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

**FOR THE YEAR ENDED 31 MARCH 2003**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF ASSAM**



CONTROLLER AND AUDITOR GENERAL OF INDIA  
2004

<http://caeindia.org/states/assam/2003>  
Printed at Art Printers & Stationers, Guwahati-781 001.

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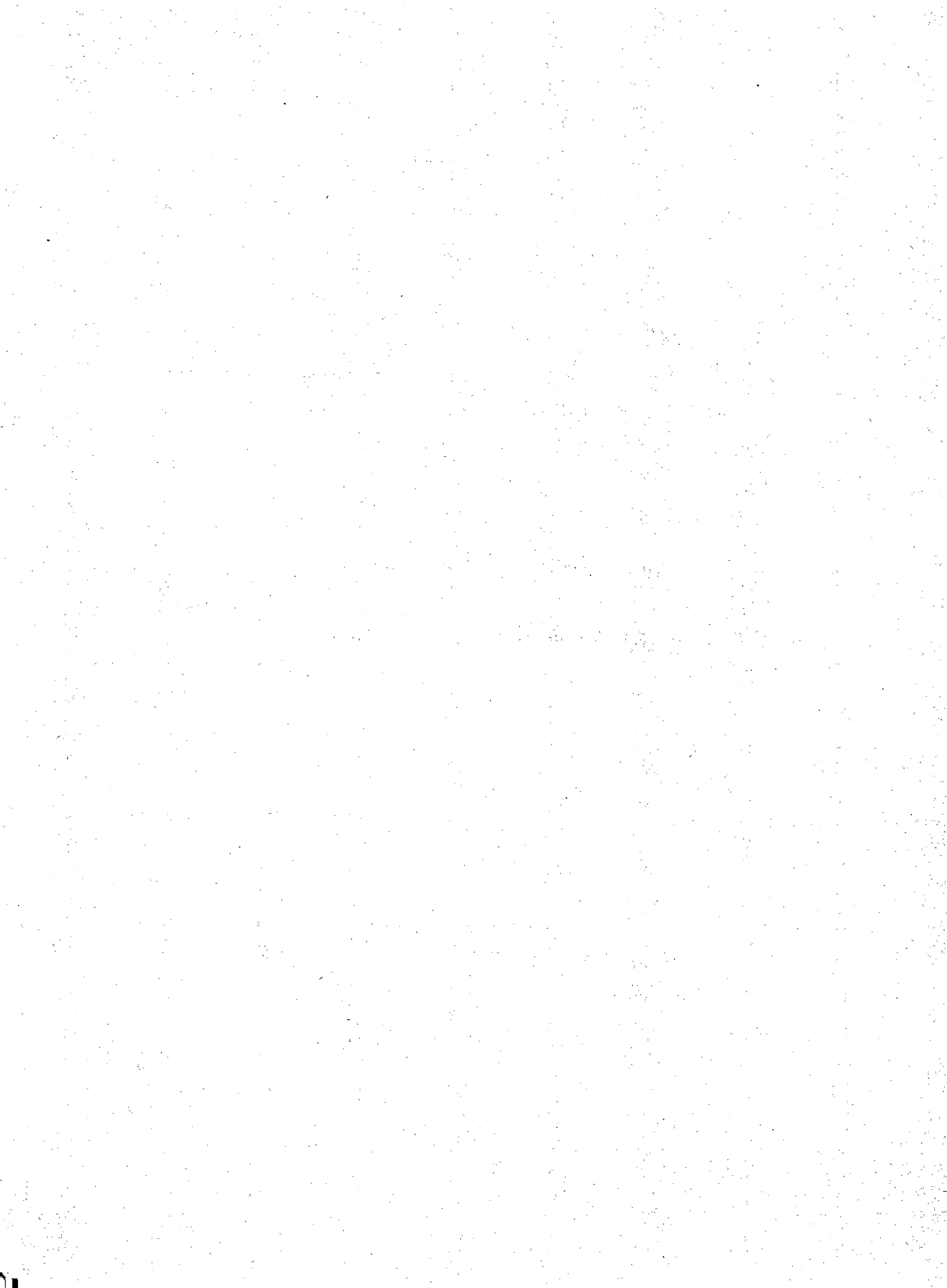
## **PREFACE**

