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

FOR THE YEAR ENDED 31 MARCH 2002

**(REVENUE RECEIPTS)
GOVERNMENT OF ASSAM**

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COMPTROLLER AND AUDITOR GENERAL OF INDIA
2003

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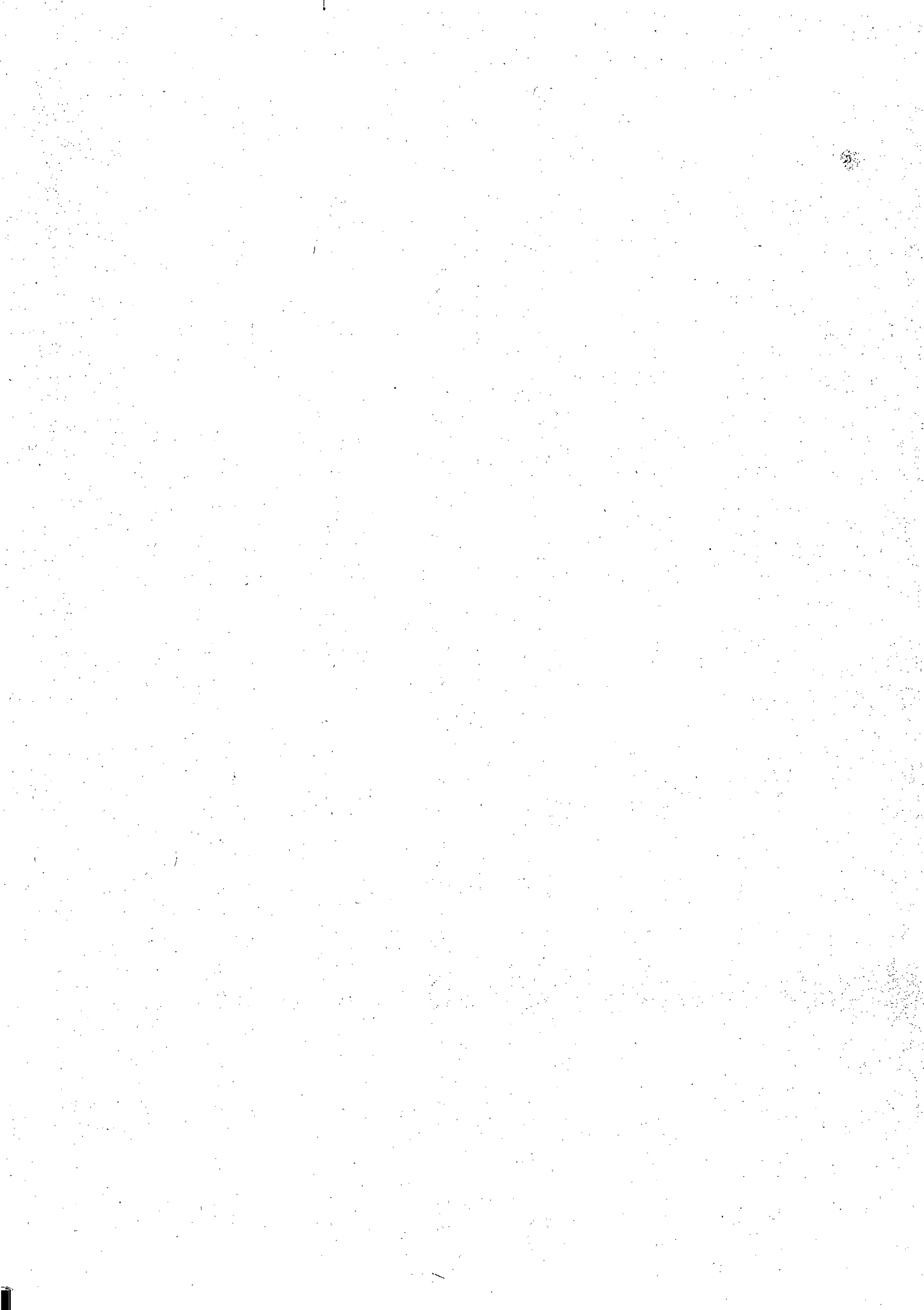


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PREFATORY REMARKS

This Report for the year ended 31 March 2002 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of the 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, agricultural income tax, taxes on motor vehicles, other taxes and non-tax receipts and forest 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 2001-2002 as well as those which came to notice in earlier years but could not be included in previous Reports.



OVERVIEW

The Report contains 26 paragraphs including 1 review, relating to non-levy/short levy of taxes, duties, interest and penalty etc., involving Rs.43.32 crore. Some of the major findings are mentioned below: -

1. GENERAL

- (i) The State Government's receipts for the year 2001-2002 amounted to Rs.5964.86 crore against Rs.5637.64 crore for the year 2000-2001. While the revenue raised by the Government amounted to Rs.2090.15 crore (tax revenue: Rs.1556.95 crore and non-tax revenue: Rs.533.20 crore), the balance (Rs.3874.71 crore) was received from Government of India as State's share of divisible Union Taxes (Rs.1705.91 crore) and grants-in-aid (Rs.2168.80 crore) during the year 2001-2002.

(Paragraph 1.1)

- (ii) Test check of records of Sales Tax, Agricultural Income Tax, Taxes on Vehicles, Land Revenue, State Excise, Forest Receipts and some of the other departmental offices conducted during 2001-2002 revealed under-assessment/short levy/short demand/loss of revenue amounting to Rs.148.42 crore in 3932 cases. The departments accepted audit observations involving Rs.44.75 crore in 58 cases of which 39 cases involving Rs.40.05 crore had been pointed out in audit during the year 2001-2002 and the rest in earlier years.

(Paragraph 1.4)

2. SALES TAX

- (i) Tax of Rs.4.31 crore was not levied where resale price exceeded forty per cent of original purchase price.

(Paragraph 2.2)

- (ii) Evasion of tax of Rs.0.04 crore (including interest and penalty) was noticed due to suppression of turnover.

(Paragraph 2.3)

- (iii) Taxable turnover of Rs.13.33 crore in respect of 11 dealers escaped assessment of tax of Rs.2.95 crore.

(Paragraph 2.4)

- (iv) Non-levy/ short levy of interest for non-payment/ delayed payment of tax amounted to Rs.1.23 crore in 14 cases.

(Paragraph 2.5)

- (v) Incorrect grant of exemption from payment of tax in respect of 3 (three) dealers resulted in non-levy of tax of Rs.0.61 crore (including interest).

(Paragraph 2.6 (D))

- (vi) Non-levy of penalty for misuse of declaration form 'C' amounted to Rs.0.17 crore in three cases.

(Paragraph 2.9)

3. AGRICULTURAL INCOME TAX

- (i) For delayed payment of advance tax interest of Rs.0.64 crore, though leviable, was not levied.

(Paragraph 3.2(1))

4. OTHER TAX AND NON-TAX RECEIPTS

- (i) Failure to levy and collect water rates in (three) 3 cases resulted in non-realisation of revenue amounting to Rs.4.31 crore.

(Paragraph 4.2)

- (ii) Irregular appropriation of departmental receipts towards departmental expenditure and retention of cash in hand resulted in non-deposit of revenue amounting to Rs.1.38 crore to Government account.

(Paragraph 4.3)

- (iii) 5.51 lakh cases of India Made Foreign Liquor (IMFL) were issued without realisation of transport pass fee of Rs.1.65 crore.

(Paragraph 4.4)

Forest Receipts

A review on "Receipts from forest produce" revealed the following:

- (a) Failure of the department to protect forest from illegal felling and removal of timber resulted in loss of revenue of Rs.3.48 crore.

(Paragraph 5.2.6)

- (b) Non-enforcement of proper surveillance on movement of forest produce led to evasion of royalty of Rs.6.28 crore.

(Paragraph 5.2.7)

- (c) Un-intended benefit to departmental contractors resulted in locking up of Government revenue of Rs.5.00 crore.

(Paragraph 5.2.14)

CHAPTER - 1

GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenues raised by the Government of Assam during the year 2001 - 2002, 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 two years are given below:

(Rupees in crore)

		1999-2000	2000-2001	2001-2002
I	Revenue raised by the State Government:			
	a) Tax Revenue	1224.76	1409.69	1556.95*
	b) Non-Tax Revenue	444.92	526.77	533.20
	Total	1669.68	1936.46	2090.15
II	Receipts from the Government of India			
	a) State's share of divisible Union Taxes.	1448.78	1682.93	1705.91
	b) Grants-in-aid	1722.48	2018.25	2168.80
	Total	3171.26	3701.18	3874.71
III	Total receipts of the State Government (I and II)	4840.94	5637.64	5964.86
IV	Percentage of I to III	34	34	35

* Does not include Rs.0.03 crore being 'Other Receipts' under '0020 Corporation Tax', shown in Finance Accounts—2001-2002.

- (i) The details of tax revenue raised under major heads of revenue during the year 2001-2002 along with corresponding figures for the preceding two years are given below:

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002	Percentage of Increase (+)/ Decrease (-) in 2001-2002 over 2000-2001
(Rupees in crore)					
1	2	3	4	5	6
1.	Sales Tax	742.32	917.90	1072.76	(+) 17
2.	Land Revenue	69.08	67.20	63.26	(-) 6
3.	Taxes on Agricultural Income	74.82	40.70	15.26	(-) 63
4.	Taxes on Vehicles	68.69	73.77	93.59	(+) 27
5.	State Excise	117.74	137.56	150.91	(+) 10
6.	Other Taxes on Income and Expenditure	58.62	66.46	73.25	(+) 10
7.	Stamps and Registration Fees	34.96	38.63	41.97	(+) 9
8.	Taxes on Goods and Passengers	21.11	10.23	9.71	(-) 5
9.	Other Taxes and Duties on Commodities and Services	25.62	44.02	32.92	(-) 25
10.	Taxes and Duties on Electricity	11.80	13.22	2.89	(-) 78
11.	Hotel Receipts Tax	Nil	Nil	0.02	- #
12.	Taxes on Immovable Property other than Agricultural Land	Nil	Nil	0.41	-- #
	Total	1224.76	1409.69	1556.95	(+) 10

The reasons for variation in receipts during 2001-2002 as compared to those in 2000-2001 as intimated by three departments are given below:

- (a) Taxes on Agricultural Income – The shortfall (63 per cent) was attributed to drastic fall in tea price.

* Share of net proceeds assigned to states, Rs.3.24 crore and Rs.7.75 crore were excluded from the total receipts under the head of revenue Other Taxes on Income and Expenditure & Other Taxes and Duties on commodities and Services respectively.

Does not arise.

(b) Taxes on Vehicles—The increase (27 per cent) was attributed to collection of more tax due to restructuring of existing tax structure.

(c) State Excise – The increase (10 per cent) was due to merger of Sales Tax with Excise Duty and revision of license fees and introduction of import fee on India Made Foreign Liquor (IMFL) etc.

Specific reasons in respect of remaining heads of revenue have not been received (December 2002).

ii) The details of non-tax revenue raised under major heads of revenue during the year 2001-2002 along with the corresponding figures for preceding two years are given below:

Sl. No.	Head of revenue	1999-2000	2000-2001	2001-2002	Percentage of increase (+) / decrease (-) in 2001-2002 over 2000-2001
(Rupees in crore)					
1	2	3	4	5	6
1.	Petroleum	319.73	368.04	454.58	(+) 24
2.	Forestry and Wildlife	14.73	14.77	15.25	(+) 3
3.	Police	7.06	10.12	7.30	(-) 28
4.	Other Administrative Services	28.06	20.54	6.88	(-) 67
5.	Coal and Lignite	27.11	30.63	9.54	(-) 69
6.	Village and Small Industries	0.50	1.10	3.64	(+) 231
7.	Roads and Bridges	7.85	27.72	3.29	(-) 88
8.	Others	39.88	53.85	32.72	(-) 39
	Total	444.92	526.77	533.20	(+) 1

The reasons for variation in receipts during 2001-2002 as compared to those in 2000-2001 as intimated by two departments are given below:

(a) Petroleum-- The increase (24 per cent) was due to revision of the rate of royalty on crude oil.

