburbs) and Mumbai (Western Suburbs)



Corporation did not raise demands for Rs 0.75 lakh in respect of 113 properties for the year 2000-2001. The total non-levy of tax amounted to Rs 83.18 lakh.

On this being pointed out, the municipal corporations raised demands for the years 1999-2000 and 2000-2001 and recovered Rs 2.15 lakh in 106 cases for the year 1999-2000 and Rs 48.59 lakh in 1,449 cases for 2000-2001. Report on recovery of the balance amount has not been received (December 2003).

The matter was reported to Government in May 2003; their reply has not been received (December 2003)



## CHAPTER VI : Non-Tax Revenue

### 6.1 Results of audit

Test check of records of non-tax receipts conducted during the year 2002-2003 revealed under-assessment/short levy/loss of revenue *etc.*, of Rs 1,263.25 crore in 75 cases, which broadly fall under the following categories:

| Sr. No.      | Category  | No. of cases | Amount<br>(In crore of rupees) |
|--------------|---|--------------|--------------------------------|
| 1.           | Loss of forests revenue   | 36           | 13.89                          |
| 2.           | Loss of revenue due to deterioration in transit, on sale, non-extraction/non-lifting of material other than tendu leaves and bamboo | 7            | 1.47                           |
| 3.           | Loss of tendu leaves  | 1            | 0.04                           |
| 4.           | Miscellaneous   | 14           | 7.15                           |
| 5.           | Others  | 14           | 0.34                           |
| 6.           | Levy and collection of guarantee fees   | 1            | 1,032.78                       |
| 7.           | <b>Review: User charges for service from irrigation projects</b>  | 1            | 108.70                         |
| 8.           | <b>Review: Disposal of sand ghats</b>   | 1            | 98.88                          |
| <b>Total</b> |   | <b>75</b>    | <b>1,263.25</b>                |

During the course of the year 2002-2003, the Departments accepted under-assessments, *etc.*, in 32 cases involving Rs 518.46 crore, of which one case involving Rs 516.88 crore had been pointed out during 2002-03 and the rest in earlier years. Of these the Departments recovered Rs 1.58 crore in 31 cases.

Two reviews, **User charges for water supply from irrigation projects** and **Disposal of sand ghats** involving financial effect of Rs 207.58 crore and a few illustrative cases involving financial effect of Rs 1,039.34 crore noticed during 2002-03 and in earlier years are detailed in the following paragraphs :



## 6.2 Levy and collection of guarantee fees

### 6.2.1 Introduction

According to Article 293 of the Constitution of India, a State Government can give guarantees on the Consolidated Fund of the State. Such guarantees constitute contingent liabilities for the state. Guarantee fee is levied at the rates prescribed by Government from time to time. No ceiling has been fixed by the legislature on guarantees which could be extended by the state.

### 6.2.2 Guarantees given by government

Details of guarantees issued by government for repayment of loans etc., raised by statutory corporations, co-operative societies including banks, government companies, local bodies including municipal corporations and others and outstanding as on 31 March 2002 were as under:

| (Amount in crore of rupees) |  |                           |   |
|-----------------------------|--|---------------------------|---|
| Sr. No.                     | Guarantees issued in favour of   | Maximum amount guaranteed | Sum guaranteed outstanding on 31 March 2002 |
| i)                          | State corporations including statutory boards                                  | 20,499.78                 | 990.78                                      |
| ii)                         | Co-operative banks   | 6,955.67                  | Information not furnished                   |
| iii)                        | Government companies   | 760.48                    | 238.10                                      |
| iv)                         | Co-operative sugar factories   | 1,872.44                  | Information not furnished                   |
| v)                          | Municipal corporations/ municipalities/ zilla parishads and other local bodies | 1,238.29                  | 305.19                                      |
| vi)                         | Other co-operatives and institutions   | 2,647.53                  | 0.89  |
| <b>Total :</b>              |  | <b>33,974.19</b>          | <b>1,534.96</b>                             |

Note : For details see statement No. 6 in the Finance Accounts of the Government of Maharashtra for the year 2001-2002.

The information regarding sum guaranteed outstanding as on 31 March 2002 in respect of co-operative banks and co-operative sugar factories, though called for in September 2003, has not been received (December 2003).

### 6.2.3 Budget estimates and actuals

The Budget estimates and actual receipts of guarantee fees for the years 1997-98 to 2001-2002 were as under:



| (Amount in crore of rupees) |                  |                 |  |  |
|-----------------------------|------------------|-----------------|--|--|
| Year                        | Budget Estimates | Actual receipts | Difference<br>(+) Increase<br>(-) Decrease | Percentage of variation<br>column (4) to<br>column (2) |
| 1.                          | 2.               | 3.              | 4.   | 5.   |
| 1997-98                     | 38.72            | 44.62           | (+) 5.90                                   | (+) 15   |
| 1998-99                     | 97.33            | 45.39           | (-) 51.94                                  | (-) 53   |
| 1999-2000                   | 53.00            | 113.37          | (+) 60.37                                  | (+) 114  |
| 2000-01                     | 47.23            | 145.28          | (+) 98.05                                  | (+) 208  |
| 2001-02                     | 104.00           | 38.94           | (-) 65.06                                  | (-) 63   |

The increase in revenue during 1997-98 was attributed by Government to enhancement of the rate of guarantee fee from 1 April 1997. The shortfall in 1998-99 was attributed to proposals for raising money by public sector undertakings through issue of bonds not materializing. The increase in revenue during the years 1999-2000 and 2000-01 was stated to be due to better monitoring of recovery. The decrease in receipts during the year 2001-02 was attributed to recession and reluctance of investors to invest in government undertakings.

On an enquiry regarding the basis for framing of budget estimates and revised estimates for a year, the Finance Department stated that the same were prepared by adding 10 *per cent* to the previous years actuals. This is indicative of lack of system for framing realistic estimates.

#### 6.2.4 Lack of internal control and monitoring

Despite reiteration of non-maintenance of records resulting in lack of internal control and monitoring in the earlier audit reports, the Public Works, Irrigation and Industries, Energy & Labour Departments had not maintained records and had not prescribed any return for monitoring the recovery of guarantee fees. The Co-operation & Textiles and Finance Departments had made a beginning in maintenance of records; however, information regarding guarantee fees due, collected and in arrears is not as yet available/maintained.

#### 6.2.5 Non-payment of guarantee fees

As per government resolutions dated 18 April 1988 and 15 April 1997, guarantee fees at the rate of 2 *per cent* per annum is chargeable on the principal and interest due from institutions/bodies other than specific co-operative institutions. There is no system of raising demands for guarantee fees either by the Administrative Departments or by the Finance Department. Guarantee fees on the outstanding amounts as on 31 March and 30 September is to be credited to government account on 1 April and 1 October respectively every year by the loanee corporations.



## A. PUBLIC WORKS DEPARTMENT

### *Maharashtra State Road Development Corporation (MSRDC)*

The Public Works Department extended guarantees to the MSRDC between December 1997 and March 2002 for the issue of market bonds aggregating to Rs 3,600 crore. Against these guarantees, the corporation raised Rs 3,217.23 crore through issue of bonds. The Chief Accounts and Finance Officer of the corporation was made responsible for remittance of guarantee fees.

The guarantee fees of Rs 151.70 crore payable at the rate of 2 per cent per annum for the periods falling between October 2000 and March 2003, had not been paid by the corporation. Neither the Public Works Department nor the Finance Department had raised any demand for collection of guarantee fees due from the corporation (May 2003).

## B. IRRIGATION DEPARTMENT

The Irrigation Department issued sanctions between July 1996 and July 2002 to stand guarantee for the issue of 38 series of bonds aggregating Rs 11,144.49 crore by five corporations. The corporations raised Rs 10,280.68 crore as subscription between 9 July 1996 and 7 January 2003.

A scrutiny of the government resolutions and sanctions relating to levy and collection of guarantee fees in respect of these corporations revealed that the Chief Accounts and Finance Officer of the respective corporations were made responsible for recovery and remittance of guarantee fees. However, the guarantee fees payable at the rate of 2 per cent per annum was not paid for various periods falling between May 1998 and March 2003 amounting to Rs 516.88 crore

On this being pointed out, the corporations stated that due to poor cash flow and financial constraint guarantee fees could not be paid to Government. The Irrigation Department had accorded permission to the corporations in April 2002 to adjust the amount of guarantee fees and penal interest due to Government against the capital contributions payable by Government to the corporations. However no resolutions adjusting the amount of guarantee fees and penal interest payable by any of the corporations had been issued upto September 2003. Hence, the said amount was neither recovered nor adjusted against the capital contribution. Failure to pursue recovery by the Department resulted in the dues remaining unpaid.

The above facts indicate that a strong internal control mechanism was missing to ensure prompt collection and remittance of guarantee fees to Government.

### **6.2.6 Non-levy of penal interest on delayed payment**

Guarantee fees on the amount outstanding as on 31 March and 30 September is to be credited to government account on 1 April and 1 October respectively every year. As per government resolution dated 18 November 1988, for delay in payment of guarantee fees, penal interest is payable at the rate of 16 per cent per annum for the first 3 months and at the rate of 24 per cent per annum thereafter.

