

दिनांक को विधान सभा
में प्रस्तुत ।
Presented to Legislature
on **8 JUL 2008**

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

FOR THE YEAR ENDED 31 MARCH 2007

(REVENUE RECEIPTS)

GOVERNMENT OF CHHATTISGARH

BOOK 1000

RECORDS

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PREFACE

This report for the year ended 31 March 2007 has been prepared for submission to the Governor under article 151 (2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This report presents the results of audit of receipts comprising taxes on sales, trade, state excise, taxes on vehicles, land revenue, other tax receipts, mineral concession, fee and royalties and other non-tax receipts of the State.

The cases mentioned in this report are among those which came to notice in the course of test audit of records during the year 2006-07 as well as those which came to notice in the earlier years but could not be covered in the previous reports.

PROPERTY

This report for the year ended 31st March 1907 has been prepared in accordance with the provisions of the Companies Act, 1900 (No. 31 of 1900).

The profit and loss account for the year ended 31st March 1907 is set out in the statement of profit and loss on page 12. The balance sheet as at 31st March 1907 is set out on page 13. The directors have examined the books and vouchers and are satisfied that the accounts are correct and that the balance sheet is a true and fair statement of the state of affairs of the company at the end of the year.

The assets mentioned in this report are subject to the usual risks of loss or damage. The directors have taken all reasonable steps to protect the assets and to ensure that the company's affairs are conducted in a proper and economical manner.

OVERVIEW

This Report contains 17 paragraphs including one review, relating to non/short levy of tax, interest, penalty etc. involving Rs. 15.99 crore. Some of the significant audit findings are mentioned below.

General

The total receipts of the Government of Chhattisgarh during 2006-07 were Rs. 11,453.24 crore as against Rs. 8,838.49 crore for the year 2005-06. The revenue raised by the Government amounted to Rs. 6,497.04 crore comprising tax revenue of Rs. 5,045.70 crore and non-tax revenue of Rs. 1,451.34 crore. The receipts from the Government of India were Rs. 4,956.20 crore, (State's share of divisible Union taxes: Rs. 3,198.80 crore and grants-in-aid: Rs. 1,757.40 crore). Thus, the State Government could raise 57 *per cent* of the total revenue. Taxes on sales, trade etc. (Rs. 2,843.04 crore), and state excise (Rs. 706.81 crore) and stamp duty and registration fee (Rs. 389.51 crore) and non-ferrous mining and metallurgical industries (Rs. 813.42 crore) were the major sources of tax and non-tax revenue during 2006-07.

(Paragraph 1.1)

The arrears of revenue aggregating Rs. 299.35 crore remained unrealised under some principal heads of revenue at the end of 2006-07. The arrears were mainly in respect of taxes on sales, trade etc., state excise, taxes on vehicles, stamp duty and registration fee, electricity duty, geology and mining and irrigation.

(Paragraph 1.4)

Test check of the records of commercial tax, taxes on motor vehicles, stamp duty and registration fee, land revenue, state excise, forest and other non-tax receipts conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs. 112.70 crore in 417 cases. During the year, the concerned departments accepted underassessment and other deficiencies of Rs. 33.99 crore in 173 cases.

(Paragraph 1.8)

II. Commercial Tax

Application of incorrect rate of tax resulted in short levy of tax of Rs. 95.02 lakh.

(Paragraph 2.2)

Failure of the assessing officer to levy interest for delayed payment of tax resulted in non-levy of interest of Rs. 35.77 lakh.

(Paragraph 2.3)

Application of incorrect rate of entry tax resulted in short levy of tax of Rs. 24.91 lakh.

(Paragraph 2.10)

Irregular grant of exemption resulted in non-realisation of entry tax of Rs. 18.25 lakh.

(Paragraph 2.11)

III. Taxes on vehicles

Non-realisation of vehicle tax and penalty of Rs. 1.27 crore from the owners of vehicles.

(Paragraph 3.2)

IV. Stamp duty and registration fee

A review of "Levy and collection of stamp duty and registration fee" revealed the following:

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

(Paragraph 4.2.7)

Lack of a system for submitting periodic information/return by the registering authorities showing a list of the cases and the grounds of exemption of stamp duty resulted in incorrect concession of Rs. 48.12 lakh.

(Paragraph 4.2.8)

Non-stipulation of a condition in the notification for submission of documents in support of the beneficiary belonging to the SC/ST category or the prescribed limit of holdings of 10 hectares resulted in incorrect grant of exemption of stamp duty of Rs. 25.98 lakh.

(Paragraph 4.2.9)

Lack of a prescribed monitoring mechanism for the higher authorities to monitor the settlement of cases of undervaluation at the level of SRs resulted in short levy of stamp duty of Rs. 1.79 crore.

(Paragraph 4.2.10)

Short levy of stamp duty of Rs. 38.46 lakh due to misclassification of instruments.

(Paragraph 4.2.14)

Inordinate delay in disposal of referred cases involving Rs. 5.75 crore booked under section 47-A of the Indian Stamp Act, 1899.

(Paragraph 4.2.15)

V. Forest receipts

Non-exploitation of timber/bamboo as per working plan resulted in loss of revenue of Rs. 2.43 crore.

(Paragraph 5.2)

VI. Mining and other non-tax receipts

Non-realisation of development cess of Rs. 44.15 lakh from operating mines.

(Paragraph 6.2)

Non-realisation of dead rent of Rs. 21.78 lakh from inoperative mines.

(Paragraph 6.3)

Short levy of water charges of Rs. 79.36 lakh from M/s Bharat Aluminium Company Ltd.

(Paragraph 6.5)

CHAPTER – I: GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Chhattisgarh during the year 2006-07, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
I.	Revenue raised by the State Government					
	• Tax revenue	2,327.44	2,588.25	3,227.80	4,051.91	5,045.70
	• Non-tax revenue	956.56	1,124.41	1,243.93	1,229.53	1,451.34
	Total	3,284.00	3,712.66	4,471.73	5,281.44	6,497.04
II	Receipts from the Government of India					
	• State's share of divisible Union taxes	1,349.90	1,569.70	1,876.29	2,507.82	3,198.80 ¹
	• Grants-in-aid	783.40	676.96	900.85	1,049.23	1,757.40
	Total	2,133.30	2,246.66	2,777.14	3,557.05	4,956.20
III	Total receipts of the State (I+II)	5,417.30	5,959.32	7,248.87	8,838.49	11,453.24
IV	Percentage of I to III	61	62	62	60	57

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 57 *per cent* of the total revenue receipts (Rs. 11,453.24 crore) against 60 *per cent* in the preceding year. The balance 43 *per cent* of the receipts were from the Government of India.

¹ For details please see "Tax revenue" of statement 11 detailed account of revenue by minor heads of the Finance Account of the Government of Chhattisgarh, 2006-07. Figure under the minor heads '901 - Share of net proceeds assigned to the State' booked under the major heads 0020 - Corporation tax, 0021 - Income tax, 0028 - Other taxes on income & expenditure, 0032 - Taxes on wealth, 0037 - Custom, 0038 - Union excise duty, 0044 - Service tax, 0045 - Other taxes and duties on commodities & services under 'A - Tax revenue' have been excluded from the revenue raised by the State and included in the State's share of divisible Union taxes in this statement.

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

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	• Commercial tax	768.08	989.23	1,347.17	1,602.85	2,140.71	(+) 33.56
	• Central sales tax	334.35	309.39	326.69	486.35	702.33	(+) 44.41
2.	State excise	361.73	402.35	458.27	634.50	706.81	(+) 11.40
3.	Stamp duty and registration fee	148.10	170.87	247.77	312.80	389.51	(+) 24.52
4.	Taxes and duties on electricity	244.33	268.36	308.92	362.31	469.12	(+) 29.48
5.	Taxes on vehicles	157.81	167.07	191.79	205.97	253.05	(+) 22.86
6.	Taxes on goods and passengers	251.55	230.08	287.13	395.33	301.81	(-) 23.66
7.	Other taxes on income and expenditure, taxes on professions, trades, callings and employments including hotel receipts tax	42.41	42.96	27.13	20.65	16.23	(-) 21.40
8.	Other taxes and duties on commodities and services	6.52	4.13	4.25	4.26	5.27	(+) 23.71
9.	Land revenue	12.56	3.81	28.68	26.89	60.86	(+) 126.33
Total		2,327.44	2,588.25	3,227.80	4,051.91	5,045.70	(+) 24.53

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.1.3 The following table presents the details of major non-tax revenue raised by the State during the period from 2002-03 to 2006-07.