(b) Village and Small Industries—The increase (231 per cent) was due to realization of arrear shed rent.

Reasons in respect of remaining heads of revenue have not been furnished by the departments (December 2002).

1.2 Variations between budget estimates and actuals

The variations between budget estimates of revenue and actual receipts under some of the principal heads are given below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget Estimates	Actuals	Variations Increase (+) /Shortfall(-)	Percentage of variation
1	2	3	4	5	6
Tax Revenue					
1.	Sales Tax	1064.61	1072.76	(+) 8.15	(+) 1
2.	Land Revenue	72.00	63.26	(-) 8.74	(-) 12
3.	Taxes on Agricultural Income	40.00	15.26	(-) 24.74	(-) 62
4.	Taxes on Vehicles	82.62	93.59	(+) 10.97	(+) 13
5.	State Excise	142.46	150.91	(+) 8.45	(+) 6
6.	Other Taxes on Income and Expenditure	69.78	73.25	(+) 3.47	(+) 5
7.	Stamp and Registration Fees	42.25	41.97	(-) 0.28	(-) 1
8.	Taxes on Goods and Passengers	11.61	9.71	(-) 1.90	(-) 16
9.	Other Taxes and Duties on Commodities and Services	35.81	32.92	(-) 2.89	(-) 8
10.	Taxes and Duties on Electricity	13.69	2.89	(-) 10.80	(-) 79
11.	Hotel Receipts Tax	Nil	0.02	(+) 0.02	-
12.	Taxes on Immovable Property other than Agricultural Land	Nil	0.41	(+) 0.41	-
Non-Tax Revenue					
1.	Petroleum	422.91	454.58	(+) 31.67	(+) 7
2.	Forestry and Wildlife	15.51	15.25	(-) 0.26	(-) 2
3.	Police	10.63	7.30	(-) 3.33	(-) 31
4.	Other Administrative Services	21.58	6.88	(-) 14.70	(-) 68
5.	Coal and Lignite	32.00	9.54	(-) 22.46	(-) 70
6.	Village and Small Industries	1.15	3.64	(+) 2.49	(+) 217
7.	Roads and Bridges	8.49	3.29	(-) 5.20	(-) 61

The substantial variation between budget estimates and actual receipts in a large number of heads of tax and non-tax revenue indicate that the estimates were based on unrealistic assumptions.

Reasons for variations between the budget estimates and the actuals as reported by the department are given below:

(a) Agricultural Income Tax – Shortfall (62 per cent) was due to slump in price of Indian tea in the International market.

(b) Taxes on Vehicles – Increase (13 per cent) was attributed to collection of more tax due to restructuring of existing tax structure.

(c) Coal and Lignite – Shortfall (70 per cent) was attributed to improper projection of figures in the budget estimates as stated by the department.

Reasons for non-providing budget estimates under the head of revenue Hotel Receipts Tax and Taxes on Immovable Property other than Agricultural Land though called for (September 2002) have not been furnished by the Government (December 2002).

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the year 1999-2000, 2000-2001 and 2001-2002 alongwith the relevant all - India average percentage of expenditure for 2000-2001 are given below as available:

(Rupees in crore)

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All-India average percentage
1.	Sales Tax	1999-2000	742.32	25.56	3.44	
		2000-2001	917.90	13.02	1.42	1.31
		2001-2002	1072.76	13.61	1.27	
2.	Taxes on Vehicles	1999-2000	68.69	4.58	6.67	
		2000-2001	73.77	5.20	7.05	3.48
		2001-2002	93.59	4.91	5.25	

It may be seen from the table that in respect of Taxes on Vehicles, the percentage of expenditure on collection to gross collection was higher than the all-India average.

1.4 Arrears of revenue

As on 31 March 2002, arrears of revenue pending collection under principal heads of revenue, as reported by some departments, were as under:

Head of revenue	Amount of arrears as on 31 March 2002	Arrears outstanding for more than five years	Remarks
(Rupees in crore)			
1. Sales Tax, Cess on specified land, Coal and Tea, Taxes and Duties on Electricity, Other Taxes on Income and Expenditure-- Professions etc. Tax, Other Taxes and duties on Commodities and Services-- Entertainment Tax, Luxury Tax, Taxes on Agricultural Income	591.93	97.80	The arrears of revenue relates to 24 (out of 36) units. Out of the total arrears of Rs.591.93 crore, demand of Rs.31.52 crore were stayed by the Courts/Assam Board of Revenue, Rs.29.47 crore with the departmental appellate authority, Rs.11.52 crore with the revisional authority, Rs.86.87 crore with the assessing authority and Rs.432.55 crore were covered by recovery certificates.
2. Taxes on Vehicles	30.11	Not furnished	Reasons for non-realisation have not been furnished (December 2002).
3. Forestry and wildlife	3.22	2.34	The arrears of revenue relates to 11 (out of 27) Territorial Divisions. Action taken for realisation of arrears of revenue has not been intimated (December 2002).
4. Coal and Lignite, Royalty on Limestone	2.80	0.15	The arrear relates to the Assam Mineral Development Corporation Limited and the Cement Corporation of India Limited on account of royalty on coal and limestone. As reported (June 2002) by the department the units were asked to clear the dues.
5. State Excise	0.05	0.05	The arrear relates to the Assam Ayurvedic Products, a State Government enterprise and had been ordered by the Government to be paid in instalments.
6. Interest receipts (i) Assam State Electricity Board	2155.48	1423.60	Non-payment of interest liability was attributed to paucity of funds.
Total	2783.59	1523.94	

Reply from other departments regarding the position of outstanding arrears though called for (April 2002) have not been received (December 2002).

1.5 Arrears in assessments

The details of assessments relating to Sales Tax, Professions etc. Tax, Taxes and Duties on Electricity, Amusement and Betting Tax, and Agricultural Income Tax pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and cases pending finalisation at the end of each year during 1999-2000, 2000-2001, and 2001-2002 as furnished by the department are given below:

Year	Opening balance	Cases which became due for assessment during the year	Total	Cases disposed of during the year	Cases pending at the end of the year	Percentage of column (5) to (4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax, Professions etc. Tax, Taxes and Duties on Electricity etc.						
1999-2000	32625	37524	70149	35846	34303	51
2000-2001	34303	39165	73468	38776	34692	53
2001-2002	34692	43262	77954	38511	39443	49
Agricultural Income Tax						
1999-2000	588	934	1522	946	576	62
2000-2001	576	983	1559	925	634	59
2001-2002	634	1046	1680	905	775	54

This would show that the department was able to complete only 49 to 62 per cent of the assessments due for completion during these three years. The delay in finalisation of assessments resulted in delay in realisation of revenue involved in these cases.

1.6 Results of Audit

Test check of records of the Sales Tax, Agricultural Income Tax, Taxes on Vehicles, Land Revenue, State Excise, Forest Receipts and some of the other departmental offices conducted during the year 2001-2002 revealed under-assessment/short levy/short demand/loss of revenue amounting to Rs.148.42 crore in 3932 cases. The departments accepted audit observations involving Rs.44.75 crore in 58 cases of which 39 cases involving Rs.40.05 crore had been pointed out in audit during the year 2001-2002 and the rest in earlier years. A sum of Rs.0.11 crore relating to 12 cases was recovered at the instance of audit.

This report contains 26 paragraphs including 1 review relating to non-levy/short levy of taxes, duties, interest and penalty etc., involving Rs.43.32 crore. The departments had accepted the audit observations involving Rs.11.77 crore, of which Rs.0.06 crore have been recovered. Final replies have not been received in other cases (December 2002).

1.7 Outstanding audit inspection reports and audit observation

Principal Accountant General (Audit) (PAG) arranges to conduct periodical inspection of the State Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed with Inspection Reports (IRs). When important irregularities, etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected with a copy to the next higher authorities. The orders of State Government (March 1986) provide for prompt corrective action. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the PAG. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the Principal Accountant General (Audit). A half yearly report of pending inspection reports is sent to the Secretaries of the Departments in respect of pending IRs to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued up to December 2000 disclosed that 4433 paragraphs relating to 1351 IRs remained outstanding at the end of June 2002. Of these 48 IRs containing 135 paragraphs had not been settled for more than 10 years as detailed in Appendix-I. Even the initial replies, which were required to be received from the Head of Offices within six weeks from the date of issue were not received for 232 IRs issued between 1997-98 and 2001-02. As a result, serious irregularities commented upon in 2446 paragraphs involving Rs.226.13 crore had not been settled as of June 2002.

A review of the IRs which were pending due to non-receipt of replies in respect of departments revealed that the Heads of the Offices/ Departments (Commissioners/Principal Chief Conservator of Forests/Director) failed to discharge due responsibility as they did not send any reply to a large number of IRs/Paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs. The Commissioners and Secretaries of the concerned Departments, who were informed of the position through half yearly reports, also failed to ensure that the concerned officers of the Department take prompt and timely action.

It is recommended that Government should look into this matter.

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

CHAPTER - 2

SALES TAX

2.1 Results of Audit

Test check of records in Sales Tax Offices, conducted in audit during the year 2001-2002 revealed under-assessments of tax, non-levy of penalty, etc. amounting to Rs.23.48 crore in 150 cases under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non-levy/short levy of tax	4	8.46
2.	Incorrect grant of exemption from tax	31	2.93
3.	Turnover escaped assessment	32	5.04
4.	Non-levy/short levy of interest	24	1.99
5.	Under assessment of tax	3	0.08
6.	Non-levy of penalty	3	0.15
7.	Other lapses	53	4.83
	Total:	150	23.48

During the year, the department accepted under-assessments of tax amounting to Rs.6.30 crore involved in 26 cases pointed out in audit during 2001-2002. The department also accepted short levy of tax etc. in 16 cases involving Rs.0.38 crore pointed out in audit in earlier years and Rs.0.11 crore was recovered in 12 cases during 2001-2002. A few illustrative cases involving Rs.10.68 crore are given in the following paragraphs:

2.2 Non-levy of tax

Under the Assam General Sales Tax Act, 1993, vide Explanation 1 below section 8(i)(a) read with Rule 12 of the Assam General Sales Tax Rules 1993, where a person sells a substantial part of the goods manufactured by him to

another person for resale as distribution or selling agent and the price charged on resale exceeds forty per cent of the original sale or purchase price, the resale of such goods by such person shall be deemed as first point of sales within the State and the rate of tax shall be specified in Schedule II for such items. Interest at the rate of 2 per cent for each month on the amount by which tax paid falls short of the tax payable is also payable by the dealer.

Test check of assessment records of the Superintendent of Taxes, unit-A, Guwahati, revealed (April – July 2001) that a registered dealer (M/s I.B.P. Co., Guwahati,) engaged in the business of petroleum products sold goods valued at Rs.5.55 crore and Rs.7.90 crore during the years 1995-96 and 1997-98 the purchase price of which were Rs.2.58 crore and Rs.3.23 crore respectively. As the resale price exceeded forty per cent of the original purchase price, the resale was therefore to be deemed as first point of sale within the State for the purpose of levy of tax. But the Assessing Officer while completing assessments (March 1999 and March 2001) did not levy tax on the ground that such sales were made out of the local purchase of tax paid goods. This resulted in non-levy of tax of Rs.2.20 crore. In addition, interest amounting to Rs.2.11 crore (calculated upto June 2001) was also leviable.

On this being pointed out (July 2001) the department accepted (March 2002) the audit contention and levied tax and interest of Rs.4.93 crore. Report on realization is awaited (December 2002).

The case was reported to the Government (October 2001) followed by reminder (February 2002); their reply has not been received (December 2002).

2.3 Concealment of turnover

Under the Assam General Sales Tax Act, 1993, read with Central Sales Tax Act, 1956, if a dealer has concealed or failed to disclose fully and truly, the particulars of his turnover, the Assessing Officer may within eight years from the date of the relevant year make an assessment or re-assessment of the dealer. When a dealer conceals his turnover, he shall pay by way of penalty, in addition to tax and interest, a sum not exceeding one and half time the amount of tax sought to be evaded.