PAC recommendation  
12th Report  
(2002-03)



Test check of records maintained by 6 corporations in April 2003 and May 2003 revealed that penal interest amounting to Rs 364.20 crore for various periods between 1 May 1998 and 31 March 2003 on overdue payments of guarantee fees was not levied and recovered. The period of delay ranged between 6 to 78 months resulting in loss of Rs 364.20 crore in the shape of penal interest.

### 6.2.7 Co-operation and Textiles Department

According to information furnished by the Director of Marketing, Pune, Commissioner for Cooperation & Registrar of Co-operative Societies Pune, Commissioner of Sugar, Pune and Director of Handlooms, Powerlooms & Textiles, Nagpur, the guarantee fees and penal interest due but not received as on 31 March 2003 amounted to Rs 166.45 crore as indicated in the following table:

| Sr. No.      | Name of the institution   | Head of the department.  | Arrears as on | Arrears of revenue (In crore of rupees) |
|--------------|---|--|---------------|---|
| 1            | 2   | 3  | 4             | 5                                       |
| (i)          | Maharashtra State Co-operative Cotton Growers Marketing Federation Ltd, Mumbai.   | Director of Marketing, Pune.   | 31 March 2002 | 72.96                                   |
| (ii)         | Maharashtra State Co-operative Agricultural & Rural Development Bank Ltd, Mumbai. | Commissioner for Co-operation & Registrar of Co-operative Societies, Pune. | 31 March 2003 | 13.13                                   |
| (iii)        | Maharashtra State Co-operative Housing Finance Corporation, Mumbai.               | Commissioner for Co-operation & Registrar of Co-operative Societies, Pune. | 31 March 2003 | 0.22                                    |
| (iv)         | Sugar factories   | Commissioner of Sugar, Pune.   | 31 March 2003 | 46.30                                   |
| (v)          | Co-operative spinning mills   | Director of Handlooms, Powerlooms & Textiles, Maharashtra, Nagpur.         | 31 March 2003 | 33.84                                   |
| <b>Total</b> |   |  |               | <b>166.45</b>                           |

Despite provision for levy of penal interest for delay in payment of guarantee fees, in none of the cases it was levied or demanded.

On the reasons for non-recovery being called for in audit, the heads of the Departments stated that due to weak financial position of the institutions the amounts remained unpaid.

The above points were reported to Government in July 2003; their reply has not been received (December 2003).



### **6.3 Non-realisation of revenue due to non-enforcement of contract conditions**

An agreement for supply of bamboo to Ballarpur Industries Ltd. from government forests for the period of ten years was executed in February 2000 with retrospective effect from 1 October 1991. The agreement provided that forest areas specified in it shall be deemed as bamboo available areas for cutting and removal by the company. The company was liable to pay for all such bamboo, irrespective of whether the company had cut and removed them, at the sale price for respective supply years.

During audit scrutiny, it was observed that the Department had issued allotment orders for extraction of bamboo for the year 1994-95 at 15,000 MT as annual estimated yield. However, the estimated yield was not approved by Government after 1994-95. Taking the annual yield as same for subsequent years the total yield of bamboo for the period from 1995-96 to 2000-01 works to 1,05,000 MT valued at Rs 8.33 crore. However, the company paid royalty of Rs 3.89 crore on 47,631.732 MT. This resulted in non-realisation of revenue of Rs 4.44 crore.

On this being pointed out, the Department accepted the audit observation in September 2003 stating that demand for recovery of Rs 4.56 crore had been raised against the company in June 2003. Report on recovery has not been received (December 2003).

The matter was referred to Government in April 2003; their reply has not been received (December 2003).

### **6.4 Non-recovery of dues**

Under the provisions of the Maharashtra Public Works Manual and the Rules framed thereunder, where a bungalow, flat or other building or land belonging to Government is let out to a person not in government service, the full rent should be recovered in advance and any outstanding dues shall be recoverable as arrears of land revenue.

It was noticed in the Presidency Division, Mumbai that barracks and hutments on government owned land in the prime localities of Mumbai city covering a carpet area of 36,669 square feet were allotted to different political parties, state corporations, state authorised bodies, news agencies and authorised stall owners on monthly rent to be recovered in advance. However, due to lack of pursuance by the Public Works Department, rent amounting to Rs 2 crore for the period 1971-72 to November 2002 was not recovered from the occupants and had remained outstanding as shown in the following table :



| Sr. No.      | Name of tenant          | Number of allottees | Kind of place       | Area in Sq. Ft. | Period for which outstanding | Amount (In crore of rupees) |
|--------------|-------------------------|---------------------|---------------------|-----------------|------------------------------|-----------------------------|
| 1.           | Political Parties       | 16                  | Barracks & Hutments | 24,063          | 1971-72 to November 2002     | 1.71                        |
| 2.           | State Authorised Bodies | 4                   | -do-                | 4,645           | May 1976 to November 2002    | 0.20                        |
| 3.           | News Agencies           | 3                   | -do-                | 774             | April 1984 to November 2002  | 0.06                        |
| 4.           | State Authorised Stalls | 8                   | -do-                | 1,276           | April 1982 to November 2002  | 0.02                        |
| 5.           | State Corporations      | 5                   | -do-                | 5,911           | May 2002 to November 2002    | 0.01                        |
| <b>Total</b> |                         |                     |                     | <b>36,669</b>   |                              | <b>2.00</b>                 |

On this being pointed out, the Department stated in December 2002 that notices had been issued to the defaulters for the recovery of rent. However, revenue recovery certificate could not be issued as the recovery proceedings were stayed by Government.

No action was taken to get the stay vacated, resulting in non-recovery of government dues.

The matter was reported to Government in July 2003; their reply has not been received (December 2003).



## 6.5 Review: Disposal of sand ghats

### 6.5.1 Highlights

- Non-auction of 2,971 out of 5,175 identified sand ghats in river beds and nalla beds, and 6 sand ghats in creeks resulted in loss of revenue of Rs 95.96 crore.

(Paragraph 6.5.6)

- Royalty/penalty for unauthorised extraction of sand amounting to Rs 2.11 crore was not recovered.

(Paragraph 6.5.7)

- Balance auction money of Rs 0.81crore was not paid by the highest bidders.

(Paragraph 6.5.8)

### 6.5.2 Introduction

Under the provisions of the Maharashtra Land Revenue (MLR) Code, 1966 the right to all minerals including sand at whatever places found, whether on surface or underground, including all derelict<sup>1</sup> or working mines and quarries, old dumps<sup>2</sup>, pits, fields, bandhas, nallas, creeks, riverbeds and such other places and declared to be expressly reserved, shall vest in the State Government, which shall have all powers necessary for the proper enjoyment of such rights. In Maharashtra, minor mineral extraction is governed by three sets of rules. (i) The Bombay Minor Mineral Extraction Rules, 1955 (for Western Maharashtra Region), (ii) The Maharashtra Minor Mineral Extraction (Vidarbha Region) Rules, 1966 and (iii) Rules regulating the working of Minor Minerals, 1954 (for Marathwada Region). No specific procedure for disposal of sand ghats has been laid down in the Maharashtra Land Revenue Code or the Minor Mineral Rules. The Government had issued detailed guidelines in March 1989 and July 1998 for identification of sand ghats, fixation of upset price and their disposal. Apart from auction in accordance with the guidelines, sand is disposed of by the issue of temporary permits by charging royalty. As per the limits prescribed by Government in January 1970, officials are empowered to issue temporary permits as follows:

- Tahasildars upto 100 brass<sup>3</sup>
- Sub-Divisional Officers upto 1,000 brass
- Collectors upto 10,000 brass

The permits are issued to the applicants for specific periods and the Department issues transport permits to the applicants for the quantity of sand permitted for extraction.

<sup>1</sup> Abandoned, ownerless, ruined

<sup>2</sup> Depressions

<sup>3</sup> Brass: A unit of measurement of mineral. 4 metric tonnes or 2.83 cubic meters of sand is equal to one brass.



### 6.5.3 Organisational set-up

The District Collectors under the administrative control of the Revenue and Forests Department administer the provisions of the Act and Rules. They are assisted by the District Mining Officers, Sub-Divisional Officers (SDO) and Tahasildars who are responsible for identification and disposal of sand ghats in the district. Senior Geologist of the Ground Water Survey and Development Agency (GSDA) is the technical advisor for assessing the feasibility of sand ghats from environmental point of view. As regards sand ghats in creeks, the Chief Executive Officer, Maharashtra Maritime Board (MMB) is the competent authority for inspection and certification of the extractability of sand.

### 6.5.4 Audit Objectives.

A review through test check of connected records of 10<sup>4</sup> out of 35 districts and the Director of Geology and Mining, Nagpur was conducted covering the period from 1997-98 to 2001-02 between March 2003 and June 2003 in order to ascertain.

- i) the adequacy and effectiveness of the system and procedures followed, and compliance to the provisions of the MLR Code, Minor Mineral Extraction Rules and the guidelines issued by the Government;
- ii) whether records were being maintained for the identification of sand ghats and appropriate procedure followed for their disposal;
- iii) whether revenue collections are being made correctly and promptly.