(Rupees in crore)

Sl. No.	Heads of revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase(+)/ decrease(-) in 2006-07 over 2005-06
1.	Non-ferrous mining and metallurgical industries	538.14	629.68	679.83	721.12	813.42	(+) 12.80
2.	Forestry and wild life	105.84	140.94	159.85	203.17	205.79	(+) 1.29

3.	Interest receipts	95.65	122.46	101.26	97.67	186.04	(+) 90.48
4.	Major and medium irrigation	53.73	44.85	67.26	38.98	104.96	(+) 169.27
5.	Other non-tax receipts	77.26	86.38	69.23	106.41	74.32	(-) 30.16
6.	Medical and public health	2.40	2.43	3.21	3.07	19.33	(+) 529.64
7.	Other administrative services	64.94	10.70	12.30	14.23	13.10	(-) 7.94
8.	Police	2.59	6.80	3.74	10.21	12.11	(+) 18.61
9.	Public works	10.03	8.56	5.63	13.94	9.31	(-) 33.21
10.	Miscellaneous general services (including lottery receipts)	1.99	67.47	37.45	14.91	8.62	(-) 42.19
11.	Co-operation	3.99	4.14	4.17	5.82	4.34	(-) 25.43
12.	Power	NA	NA	100.00	0.00	0.00	0.00
Total		956.56	1,124.41	1,243.93	1,229.53	1,451.34	(+) 18.04

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.2 Variations between budget estimates and actuals

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

(Rupees in crore)					
Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage variation
A. Tax revenue					
1.	Taxes on sales, trade etc.	2,903.00	2,843.04	(-) 59.96	(-) 2.07
2.	State excise	704.44	706.81	(+) 2.37	(+) 0.34
3.	Taxes and duties on electricity	500.95	469.12	(-) 31.83	(-) 6.35
4.	Stamp duty and registration fee	379.90	389.51	(+) 9.61	(+) 2.53
5.	Taxes on goods and passengers	495.00	301.81	(-) 193.19	(-) 39.03
6.	Taxes on vehicles	250.00	253.05	(+) 3.05	(+) 1.22
7.	Land revenue	73.86	60.86	(-) 13.00	(-) 17.60
8.	Other taxes on income and expenditure	18.02	15.60	(-) 2.42	(-) 13.43
9.	Other taxes and duties on commodities and services	5.42	5.27	(-) 0.15	(-) 2.77

10.	Hotel receipts tax	0.55	0.63	(+) 0.08	(-) 14.55
Total		5,331.14	5,045.70	(-) 285.44	(-) 5.35
B. Non-tax revenue					
1.	Non-ferrous mining and metallurgical industries	824.62	813.42	(-) 11.20	(-) 1.36
2.	Forestry & wildlife	211.53	205.79	(-) 5.74	(-) 2.71
3.	Interest receipts	145.51	186.04	(+) 40.53	(+) 27.85
4.	Major and medium irrigation	80.88	104.96	(+) 24.08	(+) 29.77
5.	Medical and public health	25.82	19.33	(-) 6.49	(-) 25.14
6.	Other administrative services	13.13	13.10	(-) 0.03	(-) 0.23
7.	Police	5.93	12.11	(+) 6.18	(+) 104.22
8.	Public works department	20.38	9.31	(-) 11.07	(-) 54.32
9.	Water supply and sanitation	2.17	5.32	(+) 3.15	(+) 145.16
10.	Others (jail)	1.56	1.40	(-) 0.16	(-) 10.26
Total		1,331.53	1,370.78	(+) 39.25	(+) 2.95

The concerned departments did not inform (November 2007) the reasons for variations, despite being requested (October 2007).

1.3 Cost of collection

The gross collection of the major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage of expenditure on collection to gross collection for 2005-06 are mentioned below:

(Rupees in crore)

Sl. No.	Heads of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Taxes on sales, trade etc.	2004-05	1,673.86	11.95	0.71	0.91
		2005-06	2,089.20	12.61	0.60	
		2006-07	2,843.04	12.46	0.44	
2.	Taxes on vehicles	2004-05	191.79	4.50	2.34	2.67
		2005-06	205.97	3.81	1.85	
		2006-07	253.05	4.09	1.62	
3.	State excise	2004-05	458.27	18.51	4.04	3.40
		2005-06	634.50	23.55	3.71	
		2006-07	706.81	17.94	2.54	
4.	Stamp duty & registration fee	2004-05	247.77	5.94	2.40	2.87
		2005-06	312.80	8.61	2.75	
		2006-07	389.51	10.86	2.79	

1.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue as reported by the department amounted to Rs. 299.35 crore of which Rs. 216.50 crore was outstanding for more than five years as mentioned below:

(Rupees in crore)				
Sl. No.	Heads of revenue	Amount outstanding as on 31 March 2007	Amount outstanding for more than 5 years as on 31 March 2007	Remarks
1.	Taxes on sales, trade etc.	156.51	98.45	Process of auction of ceased/ confiscated property relating to Rs. 98.45 crore is in process. Specific action taken for the remaining arrears has not been intimated (November 2007) by the department despite being requested (October 2007).
2.	Taxes on vehicles	5.77	1.28	Out of Rs. 1.28 crore, Rs. 1.10 crore is pending due to the stay order of the court. Further, at the end of November 2007, Rs. 1.24 crore has been recovered out of Rs. 5.77 crore. Transport officials have been directed to expedite the balance recovery.
3.	State excise	19.93	10.22	Outstanding revenue is being recovered as arrears of land revenue.
4.	Stamp duty and registration fee	2.87	0.27	Necessary action for recovery of revenue is being taken.
5.	Taxes and duties on electricity	10.51	2.73	The department did not furnish any reply, (November 2007) despite being requested (October 2007).
6.	Geology & mining	1.84	1.63	Action to recover the outstanding dues would be taken up through a special drive.
7.	Irrigation	101.92	101.92	The department did not furnish any reply (November 2007) despite being requested (October 2007).
Total		299.35	216.50	

1.5 Arrears in assessments

The number of pending cases at the beginning of the year 2006-07, becoming due during the year, disposed during the year and pending at the end of the year 2006-07 as furnished by the departments are mentioned below:

Name of tax	Opening balance (2006-07) ²	Addition during the year	Total number of assessment cases due	Cases disposed during the year	Cases pending at the end of the year	Percentage of clearance (Column 5 to 4)
1	2	3	4	5	6	7
Commercial tax	46,841	84,923	1,31,764	90,240	41,524	68.49
Professional tax	13,362	28,198	41,560	31,472	10,088	75.73
Entry tax	23,174	46,947	70,121	21,469	48,652	30.62
Luxury tax	44	113	157	122	35	77.71
Tax on work contract	26	56	82	60	22	73.17
Total	83,447	1,60,237	2,43,684	1,43,363	1,00,321	58.83

Thus, 41.17 per cent of the assessment cases were pending at the end of the year which the Government needs to look into. The Government should initiate action for expeditious disposal of the pending assessment cases.

1.6 Evasion of tax

The details of cases of evasion of tax detected by the departments, cases finalised and the demand for additional tax raised during 2006-07 as reported by the departments are mentioned below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2006 ³	Cases detected during 2006-07	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2007
					No. of cases	Amount of demand (Rupees in crore)	
1.	Commercial tax	1	3	4	4	2.32	NIL
2.	State excise	15	NIL	15	NIL	NIL	15

Thus, the State Excise Department could not finalise any case during 2006-07 which were pending for settlement as on 31 March 2006.

1.7 Refunds

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

² The variations between closing balance for year 2005-06 and opening balance for the year 2006-07 is being reconciled with the department.

³ The variations between closing balance for the year 2005-06 and opening balance for the year 2006-07 is being reconciled with the department.