Test check of assessment records of the Superintendent of Taxes, Doomdooma, revealed (April 1999 – July 2001) that taxable turnover in respect of 2 dealers for the assessment periods 1993-94 to 1996-97 were determined (between August 1995 and October 1999) by the Assessing Officers at Rs.0.60 crore instead of Rs.0.74 crore as shown in annual returns furnished by the assesseees. Thus, turnover aggregating Rs.0.14 crore escaped assessment resulting in evasion of tax of Rs.4.28 lakh including interest and penalty. The details are given in the table below:

(Rupees in lakh)

Sl. No.	Name of the unit office	Name of the dealer. Nature of business	Opening stock as on	Purchase during the period	Closing stock as on	Turnover found assessable	Turnover assessed	Turnover concealed	Tax evaded Rate of tax	Interest leviable upto	Maximum penalty leviable
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1.	Doomdoma	A Electrical Goods	NIL 1 July 1993	21.24 1 July 1993 to 31 March 1997	5.27 31 March 1997	15.97	8.99	6.98	0.84 12 per cent	0.40 April 1999	1.26
2.	-do-	B Hand sprayer, Tea leaf carry bag, insecticide	13.48 1 April 1994	62.51 1 April 1994 to 31 March 1997	17.90 31 March 1997	58.09	51.17	6.92	0.55 8 per cent	0.40 April 1999	0.83
Total:			13.48	83.75	23.17	74.06	60.16	13.90	1.39	0.80	2.09

On this being pointed out the department accepted the audit observations and raised a demand of Rs.2.38 lakh. Report on realisation is awaited (December 2002).

The cases were reported to the Government (July 2000 and February 2002); their replies have not been received (December 2002).

2.4 Turnover escaping assessment

Under the Assam General Sales Tax Act, 1993, read with Central Sales Tax Act, 1956, if upon any information which has come into his possession, the Assessing Officer has reasons to believe that any part of the turnover of a dealer in respect of any period has escaped assessment to tax, he may, within eight years from the date of the relevant year make a re-assessment of the dealer. If a dealer fails to pay the full amount of tax payable by him by the due date, he is liable to pay simple interest at the rate of two per cent for each month, on the amount by which tax paid falls short of the tax payable.

(A) In 3^s sales tax unit offices, the taxable turnover for the assessment periods 1995-96 and 1996-97 in respect of 11 manufacturing dealers was determined (March 1999 and June 2001) by the Assessing Officers at Rs.54.60 crore. Cross verification by audit of assessment records of the dealers vis-à-vis value of excisable goods cleared, obtained from the Central Excise Department revealed (between April 2000 and June 2001) that taxable turnover aggregating Rs.13.33 crore escaped assessment. This resulted in short levy of tax of Rs.2.95 crore including interest.

^s Tinsukia, Unit-B of Guwahati, Jorhat

On this being pointed out (December 2000 and June 2001) the department accepted audit observation in 3 cases and raised a demand of Rs.16.80 lakh in 2 cases. Final reply in the remaining cases is awaited (December 2002).

The above matter was reported to the department / Government (December 2000, October 2001), followed by reminders (February 2002 and March 2002); no response was received (December 2002).

(B) The Commissioner of Taxes, Assam vide his Circular No.116 of 1987 instructed all the Superintendent of Taxes to obtain a detailed report from the area Inspector of Taxes regarding business activities in respect of a dealer who applied voluntarily for registration before granting him a registration certificate.

Test check of assessment records (between April 2000 and June 2000) of the Superintendent of Taxes, Tinsukia revealed that the tax liability of a dealer engaged in business of tea was fixed from 1st April 1995. But as per a report furnished by inspector of taxes to the Assessing Officer, the dealer had commenced his business on 15th November 1994 and transacted sales of Rs.48.08 lakh upto 31 March 1995. Thus an amount of Rs.48.08 lakh escaped assessment having a tax liability of Rs.9.68 lakh including interest of Rs.5.36 lakh.

On this being pointed out (December 2000) the department stated (May 2002) that the dealer effected the first sale on 11 July 1995. The reply is not tenable as the report of the Area Inspector of Taxes clearly indicated that the first sale was effected on 15 November 1994.

The case was reported to the Government (October 2001), followed by reminder (February 2002); their reply has not been received (December 2002).

(C) Test check of assessment records of the Superintendent of Taxes, Unit-B, Guwahati revealed (between April and July 2001) that while finalising (October 2000) the assessment for the period 1997-98 sales valued at Rs.42.74 lakh was exempted from payment treating these as stock transfer. However, cross verification of the assessment records of the dealers with the records of the transferee revealed that the dealer had not received such stock. Thus, the dealer's claim for exemption thereon was not correct. This resulted in evasion of tax of Rs.6.09 lakh including interest of Rs.2.67 lakh. Besides, for concealment of turnover, penalty of Rs.5.13 lakh was also leviable.

The case was reported to the department and the Government (February 2002) followed by reminder (March 2002); their reply has not been received (December 2002).

(D) Under the Central Sales Tax Act, 1956 and the Rules made thereunder, where a dealer transfers any goods to any place of his business or agent or principal in any other State, he is not liable to pay tax in respect of such goods provided the transfer is supported by declaration in Form-F obtained from the transferee or other evidence of despatch of the goods. Otherwise, tax is payable at the rate of 10 per cent or the rate of tax applicable on such goods under the State Act, whichever is higher.

Test check of assessment records of the Superintendent of Taxes, Karimganj, revealed (November 1999) that a dealer engaged in manufacture and sale of tea disclosed in his annual return, stock transfer of 1.77 lakh kgs. of tea valued at Rs.62.38 lakh for the period 1993-94. Of these, 1.09 lakh kgs. valued at Rs.37.02 lakh supported by 'F' form was brought to assessment (January 1999). The balance quantity of 0.68 lakh kgs. valued at Rs.25.35 lakh not supported by form 'F' or other evidence of despatch was not brought to assessment. This resulted in non-levy of tax of Rs.5.94 lakh including interest of Rs.3.40 lakh.

On this being pointed out (February 2000), the department stated (September 2001) that the assessment was revised (July 2001) raising a demand of Rs.6.85 lakh including interest of Rs.4.31 lakh. Report on realisation has not been received (December 2002).

The matter was reported to the Government (February 2002), their reply has not been received (December 2002).

(E) Under the Assam General Sales Tax Act, 1993 and Rules framed thereunder, a registered dealer may purchase goods from another registered dealer free of tax or at concessional rate of tax by utilizing AGST declaration Form-A, for either re-sale in the State or for packing of such goods for re-sale. The price of goods which are purchased after furnishing declaration Forms and used by the dealer for purpose other than those specified in such declaration shall be included in his taxable turnover.

Test check of assessment records of the Superintendent of Taxes, Tinsukia, revealed (between April and June 2000) that a dealer purchased goods valued at Rs.14.62 lakh against the declaration Form - A. However, instead of utilizing the goods for resale or for packing goods, the dealer made inter-State sales of these goods for the year 1996-97. This resulted in turnover escaping

assessment and under assessment of tax of Rs.1.03 lakh including interest (upto June 2000).

On this being pointed out (December 2000) the department stated (May 2002) that the dealer had been reassessed and served demand notice for payment of tax. Report on realization is awaited (December 2002).

The case was reported to the Government (December 2000), followed by reminders (March 2002, May 2002); their reply has not been received (December 2002).

2.5 Non-levy/short levy of interest

Under the provisions of the Assam Finance (Sales Tax) Act, 1956 (effective upto 30 June 1993) and the Assam General Sales Tax Act, 1993 (effective from 1 July 1993), if a dealer fails to pay the full amount of tax by the due date, he is liable to pay simple interest at the prescribed rates varying from 12 to 24 per cent per annum upto 30 June 1993 and at the rate of 2 per cent for each month thereafter.

Test check of the assessment records of Sales Tax unit offices (Guwahati Unit – A, Unit – B and Bongangaon) revealed (between February 2000 and December 2001) that the assessing officers while finalizing the assessments of 12 dealers (between September 1998 and March 2001) in 14 cases either failed to levy or levied short the interest amounting Rs.1.23 crore.

On this being pointed out (between February 2000 and March 2002) the department stated (between July 2001 and June 2002) that a demand of Rs.1.26 crore has been raised (June – July 2000) against the dealers. Report on realisation is awaited (December 2002).

The cases were reported to the Government (October 2001, March 2002); their replies have not been received (December 2002).

2.6 Incorrect grant of exemption

Under the Central Sales Tax Act, 1956, where a dealer transfers goods to any other place of his business or to his agent or principal in any other State, he is not liable to pay tax in respect of such goods, provided he can prove that the movement of goods from his State to the other State was not occasioned as a result of sale. However, if it is established that it is a sale in course of inter-State trade or commerce, tax is leviable at the rate of four per cent if such sale is supported by prescribed declaration form, other-wise tax is leviable at the normal rate of ten per cent or the rate of tax applicable under the State Act, whichever is higher. If a dealer makes any incorrect claim for exemption from

payment of tax, he shall pay by way of penalty, in addition to tax and interest a sum not exceeding one and one half time the amount of tax sought to be evaded.

(A) Test check of assessment records of the Superintendent of Taxes, Nagaon, revealed (January – February 2000) that inter-State sale turnover of Rs.19.48 lakh for the period 1998-99 in respect of a tea dealer was allowed exemption from payment of tax on the ground of stock transfer claimed by the dealer. However, scrutiny of records revealed that the goods were actually sold in the course of inter-State trade or commerce. This incorrect exemption resulted in underassessment of tax of Rs.2.34 lakh including interest of Rs.0.39 lakh (upto February 2000). Besides, penalty of Rs.2.93 lakh was also leviable.

On this being pointed out (January 2000) the department accepted (November 2000) the audit objection and revised the assessment. However, report on realisation has not been received (December 2002).

The case was reported to the Government (June 2000, March 2002); their reply has not been received (December 2002).

(B) Test check of assessment records of the Superintendent of Taxes, Tangla revealed (February – March 2000) that a dealer dealing in tea was exempted (June 1999) from payment of tax on the total turnover of Rs.1.68 crore for the assessment period 1996-97 on the ground that the transactions were supported by declarations in Form-‘F’. Scrutiny of the records disclosed that stock transfer valuing Rs.63.21 lakh were not supported by Form-‘F’. This resulted in under assessment of tax of Rs.6.32 lakh.

On this being pointed out (March 2000), the department stated (September 2001) that the assessment had been rectified and a notice of demand for Rs.9.11 lakh (including interest of Rs.2.95 lakh). Report on realisation is awaited (December 2002).

The case was reported to the Government (March 2000); their reply has not been received (December 2002).

(C) Under the provisions of the Act, the sale of other goods (other than the goods mentioned in the schedules I, II, IV and V) is taxable at the point of last sale in the State at the rate of 8 per cent. Dates (Pind Khajur) is not a fresh fruit but a preserved fruit and taxable at the rate of 8 per cent at the last point of sale.

Test check of assessment records of the Superintendent of Taxes, Guwahati, Unit-A revealed (April – July 2001) that the Assessing Officer while completing assessments in respect of 2 dealers allowed (between August 1997, and March 2001) exemption on the sale of 'Dates' (Pind Khajur) valued at Rs.97.64 lakh during the assessment periods between 1996-97 and 1998-99 treating the item 'Dates' as exempted goods. This incorrect grant of exemption resulted in non-levy of tax of Rs.14.33 lakh including interest of Rs.6.52 lakh.

The matter was reported to the department and the Government (October 2001); their replies have not been received (December 2002).

(D) Under the Assam Industries (Sales Tax Concession) Scheme, 1995, certain eligible industrial units are exempted from payment of tax on the sale of their finished products from the date of commencement of commercial production. Eligibility certificates are issued to the industries by the Industry Department on recommendation of the District Level Committee of which Deputy Commissioner of Taxes of the area is a member. The Commissioner of Taxes, Assam, clarified (March 1996) that industries engaged in conversion of rolled paper of bigger size into plain paper of different smaller sizes are not eligible for exemption and the taxation department should not agree to the issuance of such certificates in District Level Committee.