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*This Report for the year ended 31 March 2003 has been prepared for submission to the Governor under Article 151(2) of the Constitution.*

*The audit of 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, state excise, other tax and non-tax receipts of the State.*

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





## OVERVIEW

This Report contains 33 paragraphs including 1 review, relating to non-levy/short levy of taxes, duties, interest and penalty etc. involving Rs.97.69 crore. Some of the major findings are mentioned below:

### 1. GENERAL

- Total receipts of the state during 2002-2003 amounted to Rs.6,793.34 crore of which revenue raised by the state Government was Rs.2,627.48 crore and receipts from Government of India (GOI) were Rs.4,165.86 crore. The revenue raised by the State Government comprised tax revenue of Rs.1,934.51 crore and non-tax revenue of Rs.692.97 crore. The revenue raised constituted 39 per cent of the total receipts of the state and showed an increase of 4 per cent over 2001-2002.

The receipts from the Government of India included Rs.1,814.36 crore on account of state's share of divisible Union Taxes and Rs.2,351.50 crore as grants-in-aid registering an increase of 6 and 8 per cent respectively over 2001-2002.

**(Paragraph 1.1)**

- At the end of 2002-2003, the arrears in respect of some principal heads of revenue amounted to Rs.2,757.15 crore.

**(Paragraph 1.6)**

- In respect of the taxes administered by the Finance Department such as sales tax and other taxes, 71,092 assessments were completed during 2002-2003 leaving a balance of 92,080 cases pending for assessments as on 31 March 2003.

**(Paragraph 1.7)**

- Test check of records of sales tax, state excise, motor vehicles, land revenue and other departmental offices conducted during the year 2002-2003 revealed under assessment, short levy, loss of revenue etc., amounting to Rs.162.03 crore in 606 cases. The concerned Departments accepted under assessment, short levy etc., of Rs.48.68 crore pointed out in 2002-2003 and earlier years and recovered Rs.0.41 crore.

**(Paragraph 1.10)**

As against 4,814 paragraphs relating to 1,441 inspection reports outstanding at the end of June 2003, initial replies from the Heads of offices were not received in respect of 448 inspection reports issued between 1993-94 and 2002-2003. As a result, irregularities commented upon in 1,140 paragraphs involving Rs.66.75 crore had not been settled as of June 2003.

(Paragraph 1.11)

## 2. SALES TAX

(a) The review, **Exemption and concession of Tax against declaration Forms**, revealed the following:

- Incorrect levy of concessional rate of tax against Form 'C' resulted in short levy of tax of Rs.9.19 crore.

(Paragraphs 2.2.5)

- Irregular allowance of exemption against Kolkata Auction resulted in short levy of tax of Rs.13.90 crore.

(Paragraph 2.2.9)

- Irregular allowance of deduction of goods consigned to branches/agents in other states against incomplete/unsigned/invalid declarations in Form 'F' resulted in non-levy of tax of Rs.4.91 crore.

(Paragraph 2.2.10)

- Exemptions/concessional rate of tax allowed against invalid declaration Forms resulted in non-levy/short levy of tax of Rs.6.92 crore.

(Paragraph 2.2.11)

- Incorrect allowance of deductions against Forms 'E-I' or 'E-II' during inter-state sales resulted in short levy/non-levy of tax of Rs.3.23 crore.

(Paragraph 2.2.12)

- There was evasion of tax of Rs.22.94 lakh due to suppression of turnover and non-submission of returns by the dealer.