(Rupees in crore)

Name of the department	Opening balance		Claims received		Refunds allowed		Closing balance	
	Number of cases ⁴	Amount	Number of cases	Amount	Number of cases	Amount	Number of cases	Amount
Commercial tax	230	2.46	4,366	33.17	4,324	33.36	272	1.93
State excise	13	4.39	10	0.18	13	0.29	10	4.28
Total	243	6.85	4,376	33.35	4,337	33.65	282	6.21

1.8 Results of audit

Test check of the records of commercial tax, land revenue, state excise, motor vehicles tax, stamps and registration fee and other non-tax receipts conducted during the year 2006-07 revealed underassessment, short levy and loss of revenue amounting to Rs. 112.70 crore in 417 cases. The concerned departments accepted underassessment and other deficiencies of Rs. 33.99 crore involved in 173 cases which had been pointed out in audit during the year 2006-07.

This report contains 17 paragraphs including one review, pointing out non/short levy of taxes, duties, interest and penalties etc., involving Rs. 15.99 crore. The Government/departments accepted audit observations involving Rs. 2.92 crore of which Rs. 17.11 lakh had been recovered upto June 2007. Audit observations with a total revenue effect of Rs. 3.94 crore have not been accepted by the departments, but their contention have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (November 2007).

1.9 Outstanding inspection reports and audit observations – lack of responsiveness and erosion of accountability

Audit observations on underassessments, short determination/realisation of taxes, duties, fees etc., and defects in the maintenance of initial records, which are not settled on the spot, are communicated to the heads of the departments through inspection reports (IRs). Important irregularities are also reported to the Government/departments through IRs by the office of the Accountant General to which replies are required to be furnished by them within one month.

The number of IRs and audit observations relating to revenue receipts issued upto 31 December 2006 which were pending with the departments as on 30 June 2007, along with corresponding figures for the preceding two years, are mentioned below:

Sl. No.	Particulars	Position as on 30 June		
		2005	2006	2007
1.	Number of IRs pending settlement	1,462	1,526	1,587

⁴ As against the closing balance of 297 and 19 cases against commercial tax and state excise the department has reported figure of opening balance as 230 and 13 cases respectively. The difference is being reconciled by the department.

2.	Number of outstanding audit observations	5,624	5,819	6,113
3.	Amount of revenue involved (Rs. in crore)	1,406.87	1,555.31	1,693.28

The department wise details of the IRs and audit observations outstanding as on 30 June 2007 are mentioned below:

Sl. No.	Department	Number of outstanding		Amount (Rupees in crore)	Earliest year to which the IR relates
		IRs	Audit observations		
1.	Commercial tax	298	1,953	260.14	1992-93
2.	Stamp duty and registration	221	557	19.88	1990-91
3.	Land revenue	464	1,242	478.22	1994-95
4.	Transport	78	598	52.33	1994-95
5.	State excise	94	321	200.07	1994-95
6.	Geology and mining	96	339	433.99	1994-95
7.	Electricity duty	5	19	7.87	1997-98
8.	Entertainment tax	54	63	1.59	1994-95
9.	Other tax departments	277	1,021	239.19	1994-95
Total		1,587	6,113	1,693.28	

1.10 Response of the departments to draft audit paragraphs

The Finance Department issued directions to all the departments in August 1969 to send their response to the draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India within three weeks of their receipt. The draft paragraphs are forwarded to the Secretaries of the concerned department through demi-official letters drawing their attention to the audit findings and requesting them to send their response within three weeks. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Draft paragraphs proposed to be included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2007 were forwarded to the Secretaries of the respective departments between June 2007 and December 2007. Out of 17 draft paragraphs including one review of 'Levy and collection of stamp duty and registration fee', the departments have accepted the audit observations in six paragraphs.

1.11 Recovery of revenue in accepted cases

During the years between 2002-03 and 2006-07, the departments/ Government accepted audit observations of the Audit Reports involving Rs. 20.24 crore of which only Rs. 3.26 crore had been recovered till March 2007 as mentioned below:

(Rupees in crore)

Sl. No.	Year of the Audit Report	Total money value	Amount accepted	Recovery made upto March 2007
1.	2002-03	11.04	1.65	0.03
2.	2003-04	46.72	12.40	1.26
3.	2004-05	60.98	1.05	1.33
4.	2005-06	253.10	2.22	0.47
5.	2006-07	15.99	2.92	0.17
Total		387.83	20.24	3.26

CHAPTER II - COMMERCIAL TAX

2.1 Results of audit

Test check of the records of the Commercial Tax Department conducted during the year 2006-07 revealed underassessment, non/short levy of tax, interest, penalty, application of incorrect rate of tax etc. amounting to Rs. 18.09 crore in 176 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non/short levy of tax	78	10.99
2.	Incorrect grant of exemption/deduction/ set off	31	2.73
3.	Application of incorrect rate of tax	10	1.58
4.	Other irregularities	57	2.79
Total		176	18.09

During the year 2006-07, the department accepted underassessment of tax of Rs. 11.05 crore in 97 cases.

A few illustrative cases involving revenue of Rs. 2.11 crore highlighting important audit findings are mentioned in the following paragraphs.

2.2 Short levy of tax on furnace oil

According to Section 9 of the Chhattisgarh Commercial Tax Act⁵, 1994 (CGCT Act), commercial tax on light diesel oil (LDO) is leviable at 12 *per cent*. The MP Commercial Tax Tribunal in May 1999 had held that furnace oil was covered in the entry relating to LDO.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that the assessing officer (AO) while finalising the assessment in January 2005 of a dealer engaged in sale of petrol, diesel, kerosene oil, furnace oil for the period April 2001 to March 2002, levied tax on furnace oil at eight *per cent* instead of 12 *per cent*. This resulted in short realisation of tax of Rs. 95.02 lakh including surcharge.

After the case was pointed out, the AO stated in August 2006 that furnace oil and LDO were different commodities and furnace oil being a non-specified item was taxable at eight *per cent*. The reply is not tenable in view of the aforesaid decision of the MP Commercial Tax Tribunal.

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

2.3 Non-levy of interest

Under the provisions of the CGCT Act, if a dealer fails to pay the amount of tax payable according to a return for any period in the manner prescribed under sub-section (2) of Section 32 without sufficient cause such dealer shall be liable to pay interest at two *per cent* per month in respect of the tax payable by him from the date the tax payable falls due, to the date of its payment.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that two dealers paid admitted tax of Rs. 57.69 lakh for the year 2002-03 after delays ranging between one and 32 months. The AO while finalising the assessments of the dealers in November 2005, did not levy interest of Rs. 35.77 lakh for the delayed payment of tax.

After the cases were pointed out, the department stated in August 2006 that none of the provisions for payment of interest were applicable. The reply is not tenable as the CGCT Act stipulates payment of interest for delayed payment of tax.

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

⁵ The Government of Chhattisgarh adopted the Madhya Pradesh (MP) Commercial Tax Act, 1994.

2.4 Short levy of tax

Under the provision of the CGCT Act, commercial tax on machines, machinery, machine parts etc. is eight *per cent* and on hair oil is 15 *per cent*. In addition, surcharge at the rate of 15 *per cent* is also leviable.

2.4.1 Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that in case of a dealer assessed in December 2004 for the period from April 2001 to March 2002, commercial tax on the turnover of Rs. 1.52 crore on machines, machinery, machine parts etc. was levied at four instead of eight *per cent*. This resulted in short levy of commercial tax of Rs. 6.70 lakh including surcharge.

The matter was reported to the department and the Government in December 2006; their reply has not been received (November 2007).

2.4.2 Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur revealed that in case of a dealer assessed in November 2005 for the year 2003-04, the AO assessed tax on turnover of Rs. 47.12 lakh pertaining to the sale of hair oil at 12 *per cent* though it was assessable to tax at the rate of 15 *per cent*. This resulted in short levy of commercial tax of Rs. 2.11 lakh including surcharge and interest.

After the case was pointed out, the department stated in July 2006 that hair oil was taxable at 12 *per cent* vide entry no. 49 of Schedule II, as the item "hair oil" was deleted from entry no. 41 vide notification dated 5 April 2002. The reply is not tenable as according to the notification of April 2002, hair oil was not excluded from entry no. 41 and was taxable at 15 *per cent*.