Test check of assessment records of 2 sales tax units Guwahati Unit –A&B revealed (November-December 1999 and July 2001) that sale of foolscap paper, duplicating paper, carbon sheets of Rs.4.40 crore for the period from 1996-97 to 1998-99 (assessed between December 1997 and March 2000) in respect of three dealers was exempted from payment of tax. This paper was obtained by converting paper rolls/carbon rolls of bigger sizes into paper/sheet of smaller sizes. Thus incorrect grant of exemption resulted non-levy of tax of Rs.60.57 lakh including interest.

The cases were reported to the department and the Government (June 2000 and October 2001); followed by reminders (March 2002 and May 2002), their replies have not been received (December 2002).

(E) Under the Assam Industries (Sales Tax Concession) Scheme, 1995, "tea" shall be excluded from the raw material entitled to the benefits of tax exemption under the scheme and cannot be purchased by a dealer free of tax.

Test check of assessment records of 2 sales tax units (Unit-A, Guwahati and Karimganj) revealed (between April 2001 and November 2001) that sale turnover of Rs.57.78 lakh relating to the four years 1996-97 to 1999-2000 in respect of four dealers of tea was incorrectly exempted by the assessing officer (between April 1999 and February 2001) from levy of tax on the ground that such sales were exempted under the scheme. This error resulted in short realization of Government revenue of Rs.8.00 lakh

On this being pointed out (July 2001) the department stated (June 2002) that assessment would be revised in 2 cases. No reply has been received in the remaining cases. Further course of action is awaited (December 2002).

The matter was reported to the department and the Government (October 2001 and March 2002); their replies have not been received (December 2002)

2.7 Incorrect allowance of deduction

Under the State Sales Tax Laws* read with Central Sales Tax Act 1956, while determining taxable turnover, the tax included in the gross turnover is to be deducted according to the formula prescribed. No such deduction is admissible where the turnover is exclusive of tax.

(i) During the course of audit of the Superintendent of Taxes, Unit-B, Guwahati, it was noticed (April – July 2001) that two dealers were erroneously allowed deduction of Rs.33.72 lakh from their turnover though the turnover of the dealers were exclusive of tax. This resulted in short levy of tax of Rs.4.54 lakh including interest of Rs.1.02 lakh.

The case was reported to the department and the Government (February 2002), followed by reminder (March 2002); their replies have not been received (December 2002).

(ii) Test check of assessment records of the Superintendent of Taxes, Unit-A, Guwahati revealed (between April and July 2001) that while finalizing the assessment of 2 works contract dealers, the Assessing Officer deducted Rs.1.29 crore being tax element instead of Rs.0.22 crore embedded in the turnover. This resulted in excess deduction of Rs.1.06 crore having a tax effect of Rs.8.50 lakh. Besides, interest of Rs.5.50 lakh could have been levied. This resulted in short realization revenue of Rs.14.00 lakh.

On this being pointed out (July 2001) the department stated (June 2002) that the assessment of the dealers was revised and tax and interest as pointed out by audit was levied. However, report on realization is awaited (December 2002).

The cases were reported to the Government (October 2001), followed by reminder (March 2002); their replies have not been received (December 2002)

* Assam Sales Tax Act, 1947
Assam General Sales Tax Act, 1993

(iii) Under Section 8(3)(iv) read with Rule 14 of the Assam General Sales Tax Act, 1993, every works contractor is required to pay tax at the rate of 8 per cent on his taxable turnover arrived at after deduction of turnover of declared goods, labour charges, freight and transportation charges etc. The item 'paper' is not specified in the list of declared goods.

Test check of assessment records of the Superintendent of Taxes, Unit-A, Guwahati revealed (between April and July 2001) that the Assessing Officer while determining taxable turnover in respect of 2 (two) works contractors engaged in printing works allowed (April 1999 and March 2001) deduction of Rs.94.44 lakh being the value of 'paper' utilised in the contract works from the turnover of Rs.1.58 crore pertaining to the periods 1997-98 to 1999-2000 treating 'paper' as declared goods. Since 'paper' is not an item specified in the list of declared goods, the deduction allowed was incorrect. This resulted in under assessment of tax of Rs.11.55 lakh including interest of Rs.4.15 lakh.

On this being pointed out (July 2001) the department accepted (July 2002) the audit contention and levied tax and interest of Rs.16.11 lakh. Report on realization is awaited (December 2002).

The cases were reported to the Government (October 2001), followed by reminder (March 2002); their replies have not been received (December 2002).

2.8 Evasion of Tax

Under the Assam General Sales Tax Act, 1993, a dealer can purchase goods free of tax or at concessional rate of tax by utilizing declaration in form 'A' for the purpose of re-sale in the State. As per entry 15 of the schedule-IV attached to the Act, 'tea' is taxable at the rate of 6 per cent at the last point of sale in the State. Additional tax at the rate of ten per cent of the tax payable is also leviable.

Test check of assessment records of Superintendent of Taxes, Bongaigaon, vis-à-vis records of the Unit-A, Guwahati, revealed that dealer 'X' of Bongaigaon purchased Tea valued Rs.1.09 crore from another dealer but concealed the same. This resulted in evasion of tax of Rs.10.79 lakh including interest of Rs.2.81 lakh.

On this being pointed out (September 2001) the department accepted (March 2002) the audit contention and levied tax including additional tax, interest and penalty of Rs.11.85 lakh. The dealer paid tax of Rs.4.00 lakh (October 2001, June 2002). Report on realization of the balance amount is awaited (December 2002).

The case was reported to the Government (January 2002); their reply has not been received (December 2002).

2.9 Non-levy of penalty for misuse of 'C' form

Under the Central Sales Tax Act, 1956, if any registered dealer, falsely represents when purchasing any class of goods that the goods purchased are covered by his certificate of registration or after purchasing goods for any purpose specified in the certificate of registration fails without reasonable excuse, to make use of the goods for any such purpose, the registration authority may impose penalty not exceeding one and a half times of the tax, which would have been levied at the general rate in respect of sale to him of the goods.

Test check of assessment records of 3^s sales tax unit offices revealed (June 2000, August 2000, July 2001) that 3 registered dealers engaged in the business of manufacture and sale of petroleum product and tea, purchased goods valued at Rs.1.11 crore from other State against declaration in Form-"C", even though these goods were not used for manufacture of petroleum product and tea. Therefore, the purchases so made by the dealers attracted levy of penalty of Rs.16.50 lakh, which was not levied.

On this being pointed out (June 2000 and August 2001) the department accepted the audit objection (June 2002) and imposed penalty of Rs.16.50 lakh against the dealers. Report on realisation is awaited (December 2002).

The cases were reported to the Government (November 2000, December 2000 and October 2001) followed by reminders (March 2002, May 2002); their replies have not been received (December 2002).

2.10 Non-levy of additional tax

Under the provision of Assam General Sales Tax Act, 1993, every dealer who is liable to pay tax under this Act shall pay additional tax with effect from June 1998 at the rate of ten percent of the tax payable by him. Interest at the rate of two per cent for each month on the amount by which tax paid falls short of tax payable was leviable.

Test check of assessment records of sales tax unit offices[#] revealed (April - August 2001) that in 13 cases additional tax of Rs.11.10 lakh including interest of Rs.3.97 lakh was not levied.

^s Guwahati Unit-A, Hojai and Tinsukia

[#] Golaghat and Guwahati Unit-B

On this being pointed out (April – August 2001) the department accepted (June 2002) the audit objection and levied additional tax and interest of Rs.0.85 lakh in respect of 3 (three) dealers of Unit-B, Guwahati. Replies in respect of other dealers have not been received (December 2002).

The cases were reported to the department and the Government (January 2002 and March 2002); their replies have not been received (December 2002).

2.11 Non-registration of dealer

(A) Under the Assam General Sales Tax Act, 1993 and Rules made there under, every dealer liable to pay tax shall get himself registered with the Assessing Officer and shall possess a certificate of registration. The Act also empowers the Assessing Officers to register a dealer if in his opinion, the dealer is liable to registration but has failed to apply for the same. If a dealer being liable to pay tax, fails to get himself registered, he shall, in addition to any tax or interest payable by him, pay penalty not exceeding the amount of the assessed tax.

Cross verification by audit of records of the Superintendent of Taxes, Tinsukia, with the records of the Central Excise Department (Tinsukia) revealed (between April 2000 and June 2000) that 7 manufacturer dealers under the jurisdiction of the Tinsukia unit manufactured and sold steel fabrication, truss, grill, trunk, gates, G.I. wire fencing, machineries, mechanical appliances, storage tank, wire netting, ice-cream etc. valued at Rs.48.46 lakh during the periods from 1993-94 to 1998-99 but neither applied for registration nor the Assessing Officers registered them. Thus, non-registration of the dealers resulted in evasion of tax of Rs.3.88 lakh. In addition to tax, interest of Rs.3.25 lakh and penalty not exceeding Rs.3.88 lakh were leviable.

The department accepted (June 2002) the audit contention and levied tax, interest and penalty as pointed out in audit. Report on realization is awaited (December 2002).

The cases were reported to the Government (December 2000), followed by reminder (April 2002); their replies have not been received (December 2002).

(B) No dealer, liable to pay tax under the Assam General Sales Tax Act, 1993 and Central Sales Tax Act, 1956, shall carry on business in taxable goods unless he has been registered as a dealer and possesses a certificate of registration. Under the taxation laws of the State, supari is taxable at the rate of 8 per cent at the point of last purchase inside the State. Further, for inter-

state sales of Supari, not covered by the prescribed declaration as provided in the Central Sales Tax Act, 1956, tax is leviable at the rate of 10 per cent.

Test check of records of the Superintendent of Taxes, Unit-B, Guwahati vis-à-vis records of the Boxirhat check post revealed (between April and July 2001) that an unregistered dealer under the jurisdiction of Unit-B sold supari valued at Rs.45.02 lakh during the period between 16 April and 25 April 1998 in the course of inter-State trade or commerce without payment of tax of Rs.8.10 lakh. However Rs.4.54 lakh was collected at the check post. No action was taken by the department to register the dealer and collect the tax due. Thus, due to non-registration of the dealer, revenue amounting to Rs.3.56 lakh was forgone.

The case was reported to the department and the Government (February 2002); their replies have not been received (December 2002)

2.12 Short levy of tax due to incorrect determination of turnover

Under the provisions of AGST Act, 1993, tax payable by a dealer engaged in the execution of works contract of the nature of "supplying and fitting of electrical goods, supply and installation of electrical equipments including transformers" is 8 per cent (with effect from May 1997) on his taxable turnover and maximum allowable deduction towards labour and other charges is 10 per cent of the gross turnover.

Test check of assessment records of the Superintendent of Taxes, Jorhat revealed (May - June 2001) that a dealer engaged in the execution of works contract of the nature of supplying and fitting of electrical goods, supply and installation of electrical equipments including transformer was assessed (February 2000) to tax for the year 1998-99 allowing deduction of 20 per cent (Rs.78.24 lakh) towards labour and other charges from the turnover of Rs.3.91 crore instead of correct rate of 10 per cent. This resulted in excess deduction of taxable turnover of Rs.39.12 lakh and consequential short levy of tax of Rs.3.13 lakh. In addition, interest of Rs.1.56 lakh was also leviable.

On this being pointed out (June 2001) the department stated (March 2002) that the dealer executed labour oriented job and no transfer of property was involved in the works contract. It was also stated that the materials required for the contract work were supplied by the contractee organization. The reply is not tenable since the tax payable was determined by the Assessing Officer after verification of books of accounts and the dealer also paid tax as such the work was not hundred per cent job oriented work. The maximum deduction admissible towards labour charges was 10 per cent of the turnover instead of 20 per cent allowed by the Assessing Officer.

The case was reported to the Government (October 2001), followed by reminder (March 2002); their reply has not been received (December 2002).

2.13 Short levy of tax due to application of lower rate of tax.

As per the Assam General Sales Tax Act 1993, the items vegetable ghee and vegetable oil are taxable at the rate of 8 per cent at the point of first sale in the State to an unregistered dealer.