### 6.5.5 Trend of revenue

The receipts from minor minerals included in the budget estimates and the actuals during the last five years ending March 2002 were as under:

| (Amount in crore of rupees) |                  |         |   |                         |
|-----------------------------|------------------|---------|---|-------------------------|
| Year                        | Budget Estimates | Actuals | Variation [Increase(+) or Decrease (-)] | Percentage of variation |
| 1997-98                     | 33.27            | 58.23   | (+) 24.96                               | 75                      |
| 1998-99                     | 58.23            | 50.67   | (-) 7.61                                | 13                      |
| 1999-2000                   | 81.03            | 60.53   | (-) 20.50                               | 25                      |
| 2000-01                     | 84.78            | 82.28   | (-) 2.50                                | 3                       |
| 2001-02                     | 82.59            | 88.43   | (+) 5.84                                | 7                       |

The above receipts include royalty received on sale of sand for which no separate records had been maintained, in the absence of which, the factual position of receipts on this account could not be ascertained.

<sup>4</sup> Ahmednagar, Aurangabad, Bhandara, Chandrapur, Nagpur, Nanded, Pune, Raigad, Sangli, Thane



It would be further seen that there is a huge variation ranging from 3 to 75 per cent between the budget estimates and actual receipts. This indicates that the estimates are not realistic.

#### 6.5.6 Non-auction of sand ghats

##### (i) Loss due to non-auction of sand ghats in river/nalla beds

As per guidelines issued by the Government of Maharashtra, the Collector of a district is required to identify the sand ghats and also to assess through mining Officers/Tahasildars the approximate quantity of sand likely to be available from each ghat. The assessment is to be done at the end of April/ May each year and the upset price of each ghat is to be fixed either based on the amount of royalty recoverable on assessed quantity of sand or the amount arrived at after increasing the previous year's auction price by 15 per cent, whichever is higher. The norms prescribed by Government for fixing the upset price were applicable throughout the state uniformly. Apart from auction, sand could be disposed of by the issue of temporary permits by charging royalty.

The total number of sand ghats fit for auction during 1997-98 to 2001-02 in the state was not maintained by Government. However, during the test check of records in the 10 districts, it was noticed that 5,175 sand ghats were identified for auction. Out of these, 2,971 sand ghats were not auctioned. This resulted in loss of Rs 77.41 crore during the period from 1997-98 to 2001-02 as detailed in the following table :

| Year         | Sand ghats identified as fit for auction | Sand ghats actually auctioned | Sand ghats not auctioned | Upset price of sand ghats not auctioned (In crore of rupees) | Percentage of Col. 4 to 2 |
|--------------|--|-------------------------------|--------------------------|--|---------------------------|
| 1            | 2  | 3                             | 4                        | 5  | 6                         |
| 1997-98      | 1,011                                    | 528                           | 483                      | 14.04  | 48                        |
| 1998-99      | 1,056                                    | 440                           | 616                      | 13.47  | 58                        |
| 1999-2000    | 984                                      | 399                           | 585                      | 15.95  | 59                        |
| 2000-01      | 1,038                                    | 431                           | 607                      | 13.04  | 58                        |
| 2001-02      | 1,086                                    | 406                           | 680                      | 20.91  | 63                        |
| <b>Total</b> | <b>5,175</b>                             | <b>2,204</b>                  | <b>2,971</b>             | <b>77.41</b>   |                           |

On this being pointed out, nine Collectors attributed in June 2003 the reasons for non-auction to unreasonably high upset price, absence of approach road for removal of sand, substandard sand and inadequate replenishment of sand due to scanty rain fall. The Collector, Ahmednagar stated that the identified ghats remained undisposed due to litigation in the Mumbai High Court from 1997 onwards.

The reply is not tenable as the sand ghats are identified departmentally and upset price is also fixed by them as per approved guidelines. Moreover, sand could have been disposed of by issue of temporary permits.



Out of the 243 cases in which the upset price was stated to be fixed unreasonably high in 3 districts, the Collector, Sangli referred in January 2002, 64 cases involving Rs 1.72 crore to the Divisional Commissioner, Pune for reducing the upset price. However, no decision was taken by the Divisional Commissioner (April 2003). In other cases, none of the Collectors had referred the matter to higher authorities for reducing the upset price where the upset price was found to be not commensurate with the quality/ quantity of sand or due to other reasons.

Government had also not prescribed any system for reporting the progress and results of annual auction of sand ghats to the Divisional Commissioners and to the Government by the respective Collectors. The Collectors did not submit any return to the higher authorities for exercise of proper control over the identification and timely auction of sand ghats.

### (ii) Loss of revenue due to non-auction of sand in creeks

Government had issued detailed guidelines in March 1989 and July 1998 in connection with disposal of sand in river and nalla beds. No specific guidelines were issued in respect of sand available in creeks. Therefore, sand in creeks at Raigad and Thane Districts were disposed of by the respective Collectors on ad-hoc basis. This resulted in loss of revenue of Rs 18.55 crore to Government as detailed below:

#### (a) Disposal of sand in creeks in Raigad District

| Sr. No.  | Name of Sand ghat in Raigad District | Period of non-auction | Nature of Irregularities   | Amount involved (In crore of rupees) |
|--|--------------------------------------|-----------------------|--|--------------------------------------|
| 1.   | Dharmtar Creek No.3                  | 1996-97 to 2001-02    | The sand ghat was auctioned in 1995-96 for Rs 80.11 lakh. Thereafter, no efforts were made to dispose of the sand ghat.  | 8.06                                 |
| The sand was not disposed of from this ghat due to opposition by local villagers since 1996-97. However, no action was taken by the collector to settle the dispute with the villagers to save the government from loss. The collector also did not refer the matter to Government.  |                                      |                       |  |                                      |
| 2.   | Ulwa Creek No.4                      | 1999-2000 to 2000-01  | The sand ghat was auctioned in 1998-99 for Rs 1.74 crore. Thereafter, the ghat remained idle for 2 years from 1999-2000 to 2000-2001 leading to a loss of Rs 4.30 crore. During 2001-2002, the upset price was fixed at Rs 81.01 lakh instead of Rs 2 crore. Consequently, the ghat fetched less price of Rs 1.19 crore. | 5.49                                 |
| Maharashtra Maritime Board responsible for inspection of creeks for these two years had demanded advance payment of inspection fee of Rs 6.72 lakh. However, payment was not made due to absence of budget provision. Perusal of the record indicated that no advance fee was demanded for the subsequent year i.e. 2000 -2001 nor was it demanded earlier i.e. prior to 1999-2000. The Department should have taken up the matter with the Board in advance to save the Government from loss. |                                      |                       |  |                                      |



| Sr. No.   | Name of Sand ghat in Raigad District | Period of non-auction | Nature of Irregularities  | Amount involved (In crore of rupees) |
|---|--------------------------------------|-----------------------|---|--------------------------------------|
| 3.  | Savitri River No. 1                  | 1999-2000             | Permits were issued upto September 1999 for disposal of sand. Thereafter, no extraction was done upto February 2000. This resulted in loss of Rs 0.65 crore based on the price fixed during 2000-01 | 0.65                                 |
| The Maharashtra Maritime Board had demanded in February 1999 an advance payment of inspection fee of Rs 8.50 lakh and the payment was not made. Hence, no inspection was conducted in this creek. The Department should have taken up the matter with the Board in advance to save the Government from loss on account of non-extraction of sand during 1999-2000 |                                      |                       |   |                                      |
|   | <b>Total</b>                         |                       |   | <b>14.20</b>                         |

**(b) Disposal of sand in creeks in Thane District**

In Thane District, permits were issued for extraction of sand from three creeks manually by charging royalty of Rs 28 per brass as prescribed by Government. A comparison of the sale of sand made in auction in the creeks in Raigad District with the sale of sand in adjoining Thane District revealed that the price of sand per brass prescribed by Government was far less than that obtained from auction in Raigad District. This resulted in loss of revenue of Rs 4.35 crore due to the difference between the auction price of the sand from creek in Raigad *vis-a-vis* the royalty recovered in Thane during the year 2000-01 as detailed below :

| Year           | Cost of sand as per auction in Raigad (Rupees per brass) | Cost of sand fixed by Government (Rupees per brass) | Difference in rate (Rupees per brass) | Quantity of sand sold by permit in Thane (brass in lakh) | Difference in amount realised (In crore of rupees) |
|----------------|--|---|---------------------------------------|--|--|
| 2000-01        | 36   | 28  | 8                                     | 10.75  | 0.86   |
| 2001-02        | 55   | 28  | 27                                    | 12.94  | 3.49   |
| <b>Total :</b> |  |   |                                       | <b>23.69</b>   | <b>4.35</b>  |

On this being pointed out, Government stated in March 2003 that on the basis of the recommendations of the Collectors of the various districts, the rate for sand was fixed at Rs 150 per brass in June 1992. However, due to protest from contractors, Government reduced the rate of royalty on sand to Rs 50 per brass in January 1994 and further reduced it to Rs 28 per brass in June 1998. However, the fact remains that for want of auction of sand ghats, and levy of royalty at the rate of Rs 28 per brass fixed in June 1998, Government had to sustain loss of revenue.