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

2.5 Non-levy of commercial tax

According to the provisions of the CGCT Act, commercial tax on pumps was leviable at eight *per cent*. Pumping sets upto three HP were exempted from tax upto 9 August 2001 and, thereafter, tax was leviable at four *per cent*⁵.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in July 2006 revealed that the dealer dealing in sale of pumps, pump sets etc. was assessed in January 2005 for the period from April 2001 to March 2002. Commercial tax on sale of pumps upto three HP valued as Rs. 80.66 lakh was not levied though, as per the CGCT Act, tax on such goods was leviable at eight *per cent*. This resulted in non-levy of commercial tax of Rs. 7.42 lakh.

After the case was pointed out, the department stated in July 2006 that pumps upto three HP were exempt from tax for the period 1 April 2001 to 9 August 2001⁵. The reply is not tenable as the said notification

⁵ Notification no. 22 dated 29 March 2000

exempted "pumping sets" upto three HP from tax and not "pumps" upto three HP as contended.

The matter was reported to the Government in December 2006; their reply has not been received (November 2007).

2.6 Incorrect computation of tax

Under the provisions of the CGCT Act, if any turnover of a dealer has escaped assessment, the Commissioner may, at any time within five calendar years from the date of order of the assessment, proceed to reassess the tax payable by the dealer. Commercial tax on timber is leviable at 12 per cent.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that a dealer sold timber worth Rs. 2.88 crore during the period from April 2003 to March 2004 for which tax and surcharge of Rs. 34.86 lakh was payable. The AO while finalising the assessment of the dealer in October 2005 incorrectly levied tax and surcharge of Rs. 28.75 lakh. Thus, incorrect computation of tax resulted in short realisation of tax and surcharge of Rs. 6.11 lakh.

After the case was pointed out, the AO while accepting the audit observation stated in August 2006 that reassessment would be made under Section 28(1). Further report has not been received (November 2007).

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

2.7 Short realisation of tax due to inadmissible deduction from gross turnover

Under the provisions of the CGCT Act, taxable turnover of a dealer is worked out after allowing the prescribed deductions from the gross turnover of the dealer.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that the AO while assessing a dealer engaged in manufacture and sale of refractory/silica bricks for the assessment year 2003-04, allowed deduction of Rs. 44.46 lakh for payment of income tax and printing of tender forms. These deductions are inadmissible under the provisions of the CGCT Act. This resulted in short realisation of tax of Rs. 4.09 lakh including surcharge.

The matter was reported to the department and the Government in January 2007; their reply has not been received (November 2007).

2.8 Non-levy of penalty

Under the provisions of the CGCT Act, any registered dealer purchasing goods exempted in whole or in part from payment of tax, shall furnish a declaration to the effect that goods purchased are specified as raw material and are for use by him for manufacture of other goods and

goods to be manufactured are for sale in the course of interstate trade or commerce or in the course of export out of the territory of India. In case of non-compliance with the above declarations, the dealer shall be liable to pay the difference between the tax already paid at the time of the purchase of goods and the tax payable on sale at the rate mentioned in schedule II of the CGCT Act. Besides, he shall also be liable to pay the minimum penalty equal to 25 *per cent* of the tax payable.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that during the period April 2002 to March 2003, a dealer engaged in the manufacture of iron and steel, sold goods valued at Rs. 7.01 crore within the State of Chhattisgarh. The goods were manufactured out of raw material purchased at concessional rate of tax against declaration and he claimed exemption from payment of tax. Since the goods manufactured out of the raw material purchased at concessional rate were to be sold in the course of interstate trade or in the course of export out of the territory of India to avail of such exemption, the AO rejected the claim and levied tax of Rs. 14.02 lakh at the differential rate but did not levy the minimum penalty of 25 *per cent* of the tax payable. This resulted in non-levy of penalty of Rs. 3.51 lakh.

The matter was reported to the department and the Government in January 2007; their reply has not been received (November 2007).

2.9 Incorrect application of rate of tax

According to the CGCT Act read with schedule II, commercial tax on craft paper is leviable at eight *per cent*.

Test check of the records of the Assistant Commissioner, Commercial Tax, Raipur in February 2007 revealed that the AO while assessing a dealer engaged in manufacture and sale of craft paper in June 2003 for the period from April 2000 to March 2001, levied commercial tax at the rate of four instead of eight *per cent* on the sale of craft paper valued as Rs. 57.88 lakh. This resulted in short levy of tax of Rs. 2.66 lakh.

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

2.10 Short levy of entry tax

Under the provisions of the Entry Tax (ET) Act, 1976 read with the Central Sales Tax (CST) Act, 1956, entry tax at the rate of 2.5 *per cent* shall be levied on the entry of iron and steel, in the course of business of a dealer, into each local area for consumption, use or sale therein. As per the notification of April 2000, entry tax at concessional rate of 1.5 *per cent* was leviable on iron and steel brought into the local area for consumption or use as raw material in the manufacture of goods not covered by any category of iron and steel specified in the CST Act or for re-sale within the State.

2.10.1 Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in August 2006 revealed that an assessee

engaged in the excavation and sale of coal, imported iron and steel worth Rs. 24.91 crore. The AO while finalising the assessments between April 2004 and December 2005 for the period April 1990 to March 2003, levied entry tax on iron and steel at the concessional rate of 1.5 *per cent*. Since the assessee was engaged in the excavation and sale of coal, and the imported articles were not consumed/used as raw material, levy of tax at concessional rate was irregular. This resulted in short levy of entry tax of Rs. 24.91 lakh.

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

2.10.2 Test check of the records of Commissioner, Commercial Tax (Technical wing), Raipur in August 2006 revealed that in case of a dealer assessed in January 2005 for the period April 2001 to March 2002, entry tax was incorrectly levied as one *per cent* on iron and steel worth Rs. 8.68 crore. As the dealer was engaged in power transmission, iron and steel goods (towers and line materials) brought into local area and which was subsequently used in the process of power transmission, entry tax should have been levied at 1.5 *per cent* instead of one *per cent*. This has resulted in short levy of entry tax of Rs. 4.34 lakh.

After the case was pointed out, the department stated that entry tax at 1.5 *per cent* was not levied as the dealer had purchased towers. The reply is not tenable as towers are not covered under the Section 14 of the CST Act.

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

2.11 Irregular grant of exemption of entry tax

According to Section 3(1)(b) of ET Act, entry tax at one *per cent* shall be levied on the entry of goods in the course of business of a dealer, into each local area for consumption or use of such goods but not for sale therein.

Test check of the records of the Commissioner, Commercial Tax (technical wing), Raipur in July 2006 revealed that entry tax of Rs. 18.25 lakh was levied on an assessee for the import of plant and machinery brought into the local area. The revisional authority (Additional Commissioner of Commercial Tax) in contravention of the provisions of the ET Act, waived the entry tax in November 2004 on the ground that the plant and machinery were not used in the production but were used for the production and hence no entry tax was leviable. The irregular grant of exemption resulted in non-realisation of entry tax of Rs. 18.25 lakh.

After the case was pointed out, the department stated in August 2006 that the grant of exemption of entry tax had been withdrawn and original assessment levying tax of Rs. 18.25 lakh restored. A report on recovery has not been received (November 2007).

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

CHAPTER III - TAXES ON VEHICLES

3.1 Results of audit

Test check of the records of the Transport Department conducted during the year 2006-07 revealed non-realisation of tax and loss of revenue amounting to Rs. 3.10 crore in 15 cases, which fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Non/short realisation of vehicle tax	10	1.21
2.	Other irregularities	5	1.89
Total		15	3.10

During the year 2006-07, the department accepted loss of revenue and other deficiencies amounting to Rs. 2.89 crore involved in 12 cases.

An illustrative case involving Rs. 1.27 crore highlighting an important audit finding is mentioned in the following paragraph.

3.2 Non-realisation of vehicle tax and penalty

Under the provisions of the Chhattisgarh Motoryan Karadhan Adhiniyam (MVT Act), 1991, tax shall be levied on every motor vehicle used or kept for use in the State at the rate specified in the first schedule of the MVT Act. In case of non-payment of tax, the owner shall be liable to pay penalty at the rate of one twelfth of the unpaid tax for each month of default or part thereof, in addition to the unpaid tax.