(Paragraph 2.2.16)

- (b) - 10 dealers evaded tax of Rs.5.66 crore due to concealment of turnover.  

**(Paragraph 2.3)**
- Incorrect allowance of deduction from turnover of sale of goods resulted in non-levy of tax of Rs.1.10 crore including interest.  

**(Paragraph 2.5)**
- Delay in assessment/non-assessment within the prescribed period resulted in loss of revenue of Rs.48.81 lakh.  

**(Paragraph 2.7)**
- In six cases, turnover escaped assessment leading to under assessment of tax of Rs.24.83 lakh.  

**(Paragraph 2.9)**
- Failure to register 15 dealers under the State Act led to non-assessment of tax of Rs.31.16 lakh.  

**(Paragraph 2.10)**
- 605 paragraphs involving Rs.2.64 crore relating to 70 Audit Notes raised in internal audit of sales tax remained outstanding for settlement as of 31 March 2003.  

**(Paragraph 2.15)**

### 3. STATE EXCISE

- Transport pass fee of Rs.69.78 lakh was not realised from bonded warehouses, retailers and wholesale licence holders for lifting of 2.33 lakh cases of India Made Foreign Liquor from the manufacturing units within the State.  

**(Paragraph 3.2)**
- Injudicious decision and violation of normal procedure for suspension of licence of operation of the warehouse led to loss of revenue of Rs.30.08 lakh.  

**(Paragraph 3.3)**

**4. OTHER TAX RECEIPTS**

**AGRICULTURAL INCOME TAX**

- Incorrect carry forward and set off of loss against future income allowed to three assesseees led to loss of revenue of Rs.19.28 lakh.

**(Paragraph 4.2)**

**5. NON-TAX RECEIPTS**

**A. FOREST RECEIPTS**

- Failure of the Department to check illegal felling and removal of timber despite having forest protection force, protection squads and check gates led to loss of revenue of Rs.3.26 crore.

**(Paragraph 5.2)**

- Non-enforcement of proper surveillance on movement of forest produce resulted in non-realisation of monopoly fee of Rs.89.18 lakh.

**(Paragraph 5.3)**

- Inaction of the Department in selling sand/gravel and stone from six mahals at tender sale rate deprived the government of additional revenue of Rs.83.73 lakh.

**(Paragraph 5.4)**

**B. INLAND WATER TRANSPORT**

- Fine and penalty of Rs.2.09 crore was not levied on arrears recoverable from lessees of ferry services.

**(Paragraph 5.9.4)**

**C. GEOLOGY AND MINING**

- Due to adoption of incorrect formula by M/s Oil India Limited (OIL) for determining royalty payable on crude oil, and non-payment of royalty on actual extracted quantity of crude oil by OIL and Oil and Natural Gas Corporation Limited during 1997-98 to 2000-2001, an amount of Rs.38.26 crore remained unrealised as of November 2003.

**(Paragraph 5.10)**

## CHAPTER - I

### GENERAL

#### 1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Assam during the year 2002-03, the state's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below :

(Rupees in crore)

		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003*
<b>I.</b>	<b>Revenue raised by the State Government</b>					
(a)	Tax Revenue	982.56	1,224.76	1,409.69	1,556.95	1,934.51
(b)	Non-tax Revenue	451.97	444.92	526.77	533.20	692.97
	<b>Total</b>	<b>1,434.53</b>	<b>1,669.68</b>	<b>1,936.46</b>	<b>2,090.15</b>	<b>2,627.48</b>
<b>II.</b>	<b>Receipts from the Government of India</b>					
(a)	State's share of divisible Union Taxes	1,349.33	1,448.78	1,682.93	1,705.91	1,814.36
(b)	Grants-in-aid	1,722.68	1,722.48	2,018.25	2,168.80	2,351.50
	<b>Total</b>	<b>3,072.01</b>	<b>3,171.26</b>	<b>3,701.18</b>	<b>3,874.71</b>	<b>4,165.86</b>
<b>III.</b>	<b>Total receipts of the State</b>	<b>4,506.54</b>	<b>4,840.94</b>	<b>5,637.64</b>	<b>5,964.86</b>	<b>6,793.34</b>
<b>IV.</b>	<b>Percentage of I to III</b>	<b>32</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>39</b>