Test check of assessment records of the Superintendent of Taxes, Tinsukia revealed (April 2000 – June 2000) that a registered dealer purchased vegetable ghee/vegetable oil for Rs.61.42 lakh from outside the State of Assam and sold it for Rs.62.23 lakh to unregistered dealer during the year 1998-99. However, the Assessing Officer levied (January 2000) tax at the rate of 4 per cent instead of 8 per cent. This resulted in short levy of tax of Rs.2.39 lakh. In addition, interest of Rs.0.62 lakh (calculated upto May 2000) was also leviable.

On this being pointed out (June 2000) the department stated (April 2002) that the dealer purchased goods from within the State but in the annual return it was wrongly mentioned that the goods were purchased from outside the State. The reply of the department is not tenable since the dealer purchased the goods from outside the State as per utilization statement of road permits furnished by the dealer.

The case was reported to the Government (October 2000) followed by reminder (March 2002); their reply has not been received (December 2002).

CHAPTER - 3

AGRICULTURAL INCOME TAX

3.1 Results of Audit

Test check of assessment records of the Agricultural Income Tax Office, Assam, Guwahati conducted during the year 2001-2002, revealed short/non-levy of interest, irregular allowance of loss etc. amounting to Rs. 0.80 crore in 8 cases under the following categories:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1.	Irregular exemption of interest	1	0.61
2.	Non-levy/short levy of interest	2	0.03
3.	Irregular allowance of loss	3	0.11
4.	Deferment of advance tax	2	0.05
	Total :	8	0.80

Two draft audit paragraphs involving financial effect of Rs. 0.78 crore and bringing out major points noticed during 2001-2002 were issued to the department/Government for their comments. The department has accepted all the observations. The important audit observations made in those cases amounted to Rs. 0.78 crore are mentioned in the following paragraphs :

3.2 Non-levy/short levy of interest

(I) Under the provision of Assam Agricultural Income Tax Act, 1995 (amended), where in any financial year an assessee has paid advance tax less than 75 per cent of tax determined on regular assessment, simple interest at the rate of 2 per cent for each English calendar month from the 1st day of April of succeeding financial year in which advance tax was payable upto to the month prior to the regular assessment shall be payable by the assessee on the amount by which the advance tax paid falls short of the tax determined on regular assessment. Prior to the amendment of the Act, interest was leviable at the rate

of 12 per cent per annum on the amount of shortfall from the 1st day of January of said assessment year upto the date of assessment or the date on which 75 percent of assessed tax was paid, whichever was earlier.

Test check of the records of Agricultural Income Tax Officer, Guwahati revealed (January – February 2002) that three dealers were assessed (between October 1999 and January 2001) to tax of Rs.1.73 crore for the period 1992-93 and 1998-99 paid advance tax of Rs.61.79 lakh instead of Rs.1.30 crore. However the Assessing Officer, while finalizing assessments failed to levy interest in one case and levied it short in other two cases. This resulted in short / non-levy of interest of Rs.64.45 lakh.

On this being pointed out (January – February 2002), the department accepted the audit observation in all the three cases and stated (February 2002) that notice for rectifications had been issued in two cases. Reports on further progress are awaited (December 2002).

The above matter was reported to the Government in March 2002. No reply has been received (December 2002).

(II) As per Section 35-H of Assam Agricultural Income Tax Act, 1999 (amended), where, in any financial year, the assessee who is liable to pay advance tax, has failed to pay 20 per cent, 45 per cent, 75 per cent and 100 per cent on or before 30 June, 30 September, 15 December and 15 March respectively he shall be liable to pay simple interest at the rate of one and half per cent per month from 1 July to 31 March of the previous year or to the date of payment whichever is earlier.

Test check of the assessment records of the Agricultural Income Tax Officer, Guwahati revealed (January – February 2002) that in two cases, tax of Rs.2.07 crore was assessed (between August 2000 and March 2001). However, the assessee failed to deposit the advance tax on the due dates and were liable to pay an interest of Rs.5.11 lakh, which was not levied by the department.

On this being pointed out the department accepted the audit observation and stated (February 2002) that action was being initiated to rectify the assessments. Further progress on recovery in this regard is awaited.

The above matter was reported to the Government in March 2002. No reply has been received (December 2002).

3.3 Incorrect allowance of loss

Under the provisions of Assam Agricultural Income Tax Act, 1998 (amended) the loss sustained by any assessee in agricultural income for any year is allowed to be carried forward for set off against the profits or gains of the following year. However, if any assessee fails to file his return of loss of profits or gains for any year in time i.e. on 31 December of the relevant assessment year, his claim for carry forward and set off of such loss against the future income shall not be entertained.

Test check of records revealed (January-February 2002) that a tea company filed the returns for the assessment years 1998-99 and 1999-2000 showing loss of Rs.5.83 lakh and Rs.13.59 lakh respectively after the due date, as such the assessee was not entitled to carry forward of the losses. However, the Assessing Officer, allowed the losses to be carried forward resulting in a loss of tax revenue of Rs.8.74 lakh.

On this being pointed out (January – February 2002) the department accepted the audit contention and stated (February 2002) that action was being initiated to rectify the assessments. Further progress on recovery in this regard is awaited (December 2002).

The above matter was reported to the Government in March 2002. No reply has been received (December 2002).



CHAPTER - 4

OTHER TAX AND NON-TAX RECEIPTS

4.1 Results of Audit

Test check of assessment records in the offices dealing with the following revenue receipts during 2001-2002 disclosed under-assessments, non-recovery/short recovery of revenue amounting to Rs.81.28 crore in 835 cases as shown below:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1.	Stamp Duty and Registration Fees	7	0.39
2.	Professions Tax	6	0.04
3.	Taxes on Specified Land	3	0.02
4.	Mines and Minerals Receipts	7	62.26
5.	State Excise	21	4.00
6.	Taxes on Motor Vehicles	211	4.43
7.	Land Revenue	580	10.14
	Total:	835	81.28

During the year the department accepted under-assessment of Rs.32.98 crore in 6 cases, which had been pointed out in audit during 2001-2002. The department also accepted non-realisation of water rates in 3 cases involving Rs.4.31 crore. A few illustrative cases involving Rs.8.37 crore highlighting important audit observations are given in the following paragraphs:

A. MAJOR IRRIGATION

4.2 Non-realisation of water rates

Under the provision of the Assam Irrigation Act, 1983, water rate for water supplied or used for purposes of irrigation from any irrigation work of the State Government to any land under cultivation, which is beneficial to crops on such land, shall be assessed and realized by the Irrigation Officer.

Test check of records of 3* Irrigation Divisions (between April 2000 and September 2000) revealed that 2.15 lakh of hectares of land were irrigated for Kharif, Rabi and Early Ahu crops during 1994-95 to 2000-2001. Out of the realisable water rates of Rs.4.32 crore upto March 2001 an amount of Rs.0.11

* Executive Engineer, Itakhola Irrigation Division, Tezpur,; Executive Engineer, Irrigation Division, Karbi-Anglong, Diphu and Executive Engineer, Irrigation Division, Tinsukia.

lakh only was realised during the period from 1994-95 to 1998-99 leaving a balance of Rs.4.31 crore.

On this being pointed out the Government accepted the audit contention and stated (July 2002) that the efforts were made to collect the charges. However, report on realization is awaited (December 2002).

B. HEALTH AND FAMILY WELFARE

4.3 Irregular utilisation of departmental receipts towards departmental expenditure

As per provision contained in the Assam Treasury Rules, all money received by or tendered to Government servants on account of the revenue of the State, shall without undue delay be paid in full into treasury or into the Bank. Money so received shall not be appropriated to meet departmental expenditure.

Test check of records of 2 offices* revealed (August 2001 – September 2001) that the fees from patients amounting to Rs.2.94 crore pertaining to the period from April 1995 to August 2001, were collected and Rs.1.56 crore were credited into the Government account. Out of the balance amount of Rs.1.38 crore, Rs.1.32 crore were utilized between 1996-97 and 2000-01 towards departmental expenditure like traveling allowances and petrol oil and lubricant charges and Rs.0.06 crore was retained as cash in hand in violation of the provision of the Assam Treasury Rules.

The matter was reported to the department and the Government (January 2002 - February 2002); their reply has not been received (December 2002).

C. STATE EXCISE

4.4 Non-realisation of transport pass fee

Government of Assam in their Notification dated 12 May 1998 had fixed the rate of import permit fees/transport pass fees for import of IMFL to Assam at the rate of Rs.30/- per case with effect from 12 May 1998, payable in advance. The same rates of import permit fees/transport pass fee were also leviable for issue of passes for transport of IMFL manufactured in Assam.

Test check of the records of the Superintendent of Excise, Kamrup revealed (August 2001) that bonders lifted 293642 and 257036 cases of India Made Foreign Liquor from two manufacturing units viz. M/s North East Distilleries (P) Ltd. and M/s Karnark Distillery (P) Ltd. respectively during the period from July 2000 to June 2001, but no transport pass fee of Rs.1.65 crore was realized.

* The Superintendent, Assam Medical College Hospital, Dibrugarh and the Superintendent, Guwahati Medical College Hospital, Guwahati

Thus, due to issue of passes without realisation of transport pass fee, there was non-realization of revenue to the tune of Rs. 1.65 crore.

The matter was reported to the Government and the department (February 2002); their replies have not been received (December 2002).

4.5 Non-levy of excise duty

The Assam Bonded Warehouse Rules, 1965 does not allow godown loss in respect of India Made Foreign Liquor (IMFL).

During test check of records of Seven (7) warehouses under the jurisdiction of Superintendent of Excise, Guwahati and Dibrugarh, it was noticed (May 2001 - August 2001) that 10730.742 London Proof Litre (LPL) of IMFL and 1703.95 Bulk Litre (BL) of Beer were shown as godown loss during the period from March 2000 to April 2001, but no excise duty was levied thereon, which resulted in non-levy of excise duty of Rs.10.40 lakh.

On this being pointed out in audit the Superintendent of Excise, Dibrugarh accepted (March 2002) the audit objection. However, the realisation of the amount is awaited (December 2002).

The matter was reported to the department and the Government (September 2001- February 2002); their replies have not been received (December 2002).

D. TAXES ON MOTOR VEHICLES

4.6 Short levy/non-levy of fine

Under Section 194 of the Motor Vehicles (Amendment) Act, 1994, excess loading of goods vehicles shall be punishable with a minimum fine of two thousand rupees besides imposition of additional amount of one thousand rupees per tonne of excess load along with charges for off loading of the excess load.

A test check of the records of the Commissioner of Transport, Assam, revealed (June 2001) that the department during the period from January 1998 to February 2001 detected 131 goods vehicles carrying excess load. Out of these, in 70 cases, fine of Rs.1.29 lakh was realised against minimum realisable fine of Rs.2.16 lakh and in other 61 cases fine was not realized at all. The minimum fine payable in these cases amounted to Rs. 1.83 lakh. Thus, there was short/non-levy of fine of Rs.2.70 lakh.

The matter was reported to the department and the Government (November 2001); their reply has not been received (December-2002).

E. TAXES ON SPECIFIED LAND

4.7 Incorrect application of rate of tax

Under the Assam Taxation (on specified lands) Act, 1990, every tea estate owner is liable to pay tax on the quantity of green tea leaves produced in the estate where the aggregate area of Specified Land[#] exceeds forty hectares. The rate of tax is payable as specified from time to time.

Test check of assessment records of 2 sales tax unit offices revealed (February 2001 - September 2001) that in 3 cases where the area of land exceeded forty hectares, tax of Rs.2.26 lakh was short levied during 1997 and 1998 due to incorrect application of rate of tax by the concerned Assessing Officers.

On this being pointed out (February 2001 & August 2001), the Superintendent of Taxes, Sibsagar stated (May, 2002) that assessments have been revised and amount has been realized. However, reply from the Superintendent of Taxes, Goalpara has not yet been received (December 2002).

The matter was reported to the Government (June 2001 – March 2002); their replies have not been received (December 2002).

F. PROFESSIONS TAX

4.8 Non-realisation of professional tax and interest

Under the Assam Professions, Trades, Callings and Employments Taxation Act, 1947, every person, who carries on a trade, or who follows a profession or calling, or who is in employment, within the State is liable to pay for each financial year a tax at the prescribed rates. Further, as amended from April 1992, if a non-Government employer or an enrolled person fails to pay tax within due date, he shall be liable to pay simple interest at two per cent of the amount due for each month or part thereof for the period for which the tax remains unpaid.