Test check of the records of three⁶ regional transport officers (RTO) between November 2005 and December 2006 revealed that the owners of 387 vehicles did not pay tax of Rs. 63.71 lakh for different periods between April 2003 and March 2006. The concerned RTOs neither raised any demand for the tax nor was penalty of Rs. 63.71 lakh levied for non-payment of the tax. This resulted in non-realisation of tax and penalty of Rs. 1.27 crore.

After the cases were pointed out, the RTOs stated between November 2005 and December 2006 that demand had been raised against the vehicles. A report on recovery has not been received (November 2007).

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

⁶ Durg, Jagdalpur and Raipur

CHAPTER IV - STAMP DUTY AND REGISTRATION FEE

4.1 Results of audit

Test check of the records relating to assessment, levy and collection of stamp duty and registration fee during 2006-07 revealed non/short assessment of stamp duty and registration fee amounting to Rs. 8.83 crore in 39 cases which can broadly be categorised as under :

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Levy and collection of stamp duty and registration fee (A review)	1	8.69
2.	Non-levy of stamp duty and registration fee on lease deed of industrial units	16	0.07
3.	Loss of stamp duty due to execution of bond on plain paper for export/transport of liquor	1	0.04
4.	Other irregularities	21	0.03
Total		39	8.83

A review of levy and collection of stamp duty and registration fee involving revenue of Rs. 8.69 crore is mentioned in the following paragraph.

4.2 Levy and collection of stamp duty and registration fee

Highlights

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

(Paragraph 4.2.7)

- Lack of a system for submitting periodic information/return by the registering authorities showing a list of the cases and the grounds of exemption of stamp duty resulted in incorrect concession of Rs. 48.12 lakh.

(Paragraph 4.2.8)

- Non-stipulation of a condition in the notification for submission of documents in support of the beneficiary belonging to the SC/ST category or the prescribed limit of holdings of 10 hectares resulted in incorrect grant of exemption of stamp duty of Rs. 25.98 lakh.

(Paragraph 4.2.9)

- Lack of a prescribed monitoring mechanism for the higher authorities to monitor the settlement of cases of undervaluation at the level of SRs resulted in short levy of stamp duty of Rs. 1.79 crore.

(Paragraph 4.2.10)

- Short levy of stamp duty of Rs. 38.46 lakh due to misclassification of instruments.

(Paragraph 4.2.14)

- Inordinate delay in disposal of referred cases involving Rs. 5.75 crore booked under section 47-A of the Indian Stamp Act, 1899.

(Paragraph 4.2.15)

4.2.1 Introduction

Receipts from stamp duty and registration fee in the State are regulated under the Indian Stamp Act (IS Act) 1899, Indian Registration Act (IR Act) 1908, the MP Prevention of Undervaluation of Instrument Rules, 1975 (as adopted in the Chhattisgarh State) and the Chhattisgarh Market Value Guideline Rules, 2000. Stamp duty is leviable on the execution of instruments and registration fee is payable at the prescribed rates. Evasion of stamp duty and registration fee is commonly effected through undervaluation of properties, non-presentation of documents in the office of the registering authority and non/short payment of stamp duty

by the executants on the documents submitted before the registering authorities.

A review of the system of levy and collection of stamp duty and registration fee was conducted. It revealed a number of system and compliance deficiencies, which have been mentioned in the subsequent paragraphs.

4.2.2 Organisational set up

The Inspector General of Registration-cum-Superintendent of Stamps (IGR) is the head of the Registration Department and exercises overall superintendence and control over the working of the department. He is assisted by two Deputy IGRs, 10 district registrars-cum-Collector of Stamps (DRs) and 81 sub-registrars (SRs).

4.2.3 Audit scope and methodology

The review was conducted in the office of the IGR, three⁷ out of 10 DRs and 14⁸ out of 81 SRs for the period 2002-03 to 2006-07 during March 2007 to July 2007. Selection of the units was based on the revenue collection and number of the documents registered. Besides, cases detected during local audit and not included in the previous years' reports have also been included in the review.

4.2.4 Audit objectives

The review was conducted with a view to ascertain:

- whether registering authorities were discharging their functions in levying and collecting stamp duty in accordance with the prescribed rules and procedures;
- exemptions granted were in accordance with rules and procedures; and
- existence of a suitable internal control mechanism for levy and realisation of stamp duty and registration fee.

4.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Registration Department in providing necessary information and records for audit. The draft review report was forwarded to the department and the Government in September 2007. Audit Review Committee meeting was held in December 2007. The Government was represented by the Principal Secretary (Registration) and the department was represented by the IGR. The views of the Government/department have been incorporated in the relevant paragraphs.

⁷ DRs Bilaspur, Durg and Raipur

⁸ SRs Ambikapur, Arang, Bilaspur, Durg, Gharghoda, Jagdalpur, Janjgir, Jashpur Nagar, Kanker, Korba, Mahasmund, Raigarh, Raipur and Rajnandgaon

4.2.6 Trend of revenue receipts

The table below brings out a comparison of the budget estimates with the actual receipts of stamp duty and registration fee during the years 2002-03 to 2006-07:

(Rupees in crore)				
Year	Budget estimates	Actual	Variation excess (+) or shortfall (-)	Percentage of variation
2002-03	170.00	148.46	(-) 21.54	(-) 13
2003-04	170.00	171.58	(+) 1.58	01
2004-05	200.00	248.47	(+) 48.47	24
2005-06	260.25	313.77	(+) 53.52	21
2006-07	279.90	390.18	(+) 110.28	40

The sharp variations between the budgeted and actual collections in all years except one indicates that the budget estimates are not being prepared realistically.

Audit findings**System deficiencies****4.2.7 Absence of database of revenue foregone**

The Government in extending concessions decides to forego revenue in pursuance of certain defined objectives. A reliable database of revenue foregone is, therefore, a pre-requisite for informed decision making. Audit noticed that no data on revenue remitted due to grant of concessions was available with the IGR. Consequently the revenue remitted during 2002-03 to 2006-07 on account of grant of concessions in stamp duty could not be quantified by the IGR.

4.2.8 Remission of stamp duty on instruments of industrial units

By three separate notifications⁹ issued between March 2002 and June 2005, the Government granted exemption in stamp duty on instruments of conveyance, mortgage deeds, sale/lease of land, shed and building, securing of loans/advances for starting specified new industry/expansion of specified existing industrial units. The Government has specified certain conditions such as details of investment in plant and machinery, name of unit, certificate issued by the Commissioner of Industries or any authorised officer etc. for grant of remission. **The Government did not prescribe any system for submitting periodic information/return by the registering authorities showing a list of the cases and the grounds for grant of exemption. In the absence of such a return, the Government was not in a position to ascertain the genuineness of the exemptions granted.**

⁹ Notification No. F10-19/2002/CT/V/32 dated 27 March 2002, No. F10/20/2005/CT/R/V/34 dated 21 June 2005 and No.F10/20/2005/CT(B)/V/35 dated 21 June 2005.

Test check of the records of eight SRs revealed that in 47 instruments of loans/advances for setting up of new industries or expansion of existing industries, sale or lease of land, shed and building, setting up of new industries/expansion of existing industries etc., the registering authorities by ignoring the conditions put forth in the notifications granted incorrect exemption of stamp duty of Rs 48.12 lakh as mentioned below:

(Rupees in lakh)					
Name of the SR	No. of documents	SD and RF leviable	SD and RF levied	SD and RF levied short	Remarks
Janjgir	16	12.24	0.99	11.25	Exemption was granted without ascertaining the entitlement (name of the industry).
Raipur	1	0.70	0.00	0.70	
Gharghoda	1	8.93	0.18	8.75	Requisite certificate from the Commissioner of Industries was not on record.
Jashpur Nagar	1	8.49	0.17	8.32	
Ambikapur	1	7.34	0.14	7.20	
Raipur	6	7.26	3.03	4.23	Exemption was granted without ascertaining the entitlement i.e. name of industry and/or details of the capital investment in plant and machinery.
Ambikapur	1	0.17	0.01	0.16	
Bilaspur	14	6.55	2.73	3.82	Requisite certificate from the Commissioner of Industries was not on record.
Rajnandgaon	4	3.02	0.26	2.76	Requisite details of capital investment were not on record.
Kanker	1	0.70	0.37	0.33	
Janjgir	1	0.60	0.00	0.60	
Total	47	56.00	7.88	48.12	

The Government may consider prescribing a periodical return from the registering authorities showing the list of cases and grounds on which the exemption has been granted.