\* Note : For details, please see statement No.10. Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Assam for 2002-2003. Figures under the "share of net proceeds assigned to States" under the Major Heads - "0020-Corporation Tax", "0021-Taxes on Income and Expenditure", "0028-Other Taxes on Income and Expenditure", "0032-Taxes on Wealth", "0037-Customs", "0038-Union Excise Duties", "0044-Service Taxes" and "0045-Other Taxes and Duties on Commodities and Services" booked in the Finance Accounts under 'A-Tax Revenue' have been excluded from Revenue raised by the State Government and included in "States' share of divisible Union Taxes" in the above table.

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

**(Rupees in crore)**

Sl. No.	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of Increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Sales Tax	550.40	742.32	917.90	1,072.76	1,440.90	(+) 40
2.	State Excise	100.46	117.74	137.56	150.91	121.67	(-) 19
3.	Stamps and Registration Fees	29.66	34.96	38.63	41.97	50.00	(+) 19
4.	Taxes and Duties on Electricity	1.69	11.80	13.22	2.89	12.82	(+) 344
5.	Taxes on Vehicles	40.83	68.69	73.77	93.59	116.28	(+) 24
6.	Taxes on Goods and Passengers	20.27	21.11	10.23	9.71	13.30	(+) 37
7.	Other Taxes on Income and Expenditure – Tax on Professions, Trades, Callings and Employments	46.74	58.62	66.46	73.25	81.19	(+) 11
8.	Other Taxes and Duties on Commodities and Services	23.30	25.62	44.02	32.92	33.58	(+) 2
9.	Land Revenue	65.95	69.08	67.20	63.26	62.12	(-) 2
10.	Taxes on Agricultural Income	103.26	74.82	40.70	15.26	2.53	(-) 83
11.	Hotel Receipt Tax	Nil	Nil	Nil	0.02	Nil	Nil
12.	Taxes on Immovable Properties other than Agriculture Land	Nil	Nil	Nil	0.41	0.12	(-) 71
	<b>Total:</b>	<b>982.56</b>	<b>1,224.76</b>	<b>1,409.69</b>	<b>1,556.95</b>	<b>1,934.51</b>	<b>(+) 24</b>

Reasons for shortfall in receipts under the following Heads of Revenue during 2002-2003 compared to 2001-2002 as intimated by the Departments are given below:

- (a) **State Excise** : Decrease was due to collection of sales tax portion separately by the Taxation Department.
- (b) **Taxes on Agricultural Income** : Decrease was mainly due to fall in tea price in the international market.
- (c) **Taxes on Immovable Properties other than Agricultural Land** : Decrease was due to non-payment of dues by the tea gardens.

Reasons for variations relating to other heads of revenue though called for have not been received (September 2003).