### **6.5.7 Non-recovery of royalty and penalty for unauthorised removal of sand.**

Under the MLR Code, 1966 every person against whom a demand has been raised/issued shall pay the dues, within the period, specified in the demand notice provided that the demands have not been stayed by courts or departmental authorities. The arrears remaining unpaid can be recovered as arrears of land revenue. No time limit has been fixed for disposal of appeals by Departmental authorities.

It was noticed in 20 cases, 64,819 brass of sand was extracted and removed unauthorisedly in 4 districts<sup>5</sup> between 1999-2000 and 2001-2002. A penalty of Rs 2.11 crore was levied between 1999-2000 and 2001-02 and demand notices asking the offenders to pay the dues immediately were also issued by the Department. However, the dues could not be recovered.

On this being pointed out in audit, the Collectors attributed non-recovery to pendency of one case in court and 19 cases with Departmental Appellate Authorities. The reply is not tenable as no stay was granted in any of the cases, and the Department should have recovered the dues as arrears of land revenue. Besides, a time limit should have been fixed by the Department for finalisation of appeal cases by its officers.

### **6.5.8 Non-payment of balance auction money by the highest bidders**

As per the guidelines issued in March 1989 by the Government for disposal of rights for removal of sand by auction, the highest bidder, whose bid is accepted is required to deposit 25 *per cent* of the bid money at the close of the auction. The balance auction money is to be paid in one installment within 15 days. If the agreement is not executed within the prescribed time, the area is to be reaucted and the amount deposited by the bidders forfeited. In case of any deficit in reauction, the deficit amount was to be recovered from the original bidders.

It was seen from the records in 4 district<sup>6</sup> Collectorates that 19 sand ghats were auctioned to 19 bidders for Rs 97.00 lakh. The bidders paid Rs 16.04 lakh at the time of auction. However, thereafter neither any agreement was signed/executed by the bidders nor the balance amount of Rs 80.96 lakh was paid by them. The Department did not take action to reauction the ghats at the cost of the original bidders. This resulted in loss of Rs 80.96 lakh.

### **6.5.9 Monitoring and control mechanism**

Despite clear instructions issued by the Government for maintenance of all records relating to production and dispatch of sand, and ensuring availability of such records at site for inspection by the Revenue Officers/Mining Officers concerned, no monitoring and control was exercised by them by conducting spot verifications, surprise check of records etc., to prevent illegal as well as unlimited extraction of sand.

On this being pointed out in audit, Government stated in March 2003 that it had received complaints about unlimited extraction of sand causing adverse

<sup>5</sup> Aurangabad, Bhandara, Nanded and Pune

<sup>6</sup> Aurangabad, Bhandara, Nanded and Pune



effect on the ecology and depriving government of revenue. These were the main reasons due to which Government had to ban extraction of sand in November 2002 which was subsequently lifted in March 2003.

The reply is not tenable as the Government itself had issued detailed guidelines in 1989 but no proper monitoring was done or control exercised to prevent illegal and unlimited extraction.

#### **6.5.10 Conclusion**

No monitoring of operation of sand ghats/extraction of sand was done by the Department nor any returns prescribed for the purpose. Government may consider the following suggestions for prompt levy and realisation of government revenue.

- (i) Introduce controls to ensure monitoring of identification and disposal of sand ghats at higher level;
- (ii) Prescribe norms for and monitor disposal of appeals to prevent blockage of revenue.



## **6.6 Review: User charges for water supply from irrigation projects**

### **6.6.1 Highlights**

- Arrears of water charges amounting to Rs 591.71 crore were pending recovery as on 31 March 2002.

(Paragraph 6.6.7)

- Shortfall in utilisation of irrigation facilities created resulted in loss of revenue of Rs 34.99 crore during the years 1997-98 to 2001-02.

(Paragraph 6.6.9)

- Loss of water owing to various reasons resulted in non-availability of water with consequential loss of revenue of Rs 3.53 crore.

(Paragraph 6.6.10)

- Non-utilisation of reserved water in three districts during the periods 1996-97 and 2001-02 resulted in claims for Rs 1.27 crore remaining outstanding against various agencies.

(Paragraph 6.6.11)

### **6.6.2 Introductory**

The levy and collection of irrigation receipts is governed by the Maharashtra Irrigation Act, 1976 (MIA) and The Bombay Canal Rules, 1934 (BCR). Supply of water for irrigation and non-irrigation purposes is mainly from the reservoirs, tanks, flowing canals of the irrigation projects or from any part of the rivers including its tributaries, streams, lakes, natural collection of water, lift irrigation works or from wells under the command of irrigation projects as notified by Government. The water rates for irrigation purpose are levied on the basis of seasonal cropping pattern per hectare except water supplied to users association which is on volumetric basis. For non-irrigation purposes, the rates are based on the quantity of water supplied to the user and the location of the source for lifting the water. The water for non-irrigation purposes is supplied mainly to industries and for drinking to water supply schemes. Water charges are levied and recovered at prescribed rates from time to time. The rates were revised effective from July 1998 and September 2001.

In addition to water rates, a local cess at 20 paise on every rupee of water rate is also leviable. For unauthorized use of water, penalty upto 3 times the normal rate is levied.

### **6.6.3 Organisational set-up**

The Irrigation Department is headed by Secretary, Irrigation and Secretary, Command Area Development Authority at government level and Chief Engineer (CE) at the departmental level. The Chief Engineer is assisted by Superintending Engineers who are assisted by Executive Engineers, Sub Divisional Officers and Patwaris at the field level. In addition, Government



created five Irrigation Development Corporations between February 1996 and August 1998. For the purpose of revenue receipts, the state has been divided into two regions, viz. Konkan and Nagpur located at Mumbai and Nagpur respectively and each under a Chief Engineer.

#### 6.6.4 Audit Objectives

The review was conducted to ascertain the efficiency and efficacy of

- (i) the system of levy and collection of water charges from beneficiaries;
- (ii) accounting of the outstanding dues and action taken for its recovery.

#### 6.6.5 Scope of Audit

Due to formation of the five<sup>7</sup> Irrigation Development Corporations, water charges collected by the divisions (30) under the Chief Engineers, Konkan and Nagpur regions only are credited to government account. Records for the periods between 1996-97 and 2001-02 relating to levy and collection of water charges in Mantralaya, offices of the Chief Engineers, Konkan and Nagpur Regions and 13 divisions<sup>8</sup> under these regions were test checked between October 2002 and April 2003.

#### 6.6.6 Trend of revenue

The details of budget estimates and actual receipts during the last five years are as follows :

(In crore of rupees)

| Sr. No. | Year      | Head of Revenue                            | Budget estimates | Actuals        | Variations increase (+) Decrease(-) | Percentage of variation Column 6 to Column 4 |
|---------|-----------|--|------------------|----------------|-------------------------------------|--|
| (1)     | (2)       | (3)  | (4)              | (5)            | (6)                                 | (7)  |
| 1.      | 1997-1998 | A) Major and Medium<br>B) Minor Irrigation | 53.92<br>3.33    | 52.07<br>5.91  | (-) 1.85<br>(+) 2.58                | 3<br>77                                      |
| 2.      | 1998-1999 | A) Major and Medium<br>B) Minor Irrigation | 57.38<br>3.84    | 33.65<br>19.85 | (-) 23.73<br>(+) 16.01              | 41<br>417                                    |
| 3.      | 1999-2000 | A) Major and Medium<br>B) Minor Irrigation | 45.97<br>3.52    | 61.63<br>5.24  | (+) 15.66<br>(+) 1.72               | 34<br>49                                     |
| 4.      | 2000-2001 | A) Major and Medium<br>B) Minor Irrigation | 56.89<br>3.56    | 62.49<br>5.69  | (+) 5.6<br>(+) 2.13                 | 10<br>60                                     |
| 5.      | 2001-2002 | A) Major and Medium<br>B) Minor Irrigation | 64.00<br>6.00    | 86.03<br>5.55  | (+) 22.03<br>(-) 0.45               | 34<br>8                                      |

<sup>7</sup> Maharashtra Krishna Valley, Vidharbha Irrigation, Tapi Irrigation, Konkan Irrigation and Godavari Marathwada Irrigation Development Corporations.

<sup>8</sup> Surya Canal Divn. No. 1, Dist. Thane, Bhatsa Dam Divn. No. 1, Bhatsanagar, Dist. Thane, Bhatsa Canal Divn. No. 1 Shahapur Thane, Raigad Irrigation Divn., Kolad, Thane minor irrigation Divn. Kalwa, Ratnagiri Irrigation Divn., Ratnagiri, Akola Irrigation Divn., Akola, Yeotmal Irrigation Divn. Yeotmal, Pench Pilot Project Divn. Nagpur, Nagpur Minor Irrigation Divn. Nagpur, Bagh Itiadoh Irrigation Divn. Gondia, Chandrapur Irrigation Divn. Chandrapur and Bhandara Irrigation Division, Gondia.