4.2.9 Concession/remission of stamp duty on instruments of mortgage deed on agricultural purposes

By a notification (October 2004), the Government granted 100 *per cent* concession in stamp duty effective from 30 October 2004 on instruments of loan agreements for securing loans from banks for agricultural purposes executed by a person belonging to scheduled caste (SC) or scheduled tribe (ST) or a person not covered under SC/ST category but having holdings not exceeding 10 hectares as a *pattadhari*¹⁰ or a *bhoomiswami*¹¹. By another notification (July 2006), the Government granted 100 *per cent* concession in stamp duty chargeable on deeds of mortgage, hypothecation and deeds of further charge on mortgaged property executed by a *bhumiswami* or a person holding land as

¹⁰ Lessee

¹¹ land owner

pattadhari under Revenue Book Circular IV-3-10 in favour of bank for securing loans for agricultural purposes when the borrower belongs to the SC/ST category or if not covered under SC/ST category, the amount of loan does not exceed Rs. 10 lakh. In case, the borrower is either not covered under SC/ST category or the amount of loan exceeds Rs. 10 lakh, stamp duty at the rate of one *per cent* of the amount secured by such mortgage deed was leviable. Thus, the two notifications granting exemptions on loans and mortgages for agricultural purpose had varying criteria as the notification of October 2004 prescribed a limit on holdings whereas the notification of July 2006 prescribed a financial limit. **The notifications did not prescribe for submission of any documents for supporting the claim of the SC/ST status of the executants or the prescribed limit of holdings of 10 hectares.** The omissions noticed while granting remission/concession are mentioned below.

4.2.9.1 Test check of the records of 13¹² SRs revealed that exemptions of Rs. 23.24 lakh in stamp duty was granted in 191 cases of mortgage deeds where the executants either were holding land more than 10 hectares (six cases) or loan was secured for purposes other than agriculture (34 cases) or the purpose of securing loan was not mentioned at all (151 cases).

4.2.9.2 Test check of the records of SRs, Mahasamund and Raipur revealed that exemptions of Rs. 2.74 lakh in stamp duty were granted in three cases of mortgage deeds where the executants were granted loans in excess of the prescribed limit of Rs. 10 lakh in each case.

In the absence of any prescribed mechanism, the registering authorities granted incorrect exemptions and did not levy and realise stamp duty of Rs. 25.98 lakh.

The Government may, therefore, consider bringing out a clarification stipulating submission of documents in support of the beneficiary belonging to SC/ST category and consider whether a uniform condition i.e. land holding limit or financial limit should be applied for concession/remission in stamp duty for agricultural purpose. They should also incorporate a penal provision and withdrawal of concession/remission in case of any violation.

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

As per the IS Act, stamp duty on conveyance deed is leviable on the true market value of the property at the rates applicable to the area in which the property is situated. The market value of any property is determined under Rule 5 of the MP Prevention of undervaluation of Instruments Rules on the basis of the prescribed parameters such as location of the property, its proximity to the roads and highways, the purpose for acquiring such property (agricultural, commercial or industrial etc.). As

¹² SRs Ambikapur, Arang, Bilaspur, Durg, Gharghoda, Jagdalpur, Janjgir, Jashpur Nagar, Kanker, Korba, Mahasamund, Raipur, and Rajnandgaon

per section 47(A) of the IS Act, as amended in August 2000, if the registering officer while registering any instrument has reason to believe that the market value of any property has not been set forth truly and correctly, he should, before registering such document, refer it to the DR for determination of the correct market value of such property.

By a notification of May 2001, the Government provided for levy of stamp duty on the consideration set forth in the instruments executed by the Central/State Government undertakings within a period of six months of the issue of the aforesaid notification and thereafter on the market value of land. The IGR also affirmed the position in February 2003.

The Government did not prescribe any monitoring mechanism or return for the information of higher authorities of cases of undervaluation of properties which were settled at the level of SRs.

4.2.10.1 Test check of the records of 14¹³ SRs revealed that in 352 instruments registered between 2002-03 and 2006-07, the market value of properties was incorrectly reckoned as Rs. 20.86 crore in the instruments instead of Rs. 41.77 crore as worked out on the basis of guideline rates approved by the IGR. The SRs, however, did not refer these cases to the DRs for determination of the correct market value and stamp duty leviable thereon. This resulted in short realisation of stamp duty and registration fee of Rs. 1.73 crore.

4.2.10.2 Test check of the records of SR, Bilaspur revealed that in three instruments of lease deeds executed between October 2003 and February 2004, stamp duty and registration fees of Rs. 24,480 and Rs. 18,631 were levied on the basis of the consideration set forth in the instruments. The market value of the property involved in these lease deeds, however, worked out to Rs. 47.73 lakh on which stamp duty and registration fee of Rs. 3.64 lakh and Rs. 2.68 lakh respectively was leviable. Non-reckoning of the market value of the property by the registering authority resulted in short levy of stamp duty of Rs. 5.89 lakh including registration fee.

After the cases were pointed out, the SR stated (February 2005) that the lease deed was executed by a Government undertaking and, therefore, the market value of the property was not taken into consideration for levy of stamp duty. The reply is not tenable as the notification provided for levy of stamp duty on the basis of the consideration set forth in the document for Government undertaking only for six months from May 2001 whereas the instruments were executed between October 2003 and February 2004 and the duty was, therefore, leviable on the market value of land. Further report has not been received (November 2007).

The Government may, therefore, consider prescribing a periodical return of all undervaluation cases settled at the level of the SRs to ensure realisation of correct stamp duty and registration fee.

¹³ SRs Ambikapur, Arang, Bilaspur, Durg, Gharghoda, Jagdalpur, Janjgir, Jashpur Nagar, Kanker, Korba, Mahasmand, Raigarh, Raipur and Rajnandgaon

4.2.11 Non-levy of stamp duty on sale of industrial property

According to Article 18 of schedule I-A of the IS Act, the certificate of sale (in respect of each property put up as a separate lot and sold), granted to the purchaser of any property sold through public auction by a Civil or Revenue Court or Collector or other Revenue Officer, the stamp duty is leviable as a conveyance for a market value equal to the amount of the purchase money only. **It was noticed in audit that the department did not have a system of obtaining periodic information from the Department of Industries on the disposal of property of sick industrial units through public auction for levy of stamp duty.**

Information collected from the Chhattisgarh State Industrial Development Corporation revealed that four sick industrial units were disposed during the year 2006-07 for a consideration of Rs. 23.71 lakh through public auction on which stamp duty of Rs. 2.10 lakh was leviable. On cross verification with the records of the SR, Raipur, it could not be ascertained whether stamp duty was paid on these documents as there was no system of obtaining periodical information from the Department of Industries.

The Government may, therefore, consider prescribing a system of obtaining periodic information from the Department of Industries for levying stamp duty on the purchasers of sick industrial units.

4.2.12 Inspections

Inspection is an important internal control in the hands of the administration for ascertaining that the rules and procedures prescribed by the department are being followed and are sufficient to safeguard the proper collection of revenue. In the Registration Department, the IGR is required to conduct annual inspection of the DRs. The DRs are to conduct inspection of the SRs at least twice in a year and surprise inspection of any SR under his jurisdiction, if necessary.

The minimum number of inspections required to be conducted in five years were 860 units. Audit observed that there was a short fall of 401 units as mentioned below:

Year	Units to be inspected	Inspection conducted	Shortfall
2002-03	172	91	81
2003-04	172	99	73
2004-05	172	96	76
2005-06	172	96	76
2006-07	172	77	95
Total	860	459	401

The shortfall in inspection ranged between 43 and 56 per cent during the period from 2002-03 to 2006-07.

Geology and Mining Department

6.2 Non-realisation of cess

Under the provisions of the *Chhattisgarh Adhosanrachana Vikas Evam Paryawaran Upkar Adhiniyam*, 2005, development cess and environment cess each at the rate of five *per cent* are leviable on the amount of annual royalty payable by the holder of any mining lease. The payment of cess shall be made in four equal instalments on the last day of each quarter.