1.1.2 The details of the non-tax revenue raised during the year 2002-03 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	Percentage of Increase (+) or decrease (-) in 2002-2003 over 2001-2002
1.	Petroleum	302.36	319.73	368.04	454.58	572.83	(+) 26
2.	Interest Receipts	2.18	2.47	4.27	3.09	3.07	(-) 0.65
3.	Dairy Development	0.04	0.03	0.06	0.06	0.22	(+) 267
4.	Forestry and Wild Life	9.59	14.73	14.77	15.25	23.44	(+) 54
5.	Non-ferrous Mining and Metallurgical Industries	0.43	0.55	0.60	0.44	0.98	(+) 123
6.	Miscellaneous General Services (including lottery receipts)	3.59	10.21	7.34	(-) 0.07*	0.13	(+) 86
7.	Major and Medium Irrigation Project	0.12	0.16	0.15	0.18	0.28	(+) 56
8.	Medical and Public Health	3.54	4.56	4.65	7.21	5.82	(-) 19
9.	Co-operation	0.11	0.14	0.14	0.19	0.24	(+) 26
10.	Public Works	5.08	5.76	3.50	1.57	3.15	(+) 101
11.	Police	4.60	7.06	10.12	7.30	9.32	(+) 28
12.	Other Administrative Services	44.13	28.06	20.54	6.88	9.41	(+) 37
13.	Coal and Lignite	4.36	27.11	30.63	9.54	8.36	(-) 12
14.	Roads and Bridges	16.80	7.85	27.72	3.29	17.63	(+) 636
15.	Others	55.04	16.50	34.24	23.69	38.09	(+) 60.78
	<b>Total:</b>	<b>451.97</b>	<b>444.92</b>	<b>526.77</b>	<b>533.20</b>	<b>692.97</b>	<b>(+) 30</b>

The reasons for variations, though called for, have not been received (September 2003).

\* Due to refund in excess of receipt during the year

**1.2 Initiatives for Mobilisation of Additional Resources**

**1.2.1** With a view to strengthening the financial situation of the State, a Memorandum of Understanding was signed (13 January 2000) between Government of India and the State Government under which following fiscal reforms measures were to be adopted by the State Government :

- (a) Tax-Reforms for mobilising additional resources;
- (b) Rationalisation of user charges through reforms in non-tax revenue.

The State Government accordingly constituted Committee on Fiscal Reforms (COFR) in August 2001 to (i) study the fiscal scenario of the state and structural imbalances affecting the states' finances and (ii) recommend policy measures to increase revenue, control and restructuring of expenditure. The committee submitted a report in 7 December 2001 which was accepted in principle by the State Government.

As per recommendation of COFR, the following reform measures were to be adopted by the State Government :

- Widening of the tax base and the plugging of leakages;
- Introduction of new taxes;
- Review of the existing rate of taxation; and
- Review of user charges and non-tax revenues.

**1.2.2 Reforms in Non-tax Revenue**

**Rationalisation of user charges.**

- (a) Irrigation Department enhanced the rate of user charges namely Irrigation Services Charges by 100 per cent in respect of various crops in April 2000. As per information furnished (September 2003), as against targeted collection of Rs.4.34 crore and Rs.2.80 crore for the years 2001-2002 and 2002-2003 respectively, the actual collection during the years were Rs.0.24 lakh and Rs.1.77 lakh respectively leading to shortfall in collection to the tune of Rs. 4.34 crore and Rs.2.78 crore i.e 99.94 and 99.37 per cent during 2001-2002 and 2002-2003 respectively. As stated by the Department, the reason for shortfalls was reluctance of the farmers to pay Irrigation Service Charges.



- (b) Industries and Commerce Department revised user charges in respect of rent of various industrial sheds with effect from 1 January 2000. As per information furnished (September 2003), the Department realised Rs.1.27 crore over the years as of September 2003. In the absence of yearwise details of targets and actuals, impact of enhancement of rates remained unassessed. Even the Department did not analyse the impact of revision of rates.

### 1.3 Variations between budget estimate and actuals

The Budget estimates and actual for 2002-2003 and variation thereagainst under various Heads of Revenue are detailed below:

(Rupees in crore)