Test check of the assessment records of the Superintendent of Taxes, Sibsagar revealed (September 2001) that in 4 cases professional tax of Rs.0.80 lakh for the period from 1989-90 to 2000-01 and interest of Rs.0.68 lakh for delay in payment/non-payment of tax ranging from 10 months to 106 months though leviable was not levied. This resulted in non-realisation of Government revenue of Rs.1.48 lakh.

The matter was reported to the department and the Government (March 2002); their replies have not been received (December 2002).

[#] Specified land means – any land used or intended to be used for growing tea and for purposes ancillary thereto or any part of land and refers to tea estates here.

G. LAND REVENUE

4.9 Retention of Cash in hand by Mouzadars

As per executive instructions issued under Notification dated 29 March 1996 no Mouzadar is allowed to retain cash in hand beyond Rs.10,000 (Rupees ten thousand). Subject to this limit the Mouzadars are required to remit into Treasury, the land revenue and local rates and other Government revenue collected by them. The Public Accounts Committee also recommended (in the 46th Report) that no mouza should be allowed to retain collected revenue beyond the permissible limit. The Committee further recommended that responsibility should be fixed on officers who are entrusted with the inspection of Mouza accounts to avoid irregular retention of cash in hand by the Mouzadars.

Test check of records of 98 Mouzas for the period from 1996-97 to 2000-2001 revealed that the Mouzadars retained an amount of Rs.86.09 lakh as cash in hand as on 31 March 2001 in excess of the allowable limit as detailed below :

Sl. No.	Name of Districts	Number of Mouza	Total Collection as on 31 March 2001 (Rupees in lakh)	Total Deposit as on 31 March 2001 (Rupees in lakh)	Cash in hand with Mouzadars in excess of Rs.10,000/- as on 31 March 2001 (Rupees in lakh)
1	Barpeta	13	115.37	101.19	12.88
2	Morigaon	16	101.28	73.56	26.12
3	Nagaon	23	98.32	68.91	27.11
4	Jorhat	17	112.33	100.82	9.81
5	Dibrugarh	13	76.01	68.49	6.22
6	Sonitpur	13	13.61	9.94	2.37
7	Golaghat	3	14.99	13.11	1.58
Total		98	531.91	436.02	86.09

The above position indicated lack of control of the department over the Mouzadars resulting in blockade of a substantial amount of land revenue which tantamounted to temporary misappropriation of Government revenue. The Deputy Commissioners/Sub-Divisional Officers and Circle Officers (DC's/SDO's/CO's) also failed to undertake the required inspection and corrective measures in respect of the Mouza accounts. It was also violative of the recommendation made in the 46th Report of the PAC (May 1989).

On this being pointed out the department stated (July 2002) that the DC's/SDO's/CO's were instructed to take effective steps for collection and remittances of revenue. However, deposit of the amount to the treasury is awaited (December 2002).



CHAPTER - 5

FOREST RECEIPTS

5.1 Results of Audit

Test-check of records maintained in the offices of the Divisional Forest Officers, Assam conducted in audit including review during 2001-2002 revealed losses, locking up of revenue, etc. amounting to Rs.42.86 crore in 2939 cases, which fall into the following categories:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1.	Loss of revenue due to shortage of/damage to timber	7	1.38
2.	Loss of revenue due to non-settlement/delay in settlement of mahal quarry etc.	41	2.01
3.	Loss of revenue due to non-disposal of offence cases/wind fallen timber	16	1.32
4.	Locking up of revenue due to delay in disposal or non-disposal of timber/non-realisation of royalty	27	9.90
5.	Loss of revenue due to illegal felling and removal of timber	23	5.71
6.	Other lapses	2825	22.54
	Total:	2939	42.86

The results of a review on "Receipts from Forest Produce" and a few illustrative cases highlighting important audit findings and involving revenue effect of Rs.23.49 crore are given in the following paragraphs:

5.2 Review on "Receipts from forest produce"

5.2.1 Introductory

Assam is richly endowed with both natural and renewable forest resources. The forest coverage includes Reserve Forest area of 17421.94 sq. km., proposed Reserve Forest area of 2814.63 sq. km. and Unclassed State Forest area of 5893.99 sq. km. The percentage of forest area to the total geographical area is 33.31.

The extraction and disposal of forest produce is regulated under the Assam Forest Regulation, 1891, the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977 and the orders/instructions issued by the Government/ Department from time to time.

5.2.2 Organisational set up

The Principal Chief Conservator of Forests (PCCF) is the head of the Department. For the purpose of efficient management and control, the department has been divided into three wings viz. (i) Wild life, (ii) Research, Education and Working Plan and (iii) Territorial – each under the control of a Chief Conservator of Forests (CCF). Forest revenue is mainly derived from the Territorial Wing comprising of 5 (five) circles, each headed by a Conservator of Forest (CF), under which are 27 (twenty-seven) Territorial Divisions controlled by the Divisional Forest Officers (DFO). The DFO is assisted by Assistant Conservator of Forests (ACF), Range Officers, Deputy Range Officers, Foresters and Forest Guards. There is also a Forest Protection Force under the control of PCCF.

5.2.3 Scope of audit

A review of receipts from forest produce for the period from 1996-97 to 2000-01 was conducted during October 2001 to December 2001. Records of the PCCF, the CCF (Territorial) and *9 out of 27 Divisions were scrutinized.

5.2.4 Highlights

Failure of the department to protect forest from illegal felling and removal of timber resulted in loss of revenue Rs.3.48 crore.

(Paragraph 5.2.6)

Non-enforcement of proper surveillance on movement of forest produce led to evasion of royalty of Rs.6.28 crore.

(Paragraph 5.2.7)

* Kamrup East, Kamrup West, North Kamrup, Dhubri, Goalpara, Dibrugarh, Sibsagar, Cachar and Karimganj.

There was theft/pilferage of timber valuing Rs.1.01 crore despite deployment of Forest Protection Force.

(Paragraph 5.2.8)

Grant of extension of mahal period in contravention of rules resulted in loss of revenue of Rs.1.06 crore.

(Paragraph 5.2.9)

Sale of timber below Government valuation resulted in a revenue loss of Rs.0.75 crore.

(Paragraph 5.2.12)

Unintended benefit to departmental contractors resulted in locking up of Rs.5.00 crore.

(Paragraph 5.2.14)

5.2.5 Trend of Forest Receipts

Revenue from forest produce is an important source of non-tax revenue in Assam. The principal sources of forest revenue are classified as 'major' which includes timber only and 'minor' which includes sand, boulder, stone, cane, bamboo, thatch etc. The budget estimates and actuals of forest receipts for the last five years are indicated below:

Year	Budget estimate	Actuals	Variation	Percentage of variation
(Rupees in crore)				
1996-97	21.00	17.43	(-) 3.57	(-) 17
1997-98	8.00	7.80	(-) 0.20	(-) 3
1998-99	8.40	9.59	(+) 1.18	(+) 14
1999-2000	8.82	14.73	(+) 5.91	(+) 67
2000-2001	17.25	14.77	(-) 2.48	(-) 14

Excess/less realisation was mainly due to increase/decrease in sale of timber and other forest produce.

The percentage of variation revealed that the budget estimates were not prepared realistically.

5.2.6 Loss of revenue due to illicit felling and removal of timber

Under the Assam Forest Regulation, 1891, and the Rules framed there under felling/removal of forest produce from forest areas without valid authorisation, constitutes a forest offence punishable with fine. Forest produce removed illegally is also liable to be seized by forest officials. To prevent such illegal felling/removal of forest produce, the Department has deployed Forest

Protection Squads and Forest Protection Force in the forest areas and also set up number of check gates.

Test check of the records of *12 Divisional Forest Officers revealed that 24678.390 cu.m. of timber had been illegally felled during the period from 1996-97 to 2000-2001. Out of this 14324.347 cu.m. was recovered and the remaining 10354.043 cu.m. valued at Rs.3.48 crore were removed by miscreants. In none of the cases, the FIR was lodged with the Police. Thus, failure of the department to prevent/check of illegal felling/removal of timber, despite having Forest Protection Force, Forest Protection Squads and check gates, resulted in loss of revenue of Rs.3.48 crore as reflected in Appendix-II.

5.2.7 Improper control over the movements of forest produce

According to the Rules framed under the Assam Forest Regulation, 1891, Government Departments are permitted to extract, by engaging contractors or otherwise, forest produce for their departmental use on prior payment of royalty. A transit pass should be issued by an authorized Forest Officer in token of full payment of the amount due to Government on account of the forest produce. Further, under Government Notification issued on 30 June 1992, monopoly fee up to 200 per cent on the royalty shall be recovered on the excess quantity of forest produce collected unauthorisedly.

A test check of records of the Goalpara Forest Division revealed that N.F. Railway had intimated (December 2000 and January 2001) that 25,01,720 Cu.m of earth and 49,376.137Cu.m of stone/ballast had been utilised by them for construction of railway track against this the department had issued permits for 1,71,275 Cu.m of earth and 16,635 Cu.m of stone/ballast. Thus, there was an unauthorised excess collection/utilisation of 23,30,445 Cu.m of earth and 32,741.137 Cu.m of stone/ballast during the period from 1990-91 to 1996-97. The royalty and monopoly fee of Rs.6.28 crore (Royalty-Rs.2.09 crore and Monopoly fee Rs.4.19 crore) realizable on the unauthorized excess collection/utilisation had neither been collected nor demanded by the department. Thus, lack of proper check/surveillance of the department on the movement of forest produce resulted in non-realisation of revenue of Rs.6.28 crore.

5.2.8 Loss of revenue due to pilferage of timber from depot

The departmentally operated / unclaimed seized timber is stored at the nearest depot for disposal. Protection of the timber from theft is the primary responsibility of the Department. The Government has deployed forest protection force to protect the forest produce from pilferage by the miscreants. The department is also required to conduct a periodical verification of the stock and send a report to the higher authority.

* Eight selected Divisions plus four from information available

A test check of the records of the Divisional Forest Officer Kamrup West, Dhubri and Haltugaon revealed that theft of timber measuring 2035.439 cum valued Rs.1.01 crore was noticed in different forest depots under their control.

(Rupees in lakh)

Sl. No.	Name of the Division	Name of the Forest range	Date of report to DFO	Quantity cum	Amount
1.	Kamrup Division West	Bondapara	14 September 1999	542.145	25.43
		Bamunigaon	22 July 2000	602.303	28.25
2.	Dhubri	Barobadha	29 March 1999	184.105	6.83
3.	Haltugaon	-do-	1987 to 1997	706.886	40.91
Total				2035.439	101.42

The failure of the department to protect 2035.439 cum of timber from theft resulted in loss of Rs.1.01 crore.

5.2.9 Loss of revenue due to grant of unauthorised extension of mahal

According to the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, no extension in the period of lease of a mahal is ordinarily admissible. In exceptional circumstances the Government reserves the right to grant extension of mahal period on the merit of the case. No extension should be granted after the expiry of the original lease period

Scrutiny of records (October 2001 – December 2001) of 8* Divisional Forest Officers revealed that extension was incorrectly granted to 11 mahals after the expiry of original mahal periods. These extensions resulted in loss of revenue of Rs.1.06 crore as shown in Appendix-III.

* 5 selected Divisions and 3 from information available.

5.2.10 Loss of revenue due to inaccurate quantification of forest produce

According to the provisions of the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, forest produce is to be disposed by tender or auction at competitive rates. The quantity of forest produce in the mahal should be carefully estimated and stipulated in the sale notices so that maximum revenue is obtained.

The records of the D.F.O., Cachar, revealed (November 2001) that 3 mahals namely Madhura Stone Mahal, Madhura Sand Mahal and Chiri Stone Mahal were settled through tender/negotiation at Rs.30.04 lakh, Rs.2.31 lakh and Rs.7.11 lakh respectively with stipulated quantity of 10,000 cu.m. of stone, 1,200 cu.m of sand and 3,500 cu.m. of stone respectively during the working periods 8 August 1999 to 7 August 2002, 1 May 2000 to 30 April 2002 and 10 March 2000 to 9 March 2002, respectively.