Test check of the records of the District Mining Officer (DMO), Bilaspur in February 2007 revealed that the department did not levy development cess and environment cess of Rs. 44.15 lakh on 28 operating mines for the year 2005-06. This resulted in non-realisation of cess of Rs. 44.15 lakh.

After the cases were pointed out, the department stated in May 2007 that Rs. 1.56 lakh had been recovered and the remaining amount would be recovered at the earliest.

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

6.3 Non-cancellation of lease of inoperative mines

Under the provisions of the Mineral Concession Rule, 1960, if any lease holder does not start mining within two years from the date of execution of the lease deed or discontinues the mining operation for a continuous period of two years after the commencement of such operation, the State Government shall by an order declare the mining lease as lapsed and communicate the declaration to the lessee.

6.3.1 Test check of the records of the DMO, Ambikapur in September 2006 revealed that mining operation in three graphite leases remained inoperative for two to nine years since the sanction of the execution of the mining leases in 1995 and 2002. The department, however, did not initiate any action to terminate the lease deeds for subsequent execution of mining leases with other persons. Had timely action to terminate the existing leases and sanction of fresh leases been taken, at least Rs. 18.27 lakh toward royalty (based on the yearly royalty quoted in those lease deeds) could have been realised, out of which Rs. 11.96 lakh pertained to the last five years.

After the cases were pointed out, the department stated in May 2007 that show cause notices had been issued to the lessees in November 2006 and further action to terminate the leases was in progress.

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

6.3.2 Test check of the records of the DMO, Bilaspur in February 2007 revealed that two dolomite mining leases remained idle since their sanction in 1997. Had these leases been sanctioned afresh, at least Rs. 13.75 lakh would have been received on the basis of anticipated yearly

CHAPTER VI - MINING & OTHER NON-TAX RECEIPTS

6.1 Results of audit

Test check of the records of the Geology and Mining, Public Works, Water Resources, Public Health Engineering and Co-operative departments conducted during the year 2006-07 revealed non/short assessment of royalty, dead rent and cess, underassessment of fee, non-realisation of tax and penalty etc. amounting to Rs. 32 crore in 84 cases, which broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Categories	Number of cases	Amount
I	Geology and Mining Department		
1.	Non/short levy of dead rent and interest	19	2.53
2.	Other irregularities	2	0.82
II	Public Works Department		
1.	Non-recovery of tax	3	0.65
2.	Non-deduction of supervision charges	2	0.50
3.	Undue benefit to contractor due to incorrect determination of upset price	1	0.23
4.	Other irregularities	16	9.91
III	Water Resources Department		
1.	Non-recovery of tax	13	14.08
2.	Other irregularities	13	1.89
IV	Public Health Engineering Department		
1.	Non-recovery of tax	2	0.58
2.	Non-realisation of tax	2	0.06
3.	Other irregularities	10	0.55
V	Co-operative Department		
1.	Non-levy of penalty on defaulting societies	1	0.20
Total		84	32.00

During the year 2006-07, the department accepted underassessment of royalty and other deficiencies amounting to Rs. 19.18 crore in 58 cases.

The department recovered Rs. 14.07 lakh after issue of one draft paragraph.

A few illustrative cases involving revenue of Rs. 1.35 crore highlighting important audit findings are mentioned in the following paragraphs.

5.2 Non-implementation of the working plan

A working plan (WP) is a document prepared for a period of 10 years which contains a detailed scheme of management for silvicultural operations¹⁸. In the WP, the bamboo coupes are divided into three felling series and each felling series becomes due for harvesting after every three years. If bamboo from a felling series is not harvested in a particular year, that felling series can be harvested again only after three years resulting in loss of revenue. Non-exploitation of bamboo coupes also blocks regeneration of new shoots which becomes exploitable after three years.

5.2.1 Loss of revenue due to non-exploitation of bamboo

Test check of the records of the Divisional Forest Officer (DFO), Mahasamund in October 2006 revealed that as per the WP, 2,177.42 hectare area of 12 bamboo coupes were due for exploitation during 2002-03 to 2005-06. It was, however, observed that the total area under bamboo was not exploited at all resulting in loss of revenue of Rs. 1.77 crore.

After the cases were pointed out, the DFO stated in October 2006 that felling was not done as the coupes were uneconomical and were, therefore, written off. The reply is not tenable as the Additional Principal Chief Conservator of Forest (Development) in March 1998 had already quashed all the reasons as invalid and directed all the forest divisions to invariably carry out operation as per the WP.

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

5.2.2 Loss of revenue due to non-exploitation of timber

Test check of the records of the DFOs, South Surguja, Ambikapur and Jashpur in December 2006 and February 2007 revealed that as per the WP, 9,214 trees and 19,345 stumps in five coupes were due for exploitation during 2002-03 to 2005-06. It was, however, observed that only 5,807 trees and 11,673 stumps were exploited resulting in loss of revenue of Rs. 0.66 crore.

After the cases were pointed out, the DFOs stated in December 2006 and February 2007 that felling was not done due to sudden increase in naxal activities. The reply is not tenable as the concerned range officers did not report any naxal activities in those coupes.

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

¹⁸ Raising of new plantations and developing existing plantation and in the process collection of revenue through sale of the forest produce.

CHAPTER V - FOREST RECEIPTS

5.1 Results of audit

Test check of the records of the Forest Department conducted during the year 2006-07 revealed loss of revenue due to non-implementation of the working plan and non-exploitation of timber amounting to Rs. 50.68 crore in 85 cases, which fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	Number of cases	Amount
1.	Loss due to low yield of timber/bamboo	26	1.40
2.	Other irregularities	59	49.28
Total		85	50.68

During the year 2006-07, the department accepted loss of revenue and other deficiencies involving Rs. 87 lakh in six cases.

Two illustrative cases highlighting the loss of revenue of Rs. 2.43 crore due to non-implementation of the working plan are mentioned in the following paragraphs.

- bringing out a clarification stipulating submission of documents in support of the beneficiary belonging to SC/ST category and consider whether a uniform condition i.e. land holding limit or financial limit should be applied for availing of concession/remission in stamp duty for agricultural purpose. They should also incorporate a penal provision and withdrawal of concession/remission in case of any violation;
- prescribing a periodical return of all undervaluation cases settled at the level of the SRs to ensure realisation of correct stamp duty and registration fee;
- prescribing a system of obtaining periodic information from the Department of Industries for levying stamp duty on the purchasers of sick industrial units; and
- ensure that the IAW conducts the number of inspections required of it and ensure time bound action by the registering authorities on the observations of the IAW so as to safeguard interest of revenue and avoid recurrence of mistakes pointed out.

4.2.16 Short levy due to non-inclusion of premium for consideration of lease deeds

Under the provision of IS Act, stamp duty at the prescribed rates is chargeable on an instrument of lease on the basis of periods of lease and the amount of the average annual rent reserved. The Act further provides that where the lease is granted for a fine or premium or for money advanced in addition to rent reserved, the duty is to be charged on the value of such fine or premium or money advanced as set forth in the lease deed.

Test check of the records of SR, Kanker revealed that in 26 instruments of lease registered between March 1999 and July 2001, the consideration on which stamp duty was leviable worked out to Rs. 37.94 lakh. The stamp duty of Rs. 4.98 lakh including registration fee was leviable against which registration fee of Rs. 16,867 only was levied as the premium set forth in the document was ignored by the SRs while computing the duty. This resulted in short levy of stamp duty of Rs. 4.81 lakh including registration fee. Of these, four instruments with consideration of Rs. 5.58 lakh involving stamp duty and registration fee of Rs. 68,163 pertained to the year 2001-02.