Sl. No.	Head of revenue	Budget Estimate	Actuals	Variations Increase(+) Decrease(-)	Percentage of variation
<b>Tax Revenue</b>					
1.	Sales Tax	1,224.30	1,440.90	(+) 216.60	(+) 18
2.	Land Revenue	82.80	62.12	(-) 20.68	(-) 25
3.	Taxes on Agriculture Income	46.00	2.53	(-) 43.47	(-) 95
4.	Taxes on Vehicles	95.30	116.28	(+) 20.98	(+) 22
5.	State Excise	163.83	121.67	(-) 42.16	(-) 26
6.	Other Taxes on Income & Expenditure	80.25	81.19	(+) 0.94	(+) 1
7.	Stamps & Registration Fees	48.59	50.00	(+) 1.41	(+) 3
8.	Taxes on Goods & Passengers	13.35	13.30	(-) 0.05	(-) 0.37
9.	Other Taxes and Duties on Commodities and Services	41.18	33.58	(-) 7.60	(-) 18
10.	Taxes and Duties on Electricity	15.74	12.82	(-) 2.92	(-) 19
<b>Non-Tax Revenue</b>					
1.	Petroleum	500.00	572.83	(+) 72.83	(+) 15
2.	Forestry & Wildlife	18.61	23.44	(+) 4.83	(+) 26
3.	Police	12.76	9.32	(-) 3.44	(-) 27
4.	Other Administrative Service	25.90	9.41	(-) 16.49	(-) 64
5.	Coal and Lignite	32.00	8.36	(-) 23.64	(-) 73
6.	Village and Small Industries	1.38	1.06	(-) 0.32	(-) 23
7.	Roads & Bridges	10.19	17.63	(+) 7.44	(+) 73
8.	Interest Receipts	5.38	3.07	(-) 2.31	(-) 43
9.	Dairy Development	0.07	0.22	(+) 0.15	(+) 214
10.	Non-ferrous Mining & Metallurgical Industries	0.76	0.98	(+) 0.22	(+) 29
11.	Misc. General Services	9.25	0.13	(-) 9.12	(-) 99
12.	Major and Minor Irrigation	0.19	0.28	(+) 0.09	(+) 47
13.	Medical & Public Health	5.87	5.82	(-) 0.05	(-) 1
14.	Co-operation	0.18	0.24	(+) 0.06	(+) 33
15.	Public Works	4.42	3.15	(-) 1.27	(-) 29

Reasons for variations between budget estimates and the actuals under the following Heads of Revenue as reported by the Departments are given below:

- (a) **Taxes on Agricultural Income** : Shortfall (95 per cent) was due to slump in price of Indian Tea in the International market.
- (b) **State Excise** : Shortfall (26 per cent) was mainly due to collection of sales tax portion separately by the Taxation Department.

Specific reasons for substantial variation in respect of remaining heads of revenue have not been received (August 2003).

**1.4 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 2000-2001, 2001-2002 and 2002-2003 along with the relevant All India average percentage of expenditure as available are given below:-

(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	2000-2001	917.90	13.02	1.42	
		2001-2002	1,072.76	13.61	1.27	1.26
		2002-2003	1,440.90	13.22	0.92	
2.	Taxes on Vehicles	2000-2001	73.77	5.20	7.05	
		2001-2002	93.59	4.91	5.25	2.99
		2002-2003	116.28	5.21	4.48	
3.	State Excise	2000-2001	137.56	6.49	4.72	
		2001-2002	150.91	7.32	4.85	3.21
		2002-2003	121.67	7.18	5.90	
4.	Stamps & Registration fees	2000-2001	38.33	6.82	17.65	
		2001-2002	41.97	5.83	13.89	3.51
		2002-2003	50.00	6.49	12.98	

It would be seen from the above table that the percentage of expenditure on collection to gross collection were higher than the All-India average in respect of Taxes on Vehicles, State Excise and Stamps & Registration fees.