The table indicates that variation between budget estimates and actual receipts ranged between 3 to 41 *per cent* for major and medium irrigation and between 8 to 417 *per cent* for minor irrigation respectively. Reasons for variation, though called for have not been received (December 2003).

#### 6.6.7 Position of Arrears

A monthly statement is submitted by the Department to the Government. Based on these monthly returns the arrears pending as on 31 March 2002 amounted to Rs 591.71 crore. The yearwise/regionwise details for the preceding 3 years is given below:

(In crore of rupees)

| Year      | C.E. Konkan Region, Mumbai |                |        | C.E. Nagpur Region, Nagpur |                |       | Total  |
|-----------|----------------------------|----------------|--------|----------------------------|----------------|-------|--------|
|           | Irrigation                 | Non-irrigation | Total  | Irrigation                 | Non-irrigation | Total |        |
| 1999-2000 | 3.14                       | 241.73         | 244.87 | 22.05                      | 15.40          | 37.45 | 282.32 |
| 2000-2001 | 3.51                       | 427.07         | 430.58 | 27.67                      | 17.84          | 45.51 | 476.09 |
| 2001-2002 | 3.71                       | 543.02         | 546.73 | 29.55                      | 15.43          | 44.98 | 591.71 |

#### 6.6.8 Analysis of arrears

A scrutiny of the information revealed the following:

##### 6.6.8 (a) CE Konkan Region, Mumbai

- i) 17 industries against whom Rs 2.08 crore were outstanding had been closed.
- ii) Dues of Rs 43.46 crore from 17 units were stayed by courts.
- iii) Owing to disputes regarding payment of water charges, Rs 182.08 crore levied as penalty charges on various units of the Maharashtra Industrial Development Corporation and the Maharashtra Jeevan Pradhikaran were outstanding.

The details of the balance amount of Rs 315.40 crore from various agencies and Rs 3.71 crore outstanding on account of irrigation dues were not made available by the Department.

##### 6.6.8 (b) CE Nagpur Region, Nagpur.

Out of the irrigation dues of Rs 29.55 crore relating to Nagpur Region, Rs 8.81 crore constituted charges levied for unauthorized use of water. The details of the balance of Rs 20.74 crore and Rs 15.43 crore on account of non-irrigation dues were not made available by the Department.

The agewise break up of Rs 591.71 crore outstanding as on 31 March 2002 was not made available.

Despite provisions in Section 88 of the Maharashtra Irrigation Act, 1976 for recovery of arrears as arrears of land revenue, except for sending notices in a few cases, no action was taken to recover the dues. The arrears pending



collection as on 31 March 2003 has not been received from Government (September 2003).

## A WATER CHARGES FOR IRRIGATION PURPOSES

### 6.6.9 Irrigation potential

The irrigation potential projected, created and utilised under different projects in Konkan and Nagpur Regions as furnished by the Department is shown in the following table

(Potential in Hectares)

| Name of the Project             |                          | Average created potential | Potential utilised |                 |                 |                 |                 | Average potential utilised during the last 5 years |           |
|---------------------------------|--------------------------|---------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|--|-----------|
|                                 |                          |                           | 1997-1998          | 1998-1999       | 1999-2000       | 2000-2001       | 2001-2002       | %  |           |
| Major Projects                  | Bhatsa, Thane            | 4,982                     | 762                | 946             | 1,016           | 1,200           | 810             | 947  | 19        |
|                                 | Surya, Thane             | 10,286                    | 2,330              | 900             | 1,590           | 2,160           | 2,000           | 1,796  | 17        |
|                                 | Kal, Raigad              | 5,037                     | 4,175              | 4,118           | 4,184           | 4,264           | 4,080           | 4,164  | 83        |
|                                 | Pench, Nagpur            | 1,04,476                  | 55,264             | 67,421          | 74,246          | 48,261          | 44,607          | 57,960   | 55        |
|                                 | Katepurna, Akola         | 8,325                     | 2,087              | 2,336           | 2,693           | 5,940           | 3,898           | 3,391  | 41        |
|                                 | Bor, Wardha              | 16,194                    | 2,802              | 5,244           | 7,831           | 7,960           | 3,182           | 5,404  | 33        |
|                                 | Bagh & Kalisaras, Gondia | 36,777                    | 28,743             | 30,355          | 31,832          | 24,198          | 27,879          | 28,601   | 78        |
|                                 | Itiadh, Gondia           | 29,680                    | 22,978             | 27,421          | 28,352          | 20,687          | 28,469          | 25,582   | 86        |
|                                 | Pus, Yeotmal             | 8,960                     | 3,922              | 3,890           | 3,023           | 4,432           | 4,887           | 4,031  | 45        |
| <b>Total</b>                    |                          | <b>2,24,717</b>           | <b>1,23,063</b>    | <b>1,42,631</b> | <b>1,54,767</b> | <b>1,19,102</b> | <b>1,19,812</b> | <b>1,31,876</b>                                    | <b>59</b> |
| Medium Projects in the District | Nagpur                   | 29,254                    | 3,623              | 7,809           | 9,562           | 9,658           | 10,471          | 8,225  | 28        |
|                                 | Wardha                   | 3,557                     | 1,177              | 1,290           | 1,572           | 1,616           | 1,422           | 1,415  | 40        |
|                                 | Akola                    | 13,245                    | 1,798              | 3,097           | 4,072           | 4,283           | 5,000           | 3,650  | 28        |
|                                 | Yeotmal                  | 26,121                    | 3,791              | 3,250           | 6,949           | 9,719           | 9,756           | 6,693  | 26        |
|                                 | Ratnagiri                | 2,050                     | 250                | 240             | 152             | 139             | 160             | 188  | 9         |
|                                 | Raigad                   | 2,599                     | 2,294              | 2,313           | 2,251           | 2,130           | 2,120           | 2,222  | 85        |
|                                 | Thane                    | 2,044                     | 536                | 224             | 770             | 786             | 730             | 609  | 30        |
|                                 | <b>Total</b>             | <b>78,870</b>             | <b>13,469</b>      | <b>18,223</b>   | <b>25,328</b>   | <b>28,331</b>   | <b>29,659</b>   | <b>23,002</b>                                      | <b>29</b> |
| Minor Schemes in the District   | Nagpur                   | 18,919                    | 2,385              | 5,998           | 7,653           | 7,818           | 9,097           | 6,590  | 35        |
|                                 | Wardha                   | 5,970                     | 1,528              | 2,010           | 2,626           | 2,780           | 2,009           | 2,191  | 37        |
|                                 | Akola                    | 6,238                     | 413                | 1,706           | 1,624           | 1,855           | 1,977           | 1,515  | 24        |
|                                 | Yeotmal                  | 29,978                    | 2,163              | 4,711           | 6,131           | 7,634           | 8,317           | 5,791  | 19        |
|                                 | Ratnagiri                | 3,485                     | 138                | 120             | 158             | 153             | 190             | 152  | 4         |
|                                 | Raigad                   | 5,759                     | 2,007              | 1,460           | 2,032           | 2,770           | 2,210           | 2,095  | 36        |
|                                 | Thane                    | 4,726                     | 1,214              | 1,285           | 1,500           | 1,625           | 1,185           | 1,362  | 29        |
|                                 | Sindhudurg               | 3,385                     | 758                | 773             | 656             | 524             | 743             | 691  | 20        |
| <b>Total</b>                    |                          | <b>78,460</b>             | <b>10,606</b>      | <b>18,063</b>   | <b>22,380</b>   | <b>25,159</b>   | <b>25,728</b>   | <b>20,387</b>                                      | <b>26</b> |



The average percentage of utilisation during the last five years was 59 *per cent* in respect of major projects, 29 *per cent* in respect of medium projects and 26 *per cent* in respect of minor schemes. Further, in Ratnagiri District, the utilisation in respect of minor schemes and medium projects was as low as four and nine *per cent* respectively for the period under review which clearly indicates that excessive potential was created without requirement for this region. In Thane District, in respect of Bhatsa and Surya Projects, the average utilisation was only 18 *per cent*.