It was noticed that 74,184,727 cu.m of stone and 2368.627 cu.m of sand were available in these mahals in addition to the stone, sand sold through public auction/tender, during this period. The quantity was sold on permits. The inaction of the department to sell the above quantity of sand and stone by tender/auction had deprived the department of earning additional revenue of Rs.1.66 crore.

5.2.11 Loss due to non-settlement of mahal

Sand/stone in a river bed is in constant process of accumulation and depletion due to river current. If a mahal is not worked during its specified working period, the sand/stone is carried away by the river current and does not become available later. The working period so lost, thus, results in loss of revenue. It is therefore necessary to ensure timely action to extract sand/stone during the respective working periods by prompt settlement, so as to safeguard the Government revenue.

Test check (October 2001 – December 2001) of 9 Forest Divisions revealed that 10 riverine mahals were not settled during their working periods resulting in a revenue loss of Rs.34.72 lakh as detailed in Appendix-IV. The loss is due to non-initiation of timely and prompt action of the department in settling the Mahals.

5.2.12 Loss due to sale of timber below Government valuation

Government valuation assigned to a forest produce serves as reserve price below which it is not to be sold. As per provisions of the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, timber lots are to be sold by tender and auction system.

Test check of records of Divisional Forest Officer Dhubri and Kamrup West Division revealed that out of 4747.928 cum of timber 3739.916 cum of timber valued at Rs.0.85 crore was sold through public auction for Rs.10.19 lakh which is just 12 percent of the value fixed by the Government. No reason was given by the department for sale at such a lower price. This resulted in loss of Rs.74.78 lakh as described below:

(i) A test-check (December 2001) of the records of Dhubri Forest Division disclosed that out of 4526.030 cu.m. of inventorised Sal Timber, 3518.008 cu.m. was re-assessed (July 1999) and Government fixed the reserve price at Rs.72.98 lakh. The timber was then sold through auction (September 1999) at Rs.5.41 lakh, which resulted in loss of Rs.67.57 lakh. There was no recorded reason for sale of timber at rates lower by 92.5 per cent than Government valuation. Besides, the remaining 1008.022 cu. m. (4526.030 cu.m. – 3518.008 cu.m.) was neither put to sale nor accounted for resulting in further non-realisation of revenue loss of Rs.39.53 lakh.

(ii) Scrutiny of records in Kamrup West Division revealed that 27 lots measuring 221.908 Cu.m. of unclaimed seized timber, valued at Rs. 11.99 lakh, had been put to auction sale (September 1999) and Rs. 4.78 lakh realised. This resulted in a revenue loss of Rs. 7.21 lakh. There was no recorded reason for sale of the timber at price lower than the Government valuation.

No approval was obtained from higher authorities for disposal of timbers below Government valuation.

Further, the balance timber of 1008.022 cum was not put to auction nor accounted for.

5.2.13 Non-initiation of codified provision

Under the provisions of the Assam Forest Regulation, 1891, when a forest offence is committed in respect of any forest produce, such produce may be seized by any forest officer and confiscated. On seizure, the Forest Officer shall report to the concerned magistrate for trial or get the case compounded.

A test-check of records of the Offence Case Registers of eight Divisions* revealed that 3110 offence cases were detected during 1996-97 to 2000-2001 out of which 2009 cases were compounded and 434 cases were sent to court, thereby leaving 667 cases, involving Rs.51.13 lakh, neither compounded nor sent to court. The position is tabulated below:

* (Kamrup East, Goalpara, Dibrugarh, Cachar, Karimganj, Nagaon South, N.K. Division. and Kamrup West Division.)

Year	Total no. of offence cases detected	Offence cases compounded	Offence cases sent to court	No. of cases neither compounded nor sent to court	Amount involved (Rupees in lakh)
1996-97	646	397	135	114	8.47
1997-98	769	529	128	112	16.86
1998-99	655	418	72	165	12.53
1999-2000	473	305	54	114	6.57
2000-2001	567	360	45	162	6.70
	3110	2009	434	667	51.13

Deviation from the codified provision resulted in locking up revenue of Rs.51.13 lakh. The produce will deteriorate and will fetch less/no value with the passage of time.

5.2.14 Blocking of revenue due to non-realisation of royalty.

The Government of Assam, Forest Department, in their Notification of December 1993, specified that the departmental contractors registered with the Government, engaged in the execution of works of departments such as Public Works, Flood Control, Irrigation and Public Health Engineering, may be allowed to collect forest produce on payment of 25 per cent of royalty in advance and the balance 75 per cent to be deducted at source at the time of payment of running or final bill by the department concerned in one instalment.

Test check of the records of 8 Divisional forest offices disclosed that permits for sand/gravel/stone were issued to authorised contractors of various departments of the State Government during the period from 1993-94 to 2000-2001 on payment of royalty of Rs.3.08 crore instead of Rs.8.08 crore. This resulted in non-realisation of Rs.5.00 crore.

The department stated (April 2002) that there is no scope for Conservator of Forests or the Chief Conservator of Forests to take any action with the defaulting contractors and the matter was being pursued with the concerned departments for speedy recovery of the amount. However, the fact remains that Rs.5.00 crore remained unrealized.

5.2.15 Bakijai cases

In the event of failure to recover outstanding revenue through departmental procedure, the case is referred to the Bakijai Officer for realization of outstanding amount as arrear of land revenue. When such a realization is made, the same is credited to the head of account concerned.

Test check of records of 11 Divisions revealed that a total sum of Rs.2.28 crore in 711 cases was recoverable as arrear of land revenue as on March 2001. The Division and age-wise break-up is exhibited below:

Name of the Divisions	Amount outstanding (Rupees in lakh)					
	1 to 5 years		6 to 15 years		above 15 years	
	Cases	Amount	Cases	Amount	Cases	Amount
1. Kamrup west, Bamunigaon	4	6.75	-	--	-	--
2. North Kamrup, Rangia	3	0.18	25	35.37	99	8.26
3. Cachar, Silchar	2	0.26	10	6.39	31	6.25
4. Karimganj	13	2.05	19	3.38	45	5.67
5. Dibrugarh	22	30.43	-	--	-	--
6 Digboi	-	--	55	24.99	17	8.55
7. Doomdooma	3	0.33	2	0.12	199	33.83
8. Sivsagar	11	8.06	9	4.40	-	--
9. Golaghat	5	4.96	21	7.76	18	2.73
10. Aie-valley, Bongaigaon	-	--	-	--	15	13.61
11. Goalpara	-	--	83	14.02	-	--
Total	63	53.02	224	96.43	424	78.90
		(A)		(B)		(C)
Grand Total (A+B+C)	711 case - Rs. 228.35 Lakh					

In absence of proper records it could not be ascertained whether any recovery was made. Besides, the department also did not pursue the matter with the respective Bakijai Officers for recovery of the outstanding amount.

5.2.16 Reconciliation of departmental figures of revenue with that of treasuries

Revenue remitted to the treasury through treasury challans is required to be reconciled monthly by the Department with treasury figures to ensure that the revenue remitted has been credited under proper head of account.

Test check of the records of 9 Forest Divisions revealed that during the period (1996-97 to 2000-2001) no such reconciliation was carried out. In the absence of the same it was not possible to establish that revenue remitted to the treasuries as per the records of the department had actually been accounted for in the Government accounts.

Such lapses on the part of the department in reconciliation of departmental receipts with that of treasury accounts is fraught with the danger of misappropriation of Government money.

5.3 Non-disposal of timber resulting in loss of revenue

According to the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, timber is disposed of by tender or auction system at competitive rates. Timber, if not disposed of expeditiously, loses its commercial value due to the vagaries of nature. Thus, it is the primary responsibility of the Forest Department to ensure that timber, whether seized or otherwise, is formed into

lots and disposed off promptly so that the Government does not lose revenue due to deterioration of timber. No time limit has been fixed for disposal of timber.

Scrutiny revealed (November 2001) that sal timber lots measuring 5527.312 cu.m. formed out of unclaimed seized timber during 1996-97 and 1997-98 were inventorised, and earmarked in December 1997 for supply to the PWD, out of which 1233 cu.m. was supplied (between January 1998 to March 1999) through the Logging Division. Thereafter, no efforts were made by the department for the sale of remaining timber of 4294.312 cum during the period 1996-97 to December 2001. However, a periodical verification of the timber conducted by the department revealed that 864.59 cum of timber valued at Rs.0.41 crore had deteriorated during this period

Thus, non-initiation of prompt and appropriate action and also non fixation of time limit by the Department in disposing of the timber, lying exposed for a long period, resulted in deterioration of 864.591 cu.m. of timber with consequent revenue loss of Rs.40.55 lakh.

The matter was reported to the department and the Government (May 2002); their replies have not been received (December 2002).

5.4 Loss of revenue due to selective negotiations

The Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, empower the Government to enter into settlement of mahals through private negotiations with the mahaldar at its discretion. The Supreme Court has held (Ram and Shyam Company Vs State of Haryana (1985) 3 SCC 267,283) that the expression "Private negotiation" also should fulfil the essential attributes of tender sale or public auction i.e., it must be with intimation to the intending purchasers and after giving them opportunity to make offers of negotiation, so that the negotiation might be held with them and state property disposed of in a manner so as to sub serve the public interest.

Test check of records of the Sibsagar Forest Division revealed (December 2001) that the highest bid received in response to sale notice (March 1998) of the Dilli Stone Quarry No.V with 25,000 cu.m. of stone was Rs.27.00 lakh for the working period from 27 August 1998 to 26 August 2000. The sale could not be effected as the Government stayed (May 1998) the execution of tender sale. Thereafter, the quarry was bifurcated into two parts and settled by direct negotiations for 2 years terms : Part A (May 1998) for extraction of 10,000 cu.m and Part B for extraction (January 1999) of 15,000 cu.m of stone at Rs.77 per cu.m. The total sale value of the Mahal was Rs.19.25 lakh instead of Rs.27.00 lakh resulting in a loss of revenue of Rs.7.75 lakh.

The matter was reported to the department and the Government (May 2002); their replies have not been received (December 2002).

5.5 Supply of forest produce without realisation of royalty in advance

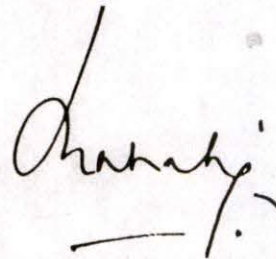
According to Rules framed under the Assam Forest Regulation 1891, Government Departments are permitted to collect forest produce for their departmental use on prior payment of royalty. A transit pass should be issued by an authorised forest officer in token of full payment due to the Government.

Test check of the records of the Forest Utilisation Officer (FUO) revealed (November 2001) that 142.393 cu.m. of timber valued at Rs.21.99 lakh, was supplied (August/September 1998) to Government departments without realisation of royalty. On this being pointed out (November 2001) the Forest Utilisation Officer stated (November 2001) that the said timber was supplied on credit as per the instructions received from the Government. The instructions issued in violation of the provisions of the Act, resulted in blockage of revenue of Rs.21.99 lakh.

The matter was reported to the department and the Government (May 2002); their replies have not been received (December 2002).