**1.5 Collection of sales tax per assessee**

The collection of Sales tax per assessee during 2002-2003 increased by 50 per cent compared to collection per assessee during 1999-2000 to 2001-2002 as shown below:

**(Rupees in crore)**

Year	No. of assessee	Sales tax revenue	Revenue/assessee
1998-1999	36,853	550.40	0.01
1999-2000	39,300	742.32	0.02
2000-2001	40,231	917.90	0.02
2001-2002	46,971	1,072.76	0.02
2002-2003	49,979	1,440.90	0.03

**1.6 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2003 in respect of some principal heads of revenue amounted to Rs.2,757.15 crore of which Rs.1,767.19 crore were outstanding for more than 5 years as detailed in the following table:

**(Rupees in crore)**

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2003	Amount outstanding for more than 5 years as on 31 March 2003	Remarks
(1)	(2)	(3)	(4)	(5)
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.	614.67	160.28	The arrears of revenue relate to 36 units. Out of total arrears of Rs.614.67 crore, demand of Rs.70.52 crore was stayed by the Courts/Assam Board of Revenue, Rs.64.06 crore was with the Departmental Appellate Authority, Rs.18.04 crore with Revisional Authority, Rs.115.91 crore with the Assessing Authority and Rs.346.14 crore were covered by recovery certificates.
2	Forestry and Wildlife	3.41	2.39	The arrears relate to 12 units out of total 27 territorial divisions
3	Royalty on Coal, Lignite and Limestone	5.20	0.21	The arrears relate to Assam Mineral Development Corporation Limited and the Cement Corporation of India Limited on States' share (40 per cent) of royalty on coal and limestone. Out of the total arrears of Rs.5.20 crore, Rs.3.90 crore were covered by recovery certificates.

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(1)	(2)	(3)	(4)	(5)
4	State Excise	0.05	0.05	The arrears relate to Assam Ayurvedic Products, a state government enterprise. As ordered by the Government, the amount was to be paid in instalment. But payment has not been made so far (November 2003)
5	Interest receipts - Assam State Electricity Board	2,133.24	1,604.20	Non payment of interest liability was attributed to paucity of funds.
6	Major Irrigation	0.23	0.06	The arrears relate to three divisions(Kaliabor and Integrated Kollong Division, Nagaon, Dibrugarh Division and Sibsagar Division) test checked. As against water rates of Rs.22.71 lakh realisable upto March 2001 for providing water to 12,406.36 hectares of land during 1994-95 to 2000-01, Rs.0.02 lakh was only realised leaving Rs.22.69 lakh yet to be realised (November 2003). Of this, Rs.6.28 lakh pertain to the period 1994-95 to 1997-98.
7	Land Revenue	0.35	NA	Test check of the records of the Deputy Commissioner , Dibrugarh revealed that 47 Tea Estates did not pay land revenue to the tune of Rs.35.11 lakh for the period April 1990 – June 2002 as of August 2003 despite demand notices issued between June 2001 and September 2002.
<b>Total:</b>		<b>2,757.15</b>	<b>1,767.19</b>	

**1.7 Arrears in assessments**

The position of arrears in assessment of sales tax and other taxes as at the end of the year 2002-2003 are shown below:

Head of revenue	Opening balance	New cases for assessment	Total assessment due	Cases disposed of	Balance at the end of the year	Percentage of Col 5 to 4 (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax & other Taxes	39,443	44,064	83,507	40,100	43,407	48.00
Assam Professional & Employment Tax	41,743	36,093	77,836	30,088	47,748	38.65
Agricultural Income Tax	775	1,054	1,829	904	925	49.43
<b>Total</b>	<b>81,961</b>	<b>81,211</b>	<b>1,63,172</b>	<b>71,092</b>	<b>92,080</b>	

Out of total 92,080 cases under various heads of revenue pending for disposal as at the end of 31 March 2003, 8,048 cases were pending for the period prior to April 1999. Reasons for non-disposal of the cases even after lapse of four years was, however, not stated by the Department.