The potential loss of revenue on account of shortfall in utilisation of the irrigation facilities created, worked out to Rs 34.99 crore (approximately) for the years from 1997-1998 to 2001-2002 as detailed in the following table :

| Project | Average potential created (In Hectares) | Potential utilised |          | Shortfall (in Hectares) | Minimum paddy rate in rupees | Loss (In lakh of rupees) |
|---------|---|--------------------|----------|-------------------------|------------------------------|--------------------------|
|         |   | Year               | Hectares |                         |                              |                          |
| Major   | 2,24,717                                | 1997-1998          | 1,23,063 | 1,01,654                | 300                          | 304.96                   |
|         |   | 1998-1999          | 1,42,631 | 82,086                  | 300                          | 246.26                   |
|         |   | 1999-2000          | 1,54,767 | 69,950                  | 330                          | 230.84                   |
|         |   | 2000-2001          | 1,19,102 | 1,05,615                | 365                          | 385.49                   |
|         |   | 2001-2002          | 1,19,812 | 1,04,905                | 400                          | 419.62                   |
| Medium  | 78,870                                  | 1997-1998          | 13,469   | 65,401                  | 300                          | 196.20                   |
|         |   | 1998-1999          | 18,223   | 60,647                  | 300                          | 181.94                   |
|         |   | 1999-2000          | 25,328   | 53,542                  | 330                          | 176.69                   |
|         |   | 2000-2001          | 28,331   | 50,539                  | 365                          | 184.47                   |
|         |   | 2001-2002          | 29,659   | 49,211                  | 400                          | 196.84                   |
| Minor   | 78,460                                  | 1997-1998          | 10,606   | 67,854                  | 300                          | 203.56                   |
|         |   | 1998-1999          | 18,063   | 60,397                  | 300                          | 181.19                   |
|         |   | 1999-2000          | 22,380   | 56,080                  | 330                          | 185.06                   |
|         |   | 2000-2001          | 25,159   | 53,301                  | 365                          | 194.55                   |
|         |   | 2001-2002          | 25,728   | 52,732                  | 400                          | 210.93                   |
| Total   |   |                    |          |                         |                              | 3,498.60                 |

The Department attributed the shortfall in utilisation to (i) small land holdings of the farmers (ii) tendency to grow traditional crop like paddy (iii) illiterate and tribal farmers (Thane) (iv) work of some distributaries, canals pending for



want of clearance from Forests Department (v) leakages from canals, distributaries resulting in non-assurance of supply, (vi) field to field irrigation, (vii) low demand for water in kharif season (Akola, Bagh-Itiadh projects). The reply of the Department is not tenable because the Department was well aware of the type of holding, cropping pattern and other aspects when the project was planned and there is no drastic change in these even now. This clearly indicated improper planning on the part of the Department. Government had not taken effective steps to utilize the created potential.

#### 6.6.10 Loss of water released for irrigation purposes.

(i) In respect of two major projects<sup>9</sup> in Thane District and medium and minor projects in Ratnagiri and Sindhudurg Districts of Konkan Region, the actual irrigation carried out by farmers with reference to water released indicated huge loss of water. The consequential loss of revenue for the period from 1996-1997 to 2001-2002 amounted to Rs 1.52 crore as detailed in the following table :

| Year      | Quantity of water released for irrigation by projects |                           | Area of land to be irrigated in the projects |                             | Area of land actually irrigated in the projects |                             | Area of land less irrigated in the projects |                             | Loss of revenue from projects (In lakh of rupees) |                  |
|-----------|---|---------------------------|--|-----------------------------|---|-----------------------------|---|-----------------------------|---|------------------|
|           | Major in m.cum  | Medium and minor in m.cum | Major in hectare                             | Medium and minor in hectare | Major in hectare                                | Medium and minor in hectare | Major in hectare                            | Medium and minor in hectare | Major   | Medium and minor |
| 1996-97   | N.A.  | 62.7792                   | N.A.   | 6,277.20                    | N.A.  | 1,245.80                    | N.A.  | 5,031.64                    | N.A.  | 15.09            |
| 1997-98   | N.A.  | 59.100                    | N.A.   | 5,909.00                    | N.A.  | 745.35                      | N.A.  | 5,163.00                    | N.A.  | 15.49            |
| 1998-99   | N.A.  | 63.244                    | N.A.   | 6,323.00                    | N.A.  | 1,133.35                    | N.A.  | 5,189.00                    | N.A.  | 15.57            |
| 1999-2000 | N.A.  | 64.876                    | N.A.   | 6,486.00                    | N.A.  | 965.98                      | N.A.  | 5,519.00                    | N.A.  | 18.20            |
| 2000-01   | 97.87   | 70.793                    | 9,787  | 7,079.00                    | 1,371   | 816.27                      | 8,416                                       | 6,263.00                    | 30.71   | 22.86            |
| 2001-02   | 99.197  | N.A.                      | 9,920  | N.A.                        | 1,464.90  | N.A.                        | 8,455                                       | N.A.                        | 33.81   | N.A.             |
|           |   |                           |  |                             |   |                             |   |                             | 64.52   | 87.21            |

#### N.A. Not made available by the department.

On this being pointed out in November and December 2002, the Department stated that the loss was due to the following reasons :

- canals not being lined with concrete.
- some canal works, like distributaries, etc., being held up for want of forest land (Thane District).
- leakage in structures.
- field to field irrigation by beneficiaries in tribal area.

However, action taken to eradicate the loss was not intimated.

<sup>9</sup> Bhatsa Right Bank Canal and Surya Left Bank Canal



(ii) In Surya Project, pending sanction of forest land, only 166.523 m.cum of water was stored in the dam every year as against the full capacity of 285.31 m.cum by closure of gates and the remaining water was allowed to go waste. Due to non-storage of 118.79 m.cum of water every year, there was a consequential reduction in the created potential to the extent of 11,879 hectares resulting in loss of revenue of Rs 2.01 crore during the last five years ended 31 March 2002 as under :

| Year         | Vol. of water which could not be stored in m.cum. | Area of land which would have been irrigated in hectares <sup>#</sup> | Rate for paddy per hectare | Loss of Revenue (in lakh of rupees) |
|--------------|---|---|----------------------------|-------------------------------------|
| 1997-98      | 118.79  | 11,879  | 300                        | 35.63                               |
| 1998-99      | 118.79  | 11,879  | 300                        | 35.63                               |
| 1999-2000    | 118.79  | 11,879  | 330                        | 39.20                               |
| 2000-01      | 118.79  | 11,879  | 365                        | 43.36                               |
| 2001-02      | 118.79  | 11,879  | 400                        | 47.52                               |
| <b>Total</b> |   |   |                            | <b>201.34</b>                       |

#### 6.6.11 Non-utilization of reserved water

As per government instructions from time to time, the Collector can reserve water from the irrigation dam for drinking purposes during scarcity period as per requirements of different agencies such as zilla parishads, Maharashtra Jeevan Pradhikaran etc.

A test check of records in three districts revealed that in spite of instructions of government to reserve water after making proper assessment, 49 *per cent* of water reserved by the Collectors for various periods between 1996-97 and 2001-2002 remained unutilised. This resulted in less realisation of government revenue of Rs 12.44 lakh on account of water not being available for irrigation. Moreover, water charges amounting to Rs 1.27 crore on account of reservation of water remained outstanding against various agencies located at Bhandara, Yeotmal and Gondia between 1996-97 and 2001-02.

<sup>#</sup> 1 m.cum. of water is required to irrigate 100 hectares



| Name of district | Year      | Water Reserved Water utilised in m. cum. | Unutilised Water in m. cum. | Area that could be irrigated in hectares* | Minimum Paddy Rate Rs./ hectare | Loss of revenue (in lakh of rupees.) |
|------------------|-----------|--|-----------------------------|---|---------------------------------|--------------------------------------|
| Bhandara         | 1996-97   | <u>10</u><br>8.76                        | 1.24                        | 124                                       | 300                             | 0.37                                 |
|                  | 2000-01   | <u>4.24</u><br>0.18                      | 4.06                        | 406                                       | 365                             | 1.48                                 |
| Yeotmal          | 1997-98   | <u>12.4</u><br>8.20                      | 4.20                        | 420                                       | 300                             | 1.26                                 |
|                  | 1998-99   | <u>4.0</u><br>3.5                        | 0.50                        | 50  | 300                             | 0.15                                 |
|                  | 1999-2000 | <u>2.00</u><br>0.95                      | 1.05                        | 105                                       | 330                             | 0.35                                 |
|                  | 2000-01   | <u>7.27</u><br>4.05                      | 3.22                        | 322                                       | 365                             | 1.18                                 |
| Gondia           | 1999-2000 | <u>0.10</u><br>0.10                      | Nil                         | Nil                                       | NA                              | NA                                   |
|                  | 2000-01   | <u>10.8</u><br>7.11                      | 3.69                        | 369                                       | 365                             | 1.35                                 |
|                  | 2001-02   | <u>17.92</u><br>2.17                     | 15.75                       | 1575                                      | 400                             | 6.30                                 |
| Total            |           | <u>68.73</u><br>35.02                    | 33.71                       |   |                                 | 12.44                                |

\* 1 m. cum of water is required to irrigate 100 hectares.

#### 6.6.12 Fixation of water charges

Various Commissions<sup>10</sup> appointed by Government have been suggesting since 1960 that the rates of water charges for operation and irrigation projects should be re-fixed so as to recover the expenditure on maintenance and a part of the capital cost of the project. The rates of water charges both for irrigation and non-irrigation purposes were revised in July 1998 and again in October 2001 effective from September 2001. However, for industries, the rates were reduced w.e.f. November 2002 with retrospective effect. In respect of Maharashtra Industrial Development Corporation, which was a major customer, revised rates were made applicable only from December 2002 instead of from September 2001 as per directives of the Irrigation Department.