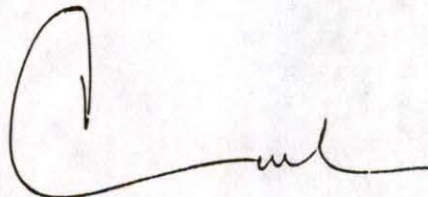
GUWAHATI
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18 FEB 2003



(K.G. MAHALINGAM)
Principal Accountant General (Audit),
Assam

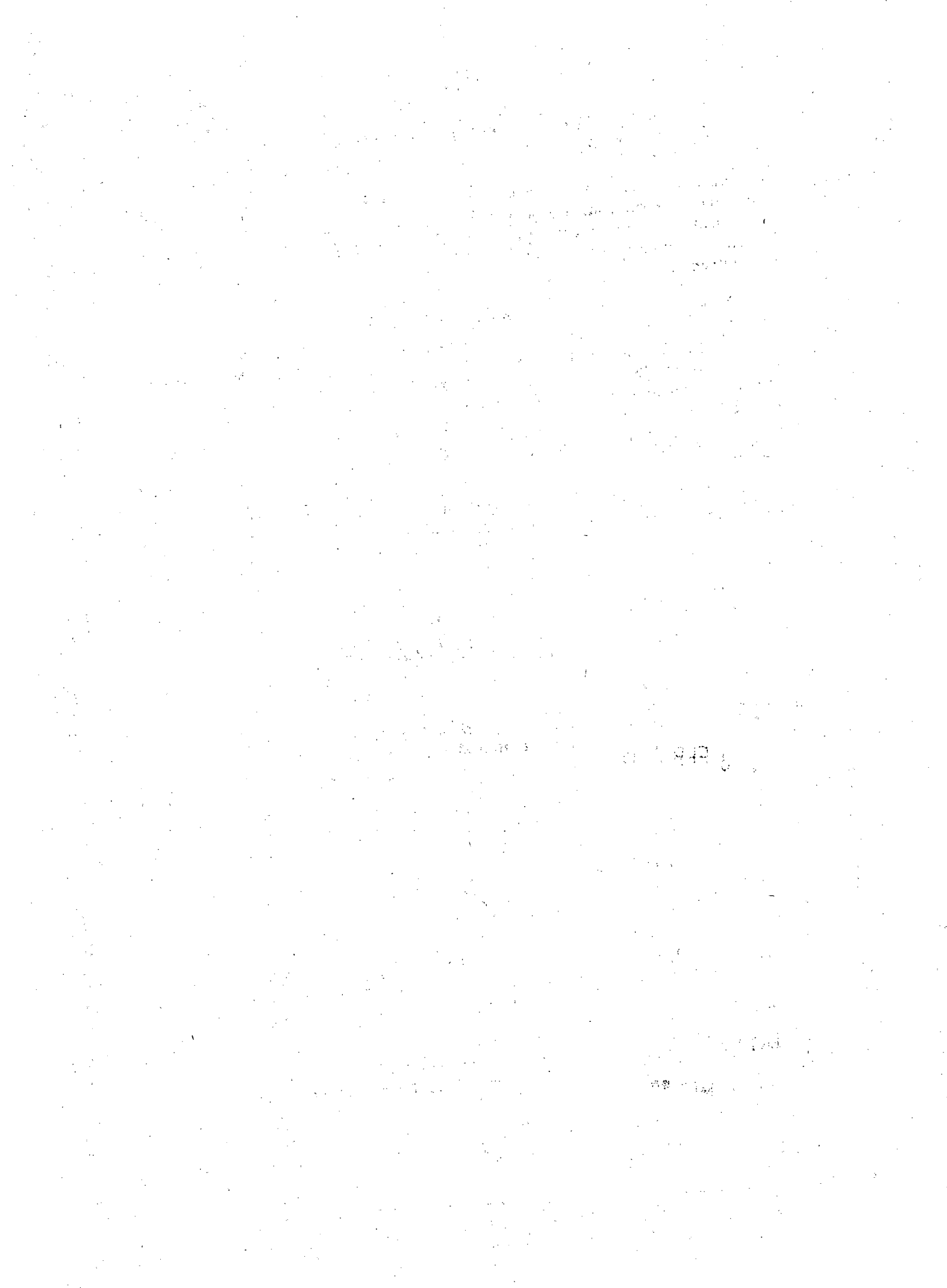
Countersigned



NEW DELHI
The

01 MAR 2003

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



Appendix-I
Statement showing position of outstanding Inspection
Reports/Paragraphs as on 30 June 2002
(Reference: Paragraph 1.7)

Sl. No	Name of Department	Total number of outstanding IRs/Paragraphs at the end of June 2002			Total number of outstanding IRs/Paragraphs not settled for more than 10 years			Total number of IRs against which initial replies not received	
		Year of issue	No. of IRs	No. of Paragraphs	Year of issue	No. of IRs	No. of Paragraphs	Year of issue	No. of IRs
1.	Taxation	1986-87 to June 2002	255	863	1986-87 to 1991-1992	20	25	1999-2000 to December 2001	25
2.	Agricultural Income Tax	1996-97 to June 2002	6	67	Nil	Nil	Nil	Nil	Nil
3.	Land Revenue	1993-94 to June 2002	486	1265	Nil	Nil	Nil	1997-98 to December 2001	134
4.	Mines and Minerals	1990-91 to June 2002	7	32	1990-91	1	1	Nil	Nil
5.	Registration	1993-94 to June 2002	86	150	Nil	Nil	Nil	1997-98 to December 2001	26
6.	Transport	1990-91 to June 2002	155	695	1990-91 to 1991-92	22	94	2001-2002 up to December 2001	23
7.	State Excise	1993-94 to June 2002	114	295	Nil	Nil	Nil	2001-2002 up to December 2001	16
8.	Forest and Wildlife	1988-89 to June 2002	242	1066	1991-92	05	15	2001-2002 up to December 2001	8
Total:			1351	4433		48	135		232

Appendix-II
(Reference : Paragraph 5.2.6)

Statement showing details of loss of revenue due to illicit felling and removal of timbers.

Sl. No.	Name of the forest division	Quantity illegally felled (cu.m.)	Out-turn recovered by the department (cu.m.)	Out-turn removed by miscreants (cu.m.)	Value of out-turn removed (Rupees in lakh)	Period involved
1.	Goalpara	2770.551	2044.285	726.266	23.74	1996-97 to 2000-2001
2.	Dhubri	3706.671	2737.268	969.403	22.18	-do-
3.	Sivsagar	953.160	833.010	120.150	9.29	-do-
4.	Karimganj	4116.412	3082.375	1034.037	38.18	-do-
5.	Cachar, Silchar	111.576	80.274	31.302	2.97	1999-2000 & 2000-2001
6.	Kamrup East, Guwahati	1278.538	940.211	338.327	10.36	-do-
7.	Dibrugarh	2382.893	1306.757	1076.136	14.86	-do-
8.	Nagaon	1425.026	858.822	566.204	19.12	1997-98 to 1999-2000
9.	Doomdooma	1486.318	1215.061	271.257	7.47	-do-
10.	Nagaon South, Hojai	1153.120	788.855	364.265	8.78	2000-01
11.	Sonitpur East, Biswanath Charali	726.720	221.477	505.243	10.17	1998-99
12.	Kamrup West, Bamunigaon	4567.405	215.952	4351.453	180.97	September 1999 to November 1999
	Total	24678.390	14324.347	10354.043	348.09	

Appendix-III

(Reference: Paragraph 5.2.9)

Statement showing the loss due to unauthorised grant of extension of mahal.

Sl. No.	Name of the Forest Division	Name of the forest mahal/quarry	Period of settlement	Stipulated quantity (Cu.m.)		Period of extension and date on which granted	Realisable amount (Rupees in lakh)	Extension fee realised (Rupees. in lakh)	Loss of revenue (Rupees. in lakh)	Total Working period lost due to irregular grant of extension
1.	Aie-valley Division., Bongaigaon	Champa river sand & gravel mahal No.I	19.1.1997 to 18.1.1999	Sand Gravel	10000 10000	1 year 6 months 28.4.1999	11.43	4.80	6.63	19.01.99 to 15.06.99
2.	Dibrugarh Division	Dilli stone quarry No JP/2	21.11.92 to 20.11.93	Stone	12500	2 years 03.06.1994	10.88	1.33	9.55	21.11.93 to 24.11.96
3.	Sonitpur West Division. Texpur	Khalihamari Sand and gravel mahal	14.12.95 to 13.12.97 (loss period granted up to 16.08.98)	Sand Gravel Earth	5000 3000 5000	1 year. 6 months 19.11.1998	8.53	0.75	7.78	17.08.98 to 01.07.2000
4.	Nagaon South Division, Hojai	Hadartali Stone Mahal	4.5.94 to 3.5.96 (loss period granted up to 03.07.96)	Stone	2000	3 years 9 months 21 days 05.12.1996.	4.96	0.56	4.40	4.7.96 to 30.4.2000
5.	Dibrugarh Division	Dilli Stone quarry No JP/2	21.1.97 to 20.1.99	Stone	12500	1 year 4 months 15 days. 03.04.1999	6.88	0.34	6.54	21.4.99 to 9.6.2000
6.	-do-	Sand Mahal No.5	8.4.96 to 7.4.98 (loss period granted up to 7.7.98)	Sand	2000	1 year 6 months 18.07.1998	5.28	0.80	4.48	8.7.98 to 10.8.2000

^s Bases on the settled value fixed last year.

7.	Dibrugarh Division	Sand Mahal No 19(A)	22.4.96 to 21.4.98	Sand	1500	2 years 4 months 15 days 02.07.1998	5.26	1.77	3.49	22.7.98 to 6.12.2000
8.	Sivsagar Division	Dilli Stone quarry no 5	9.11.93 to 8.11.95	Stone	25000	2 years 3 months 11 days 01.03.1996	19.80	1.03	18.77	9.11.95 to 19.2.98
9.	Karimganj Division	Longai river Sand Mahal No.IV	14.7.92 to 13.12.93	Sand	1500	5 years 10.03.1994	6.55	0.81	5.74	14.12.93 to 15.12.98
10.	N.K. Division., Rangia	Khagrabari Sand & Stone Mahal	10.1.96 to 9.1.98 (continued up to 30.12.98)	Stone Sand	1000 2500	9 months 12.01.1998	2.96	0.53	2.43	31.12.98 to 29.9.99
11.	Dhubri Division	Khoraghat Sand and gravel mahal	11.12.97 to 10.12.99 (loss period granted up to 15.01.2000)	Sand gravel	8000 4000	2 years 5 months 23 days 18.01.2000	40.93	5.11	35.82	16.1.2000 to 8.7.2002
Total									105.63	

Appendix-IV

(Reference: Paragraph 5.2.11)

Statement showing the loss of revenue due to non-settlement/non-operation of mahal.

Sl. No.	Name of the Forest Division	Name of the mahal/quarry	Mahal period	Forest produce	Stipulated quantity (Cu.m.)	Average last settled value per year (Rupees in lakh)	Period of non-operation	Loss due to non-operation (Rupees in lakh)
1.	Biswanath Charali Division	Buroi Sand & Gravel Mahal No.1	12.07.1997 to 11.01.1998	Sand Gravel Boulder	250 250 250	1.51	12.1.98 to 1.4.98 & 21.4.98 to 31.7.99 = 1 year 6 months	2.27
2.	North Lakhimpur Division	Ranganadi Sand & Gravel Mahal	01.05.1998 to 30.04.2000	Sand Gravel	2500 2500	6.60	1.5.2000 to 29.12.2000 = 8 months	4.40
3.	Digboi Division	Stone Quarry No.DIG/19 (River bed)	05.06.1998 to 04.06.2000	Stone	3000	3.62	5.6.2000 to 20.2.2001 = 8 months 17 days	2.35
4.	Sonitpur West, Tezpur Division	Belsiri Sand and Gravel Mahal No.2	10.04.1991 to 09.04.1993 (extended up to 04.05.1995)	Sand Gravel	1000 500	1.04	5.5.95 to 3.9.98 = 3 years 4 months	3.46
5.	Doomdooma Division	Sand Mahal No.2	26.10.1998 to 25.10.2000	Sand	5000	3.21	26.10.2000 to 30.6.2001 = 8 months 6 days	2.14
6.	North Lakhimpur Division	Lower Subansiri Sand & Gravel Mahal	08.06.1998 to 07.06.2000	Sand Gravel	2000 2500	3.68	8.6.98 to 24.3.2000 = 1 year 9 months 18 days	6.43
7.	Goalpara Division	Krishnai river sand mahal No.2	23.11.93 to 22.11.95	Sand	2000	0.67	23.11.95 to 22.11.99 = 4 years 11 months	3.09
8.	Sivsagar Division	Dilli Stone Quarry No.3 (River bed)	07.07.89 to 06.07.91	Stone	25000	1.96	7.7.91 to 19.12.96 = 5 years 5 months 14 days	10.58
							Total	34.72