4.2.17 Conclusion

Stamp duty and registration fee is an important tax revenue of the State. A reliable database of revenue foregone which is a pre-requisite for informed decision making was absent. Hence the revenue remitted on account of grant of concessions/exemption in stamp duty could not be quantified by the Inspector General of Registration. Lack of a prescribed system for submitting periodic information/return by the registering authorities showing a list of the cases and the grounds for grant of exemption resulted in cases of grant of incorrect exemption remaining undetected. Lack of a monitoring mechanism or return for the information of higher authorities of cases of undervaluation of properties which were settled at the level of SRs resulted in short levy of stamp duty. Revenue from the registration of the instruments of purchase of the sick industrial units through public auction was also not tapped adequately in the absence of a system for collection of relevant details from the Department of Industries. The internal controls of department are weak as is evidenced by the shortfall in the number of inspections required to be conducted, increasing trend of outstanding objections, arrear of inspection and vacancies in IAW.

4.2.18 Summary of recommendations

The Government may consider taking the following action for rectifying the system and other issues:

- prescribing a periodical return from the registering authorities showing the list of cases and grounds on which the exemption has been granted;

were misclassified and resulted in short levy of stamp duty and registration fee of Rs. 38.46 lakh as mentioned below:

(Rupees in lakh)						
SL No.	Name of SRs.	No. of documents	Value of documents	SD & RF ¹⁵ leviable/levied	Short levy of SD & RF	Nature of irregularity
1.	Bilaspur, Durg, Jagdalpur, Jashpur nagar, Mahasamund and Raipur	40	330.24	30.63 1.81	28.82	The conveyance deeds were misclassified as power of attorney.
2.	Bilaspur and Raipur	05	149.56	7.15 0.05	7.10	The conveyance deeds were misclassified as trust deeds.
3.	Ambikapur	02	21.88	2.36 0.05	2.31	The conveyance deeds were misclassified as agreement deeds.
4.	Raipur	01	3.56	0.38 0.15	0.23	The conveyance deeds were misclassified as gift deeds.
	Total	48	505.24	40.52 2.06	38.46	

4.2.15 Delay in disposal of referred cases and realisation of demand

The IGR vide orders of September 2003 directed all the DRs to dispose cases of undervaluation of properties referred to them under section 47(A) of the IS Act within 90 days of the date of receipt of such cases.

Test check of the records of three¹⁶ DRs revealed that 932 cases involving stamp duty of Rs. 5.75 crore referred between 2002-03 and 2006-07 by 34¹⁷ SRs were pending disposal even after the lapse of the prescribed period of 90 days. The agewise pendency is mentioned below:

(Rupees in lakh)		
Age of pendency	Number of cases	Amount
90 days - 1 year	353	266.21
1 year - 3 years	414	261.67
More than 3 years	165	46.75
Total	932	574.63

¹⁵ Stamp duty and Registration Fee

¹⁶ DRs Bilaspur, Durg and Raipur

¹⁷ SRs Abhanpur, Arang, Balod, Balodabazar, Bemetara, Berla, Bhatapara, Bilaigarh, Bilaspur, Bilha, Dallirajhara, Dhamdha, Deobhog, Doundilohara, Durg, Gariyaband, Gunderdehi, Gurur, Kasdol, Kota, Lormi, Mahasamund, Marwahi, Mungeli, Navagarh, Patan, Pendra Road, Raipur, Rajim, Saja, Saraypali, Simga, Takhatpur and Tilda

4.2.13 Internal audit

Internal Audit Wing (IAW) of an organisation is a vital component of the internal control mechanism and is generally defined as control of all controls to enable the organisation to assure itself that the prescribed systems are functioning reasonably well. The IAW attached to the office of IGR had one Assistant Internal Audit Officer as against the sanctioned strength of two. The IAW was required to inspect the offices of the DRs and SRs once in a year and once in two years respectively. Out of 250 units to be inspected during 2002-03 to 2006-07, the IAW inspected only 74 units.

The yearwise breakup of inspection reports (IRs)/paragraphs issued by the IAW during the years 2002-03 to 2006-07 is as mentioned below:

Year	Opening balance		Additions		Clearance		Closing balance		Percentage of clearance	
	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras	No. of IRs	No. of Paras
2002-03	9	78	2	11	Nil	10	11	79	Nil	11.23
2003-04	11	79	14	52	2	18	23	113	8	13.74
2004-05	23	113	17	107	2	28	38	192	5	12.72
2005-06	38	192	15	77	Nil	13	53	256	Nil	4.83
2006-07	53	256	17	106	Nil	20	70	342	Nil	5.52

The very low percentage of clearance of the observations of the IAW as reflected in the above table indicates that the department is not taking immediate rectificatory measures about the deficiencies pointed out by the IAW.

The Government may ensure that the IAW conducts the number of inspections required of it and ensure time bound action by the registering authorities on the observation of the IAW so as to safeguard interest of revenue and avoid recurrence of mistakes pointed out.

Compliance deficiencies**4.2.14 Short levy of stamp duty and registration fee due to misclassification of instruments**

Under the provision of IS Act, every instrument mentioned in schedule I shall be chargeable to stamp duty at the rates as indicated in the schedule. An instrument is required to be classified on the basis of its recitals given in the document and not on the basis of its title.

Test check of the records of seven¹⁴ SRs revealed that 48 instruments registered between May 2002 and January 2007 were classified on the basis of their titles and stamp duty was levied accordingly. Scrutiny of the recitals of these documents, however, revealed that these documents

¹⁴ Ambikapur, Bilaspur, Durg, Jagdalpur, Jashpur nagar, Mahasamund and Raipur.

royalty as quoted in the lease deed, out of which Rs. 9.82 lakh pertained to the last five years.

After the cases were pointed out, the department stated in February 2007 that in one case letter for termination of the lease had been forwarded to the Government and in another case action was being taken.

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

6.4 Non-levy of dead rent

Under the provisions of the Chhattisgarh Minor Mineral Rules, 1996, the lessee of every quarry lease shall pay every year except for the first year of the lease, yearly dead rent at the rates specified in schedule IV in advance for the whole year, on or before the 20th day of the first month of the year. The rule further envisages that the lessee shall pay interest at the rate of 24 per cent per year for all the defaulted payments of dead rent.

6.4.1 Test check of the records of DMO, Raigarh in February 2007 revealed that two lessees did not extract any coal from the leased area during the period January 2005 to December 2007. The lessees were liable to pay the dead rent of Rs. 6.13 lakh for the aforesaid period which was neither paid by the lessees nor was any action taken by the DMO to levy and realise the dead rent. Besides, interest of Rs. 1.47 lakh was also leviable for non-payment of dead rent.

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

6.4.2 Test check of the records of the DMO, Jagdalpur in August 2006 revealed that in 14 leases, though the quarries remained idle during 2004 to 2006, neither had the lessees paid the dead rent for the period of inoperation nor did the department initiate any action for realisation of dead rent of Rs. 2.74 lakh. Besides, interest of Rs. 78,720 was also leviable.

After the cases were pointed out, the Director of Geology and Mining, Raipur accepted the audit observation and stated in June 2007 that dead rent of Rs. 1.48 lakh had been recovered and demand notices had been issued (January 2007) for the remaining amount.

The matter was reported to the Government (December 2006); their reply has not been received (November 2007).

Water Resources Department

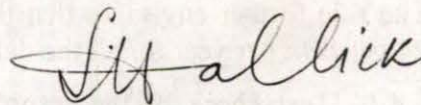
6.5 Short levy of water charges

According to the agreement executed between the Executive Engineer (EE), Right Bank Canal Water Management (RBCWM) Division, Rampur and M/s Bharat Aluminium Company Ltd. (BALCO), Korba in June 2005, the RBCWM supplies water to M/s BALCO against realisation of water charges at the prescribed rates.

Test check of the records of the EE, RBCWM, Rampur division in June 2006 revealed that the EE levied water charges of Rs. 1.80 crore on M/s BALCO relating to the period from January 2005 to April 2006 instead of the actual leviable amount of Rs. 2.60 crore. Thus, short billing by the EE resulted in short levy of water charges of Rs. 79.36 lakh.

After the case was pointed out, the EE stated in June 2006 that efforts were being made to recover the balance water charges. A report on recovery has not been received (November 2007).

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

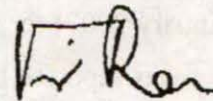


Raipur
The

14 MAR 2008

(SUBIR MALLICK)
Accountant General
Chhattisgarh.

Countersigned



New Delhi
The

24 MAR 2008

(VINOD RAI)
Comptroller and Auditor General of India