An analysis of information furnished by the Department in respect of 5 major projects and 5 medium and minor projects revealed that expenditure incurred on operation and maintenance charges was far more than the actual receipts in most of the projects as detailed below:

<sup>10</sup> (i) Finance Commission(s) (8<sup>th</sup>, 9<sup>th</sup> & 10<sup>th</sup>)

(ii) Maharashtra Water & Irrigation Commission (1999), (iii) National Water Policy



**(a) Major Projects****(Amount in lakh of rupees)**

| Sr. No. | Name of major project   | 1997-98                      |             | 1998-99                      |             | 1999-2000                    |             | 2000-2001                    |             | 2001-2002                    |             |
|---------|-------------------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|
|         |                         | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age |
| 1.      | Pus, Yeotmal            | <u>9.46</u><br>20.25         | 46.7        | <u>12.39</u><br>19.14        | 64.73       | <u>8.75</u><br>25.68         | 34          | <u>17.67</u><br>8.58         | 205.94      | <u>8.61</u><br>21.34         | 40.34       |
| 2.      | Pench, Nagpur           | <u>19.07</u><br>316.57       | 6.02        | <u>118.90</u><br>350.00      | 33.97       | <u>118.30</u><br>359.50      | 32.9        | <u>55.26</u><br>313.81       | 17.60       | <u>132.88</u><br>285.00      | 46.62       |
| 3.      | Bagh & Kalisaras Gondia | <u>4.91</u><br>Nil           | --          | <u>26.16</u><br>Nil          | --          | <u>50.84</u><br>322.10       | 15.7        | <u>9.77</u><br>220.00        | 4.44        | <u>36.51</u><br>171.05       | 21.34       |
| 4.      | Itiadoh, Gondia         | <u>9.52</u><br>Nil           | --          | <u>40.35</u><br>Nil          | --          | <u>53.08</u><br>319.91       | 16.59       | <u>11.86</u><br>227.20       | 5.22        | <u>54.00</u><br>225.13       | 23.98       |
| 5.      | Surya, Thane            | <u>2.06</u><br>31.00         | 6.6         | <u>2.58</u><br>94.40         | 2.73        | <u>0.36</u><br>217.22        | 0.16        | <u>4.07</u><br>59.99         | 6.78        | <u>0.27</u><br>93.81         | 0.29        |

**(b) Medium and Minor Projects****(Amount in lakh of Rupees)**

| Sr. No. | Name of the district   | 1997-98                      |             | 1998-99                      |             | 1999-2000                    |             | 2000-2001                    |             | 2001-2002                    |             |
|---------|------------------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|------------------------------|-------------|
|         |                        | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age | Irrigation revenue O&M Expdr | Percent-age |
| 1.      | Thane                  | <u>2.89</u><br>34.61         | 8.35        | <u>3.64</u><br>19.96         | 18.23       | <u>3.90</u><br>110.56        | 3.52        | <u>5.85</u><br>51.80         | 11.29       | <u>5.89</u><br>135.65        | 4.34        |
| 2.      | Ratnagiri & Sindhudurg | <u>4.74</u><br>20.86         | 22.72       | <u>4.09</u><br>61.50         | 6.65        | <u>4.03</u><br>50.24         | 8.02        | <u>2.72</u><br>39.85         | 6.82        | <u>7.23</u><br>19.94         | 36.25       |
| 3.      | Chandrapur             | <u>53.96</u><br>265.80       | 20.30       | <u>87.89</u><br>466.17       | 18.85       | <u>112.06</u><br>764.13      | 14.66       | <u>56.05</u><br>323.00       | 17.35       | <u>123.34</u><br>402.20      | 30.66       |
| 4.      | Yeotmal                | <u>9.04</u><br>126.68        | 7.13        | <u>18.39</u><br>263.81       | 6.97        | <u>24.49</u><br>235.84       | 10.38       | <u>35.81</u><br>90.75        | 39.46       | <u>21.40</u><br>163.72       | 13.07       |
| 5.      | Bhandara               | <u>10.25</u><br>221.60       | 4.62        | <u>85.12</u><br>304.01       | 27.99       | <u>64.92</u><br>288.68       | 22.48       | <u>29.50</u><br>217.42       | 13.56       | <u>43.59</u><br>236.26       | 18.45       |

**B. WATER CHARGES FOR NON-IRRIGATION PURPOSES****6.6.13 Non-execution of agreements**

As per Section 59 of the Irrigation Act, 1976 the water charges for non-irrigation purposes are levied and recovered at prescribed rates notified from time to time.



The Public Accounts Committee in Para 16.10 of the Seventh Report of the Sixth Maharashtra Legislative Assembly (1981-82) had recommended that expeditious steps be taken to execute agreements with industrial units for supply of water in all the irrigation divisions in the state. As a follow up, Government decided in February 1985 that no water should be supplied without sanction and without execution of agreement.

A test check of records in 13 divisions revealed that water was being drawn for non-irrigation purposes by 38 agencies as detailed in the table without executing formal agreements with the appropriate authorities. Due to non-observance of PAC's recommendation, Government was running the risk of non-recovery of outstanding dues of Rs 269.11 crore from the agencies.

(Amount in crore of rupees)

| Sr. No.      | Name of agency                      | No of Units | Amount        |
|--------------|-------------------------------------|-------------|---------------|
| 1            | Brihan Mumbai Municipal Corporation | 2           | 242.00        |
| 2            | MSEB <sup>11</sup>                  | 2           | 4.29          |
| 3            | MIDC <sup>12</sup>                  | 6           | 20.70         |
| 4            | Nagar Parishad                      | 6           | 0.36          |
| 5            | Gram Panchayat                      | 16          | 1.72          |
| 6            | Thane Municipal Corporation         | 1           | --            |
| 7            | M.J.P <sup>13</sup>                 | 2           | 0.004         |
| 8            | Private                             | 3           | 0.04          |
| <b>Total</b> |                                     | <b>38</b>   | <b>269.11</b> |

#### 6.6.14 Inadequate recovery of security deposit

As per revised instructions issued by Government in June 2002, security deposit equivalent to two months of probable water charges in cash or in the form of bank guarantee was to be furnished by the user. Prior to this, 90 per cent of the probable annual water charges were required to be paid as deposit.

Test check of the register of 13 divisions revealed that security deposit as required under government instructions has not been obtained. A few illustrative cases are detailed in the following table:

<sup>11</sup> MSEB: Maharashtra State Electricity Board

<sup>12</sup> MIDC: Maharashtra Industrial Development Corporation

<sup>13</sup> MJP: Maharashtra Jeevan Pradhikaran



| (Amount in lakh of rupees) |  |                           |                                   |
|----------------------------|--|---------------------------|-----------------------------------|
| Sr. No.                    | Name of agency                                       | Security deposit obtained | Outstanding dues as on March 2002 |
| (i)                        | MIDC Akola   | Nil                       | 19.19                             |
| (ii)                       | Murtijapur city water supply scheme                  | Nil                       | 49.26                             |
| (iii)                      | Akola District Sahakari Sakhar Karkhana . Ltd.       | Nil                       | 24.56                             |
| (iv)                       | Z.P. Akola water supply scheme to different villages | Nil                       | 77.54                             |
| (v)                        | Maharashtra Jeevan Pradhikaran Daryapur              | Nil                       | 0.33                              |
| vi)                        | Maharashtra Jeevan Pradhikaran Division No. 1 Nagpur | 0.84                      | 15.63                             |
| (vii)                      | Ram Ganesh Sahakari Sakhar. Karkhana, Nagpur M.I.Dn  | Nil                       | 4.49                              |
| (viii)                     | Chief Officer M.C. Mohpa                             | Nil                       | 8.50                              |
| (ix)                       | MIDC, Poynad   | Nil                       | 1,685.14                          |
| x)                         | MIDC, Dhataw   | Nil                       | 142.85                            |
| xi)                        | MJP, Ambarnath                                       | 0.64                      | 405.38                            |
| xii)                       | Ulhas Oil Mills, Thane M.I.Dn                        | 0.12                      | 3.35                              |
| xiii)                      | Bharat Fertilizer, Thane M.I.Dn                      | 0.20                      | 12.08                             |
| xiv)                       | M/s Tarkeshwari Hatcheries, Shahapur Dn, Thane       | 0.22                      | 30.91                             |
| <b>Total</b>               |  | <b>2.02</b>               | <b>2,479.21</b>                   |

The Department had a security deposit of only Rs 2.02 lakh, against the outstanding dues of Rs 24.79 crore which was insufficient. Thus, lack of action on the part of Department to obtain the security as envisaged in the instruction not only resulted in non-recovery of the government revenue but also rendered it unsafe. Moreover, under Section 88(2) of the Irrigation Act, the dues are recoverable as arrears of land revenue. However, report on action taken to recover the dues as arrears of land revenue was not forthcoming from the Department (September 2003).

In Raigad Division, security deposit register was not being maintained in Form 74 as required under para 15.6.1 of the Maharashtra Public Works Account Code.

#### **6.6.15 Non-recovery of water charges.**

As per instructions issued in September 2001 by the Commissioner of Co-operation, outstanding water charges from cultivators of sugarcane crop were to be recovered by the respective sugarcane factories from the payments due to the cultivators and credited to the Irrigation Department. In five divisions<sup>14</sup>, amounts aggregating Rs 46.91 lakh were pending recovery by 7 sugar factories from the cultivators.

<sup>14</sup> Akola, Bhandara, Buldhana, Pench Nagpur, Wardha



**6.6.16 Short recovery of water charges**

Test check of records in four divisions revealed the following short recoveries of water charges due to application of rates lesser than those prescribed by the Department.

(Amount in lakh of rupees)

| Sr. No.      | Name of customer<br>Name of Division                                     | Nature of objection                               | Quantum of water used in units<br>Period   | Water charges including cess to be recovered | Water charges actually recovered | Short recovery    |
|--------------|--|---|--|--|----------------------------------|-------------------|
| 1.           | MJP<br>Surya Canal Division,<br>Palghar                                  | Incorrect application of rate                     | <u>2,140,775</u><br>21.4.94 to 30.6.99<br><br><u>3,52,190</u><br>1.7.99 to 16.5.2000 | 38.53<br><br>6.97                            | 25.69<br><br>4.64                | 12.84<br><br>2.33 |
| 2.           | NPL <sup>15</sup><br>Thane Minor Irrigation Division                     | Incorrect application of rate                     | <u>4,532.08</u><br>January 2003 to March 2003  | 3.37   | 1.79                             | 1.58              |
| 3.           | B.S.E.S. <sup>16</sup><br>Dahanu Surya Canal Division,<br>Palghar        | Defective meter                                   | <u>2,27,316</u><br>September 2001 to October 2002                                    | 99.43  | 98.97                            | 0.46              |
| 4.           | Industrial units (percolation water from wells)<br>Bhatsa Dam Division-I | Half the canal rate levied instead of canal rate. | <u>N.A.</u><br>1999 to 2001  | 0.68   | 0.34                             | 0.34              |
| <b>Total</b> |  |   |  |  |                                  | <b>17.55</b>      |

Note : 1 unit = 10000 litres

On this being pointed out, the Executive Engineer stated that appropriate action would be taken after reviewing the observations. Report on action taken has not been received (September 2003).

The above points were reported to the Department and Government in July 2003; their replies have not been received (December 2003).

**6.6.17 Conclusion/recommendations**

Audit check revealed that the Department had failed to utilize the full potential of water available with it. Though the rates for water charges had been

<sup>15</sup> National Peroxide Ltd.

<sup>16</sup> Bombay Suburban Electric Supply Ltd.

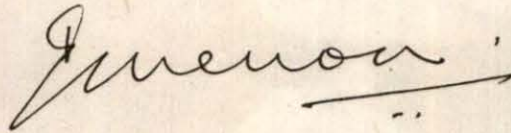


revised, it did not cover operations and maintenance charges as suggested by various Finance Commissions.

Despite PAC recommendations, agreements were not executed with industrial units utilizing water for industrial use and security deposit was not obtained in a number of cases.

Government may consider the following steps to enhance government revenue and improve collection:

- (i) Take steps to tap the potential of water so as to enhance receipts of the Department.
- (ii) Enter into agreements with industries utilizing water resources, and obtain security from the user agencies to safeguard government money.



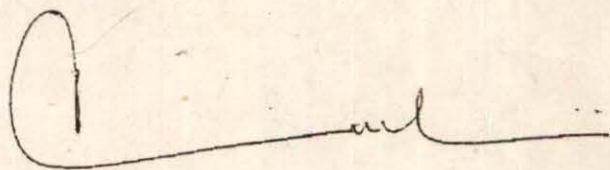
• (K. S. MENON)

Mumbai,  
The

Principal Accountant General (Audit)-I, Maharashtra

19 FEB 2004

Countersigned



(VIJAYENDRA N. KAUL)

Comptroller and Auditor General of India

New Delhi,  
The

- 1 MAR 2004



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## **APPENDICES**

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# ANNEXURE

## YEARWISE DETAILS OF OUTSTANDING INSPECTION REPORTS AND AUDIT OBSERVATIONS UNDER VARIOUS RECEIPTS AS OF 30<sup>TH</sup> JUNE 2003

(Reference : Paragraph 1.12)

(In lakh of rupees)

| Sr.<br>No. |                                 | Upto 1998-99 |             |                 | 1999-2000  |             |                | 2000-2001  |             |                 | 2001-2002  |             |                 | 2002-2003<br>Issued upto Dec. 02 |             |                 | Total       |              |                 |
|------------|---------------------------------|--------------|-------------|-----------------|------------|-------------|----------------|------------|-------------|-----------------|------------|-------------|-----------------|----------------------------------|-------------|-----------------|-------------|--------------|-----------------|
|            |                                 | IRs          | Objs        | Amount          | IRs        | Objs        | Amount         | IRs        | Objs        | Amount          | IRs        | Objs        | Amount          | IRs                              | Objs        | Amount          | IRs         | Objs         | Amount          |
| 1.         | Sales Tax                       | 867          | 1857        | 2428.45         | 331        | 1005        | 2300.64        | 396        | 1348        | 5937.77         | 460        | 1718        | 9028.41         | 410                              | 1767        | 3359.77         | 2464        | 7,695        | 23055.04        |
| 2.         | Land Revenue                    | 486          | 1081        | 6762.68         | 104        | 172         | 721.93         | 154        | 332         | 3324.05         | 122        | 255         | 4931.79         | 164                              | 450         | 6604.98         | 1030        | 2290         | 22345.43        |
| 3.         | Stamps and<br>Registration fees | 305          | 717         | 758.73          | 105        | 229         | 858.42         | 103        | 251         | 788.02          | 77         | 171         | 2741.76         | 135                              | 362         | 1984.73         | 725         | 1730         | 7131.66         |
| 4.         | Taxes on Motor<br>Vehicles      | 18           | 30          | 71.89           | 14         | 22          | 35.11          | 14         | 29          | 120.26          | 26         | 82          | 1317.91         | 23                               | 68          | 220.21          | 95          | 231          | 1765.38         |
| 5.         | Forests Receipts                | 294          | 470         | 7447.71         | 39         | 70          | 785.84         | 41         | 99          | 3242.19         | 38         | 126         | 2951.20         | 29                               | 84          | 792.06          | 441         | 849          | 15219.00        |
| 6.         | Entertainments duty             | 25           | 31          | 24.73           | 19         | 24          | 12.09          | 43         | 63          | 37.98           | 64         | 105         | 95.88           | 60                               | 129         | 118.47          | 211         | 352          | 289.15          |
| 7.         | State Excise                    | 10           | 10          | 2.23            | 1          | 1           | --             | 5          | 6           | 365.45          | 13         | 17          | 6.81            | 17                               | 24          | 13.43           | 46          | 58           | 387.92          |
| 8.         | Electricity Duty                | 2            | 2           | --              | 3          | 3           | 24.48          | 4          | 4           | 25.93           | 2          | 3           | 231.87          | 8                                | 11          | 1.81            | 19          | 23           | 284.09          |
| 9.         | State Education Cess            | 30           | 46          | 26.33           | 6          | 7           | 2.82           | 11         | 16          | 49.30           | 17         | 27          | 124.09          | 17                               | 29          | 2858.90         | 81          | 125          | 3061.44         |
| 10.        | Tax on Professions              | 76           | 135         | 62.61           | 25         | 58          | 40.04          | 24         | 33          | 27.71           | 26         | 35          | 104.14          | 38                               | 70          | 37.92           | 189         | 331          | 272.42          |
| 11.        | Tax on Residential<br>Premises  | 5            | 5           | 2.89            | 7          | 8           | 28.02          | 11         | 12          | 7.58            | 22         | 29          | 84.31           | 14                               | 15          | 26.18           | 59          | 69           | 148.98          |
| 12.        | Repair Cess                     | --           | --          | --              | --         | --          | --             | 4          | 4           | 2.55            | 3          | 3           | 2.18            | 1                                | 2           | 2.32            | 8           | 9            | 7.05            |
| 13.        | Other Non-tax<br>receipts       | 98           | 127         | 326.73          | 33         | 39          | 3118.23        | 11         | 14          | 5.99            | 6          | 11          | 101.74          | 13                               | 15          | 1668.17         | 161         | 206          | 5220.86         |
|            | <b>Total :</b>                  | <b>2216</b>  | <b>4511</b> | <b>17914.98</b> | <b>687</b> | <b>1638</b> | <b>7927.62</b> | <b>821</b> | <b>2211</b> | <b>13934.78</b> | <b>876</b> | <b>2582</b> | <b>21722.09</b> | <b>929</b>                       | <b>3026</b> | <b>17688.95</b> | <b>5529</b> | <b>13968</b> | <b>79188.42</b> |

IRs - Inspection Reports

Objs. - Objections







## ERRATA

to the

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2003

Revenue Receipts

Government of Maharashtra.

| Page | Para  | For   | Read  |
|------|-------|---|---|
| No.  | No.   |   |   |
| 24   | 2.4.2 | The Dy. Commissioner of Sales Tax, Nashik stated in September 2002 that the dealers manufacture taxable as well as tax free goods and as such were entitled to set-off. | The Dy. Commissioner of Sales Tax, Nashik stated in September 2002 that though the dealer manufactures tax free goods i.e. sugar, he also produces taxable goods like industrial alcohol, baggase, molasses etc. As such, he was eligible for set-off on purchases of goods including capital assets. |