### 1.8 Evasion of tax

The details of cases of evasion of tax detected by the Sales Tax Department, cases finalised and the demands for additional tax raised as reported by the Department are given below :

Sl. No.	Heads of revenue	Cases pending as on 31 March 2002	Cases detected during 2002-03	Total	No. of cases in which assessments/ investigations completed and additional demand including penalty, etc. raised.		No. of cases pending for finalisation as on 31 March 2003
					No. of cases	Amount of demand. (Rs. in crore)	
1	Sales Tax	24	1,116	1,140	1,078	306.63	62

### 1.9 Refunds

The number of refund cases pending at the beginning of the year 2002-2003, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2002-2003 in respect of sales tax as reported by the Departments are given below:

(Rupees in lakh)

Sl. No.	Particulars	Sales tax	
		No. of cases	Amount
1	Claims outstanding at the beginning of the year	31	185.15
2	Claims received during the year	26	20.55
3	Refunds made during the year	30	27.27
4	Balance outstanding at the end of the year	27	178.43

### 1.10 Results of Audit

Test check of records of the sales tax, agricultural income tax, taxes on vehicles, land revenue, state excise, forest receipts, other tax and non-tax receipts conducted during the year 2002-2003 revealed underassessment/ short levy/short demand/loss of revenue amounting to Rs.162.03 crore in

606 cases. The concerned Departments accepted under assessment, short levy etc., of Rs.48.68 crore pointed out in 2002-2003 and earlier years and recovered Rs.0.41 crore.

This report contains 33 paragraphs including 1 review relating to non-levy/short levy of taxes, duties, interest and penalty etc. involving Rs.97.69 crore. The Department/Government had accepted the audit observation involving Rs.51.54 crore of which Rs.0.24 crore have been recovered at the instance of audit. Final replies have not been received in other cases (November 2003).

### **1.11 Outstanding audit inspection reports and audit observations**

Accountant General (Audit) arranges to conduct periodical inspection of the State Government Departments to test check transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up 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 the 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 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.

Inspection Reports issued upto December 2002 disclosed that 4,814 paragraphs relating to 1,441 IRs remained outstanding at the end of June 2003. Of these, 67 IRs containing 124 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 448 IRs issued between 1993-94 and 2002-2003. As a result, serious irregularities commented upon in 1,140 paragraphs involving Rs.66.75 crore had not been settled as of June 2003.

A review of the IRs which were pending due to non-receipt of replies revealed that the Heads of Offices/Departments 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. The Commissioners and Secretaries of the concerned Departments, who were informed of the

position through half yearly reports, also failed to ensure that concerned officers of the Department take prompt and timely action.

#### **1.12 Departmental Audit Committee Meetings**

As per instruction (May 1994) of the Finance Department, all the Departments are required to constitute Audit objection Committee for expeditious disposal of audit observations contained in the Inspection Reports. These Committees are chaired by designated officer of the concerned Administrative Department and attended among others by the concerned officers of the State Government and the Office of the Accountant General (Audit).

In order to expedite clearance of the outstanding audit observations, it is necessary that the Audit Committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. During 2002-2003, no audit committee meeting could be held despite repeated persuasion from the audit office. This indicates that Government Departments have not been taking initiative in using the machinery created for settling outstanding audit observations.

#### **1.13 Response of the Departments to Draft Audit paragraphs**

As per instruction issued (March 1986) by the Finance Department, all the Departments are required to furnish replies to the audit objections within two months. Draft paragraphs prepared on the basis of audit objections are always forwarded by the audit office to the Secretaries of the concerned Departments through demi-official letters drawing their attention to the audit findings with the request to send their response within six weeks. The fact of non-receipt of replies from the government is indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the year ended 31 March 2003 were forwarded to the Secretaries of the Departments in April/May 2003 through demi-official letters with the request to furnish their replies/comments within six weeks. Out of 67 potential paras and sub-paras included in 33 Audit paragraphs including one review incorporated in this Report, replies of the departmental officers in respect of only 32 paragraphs including sub-paragraphs had been received (November 2003).

Replies from the Government had not been received in any of the cases (November 2003).

**1.14 Follow up on Audit Reports – Summarised position**

As per instruction issued (May 1994) by the Finance Department, all the Departments are required to furnish explanatory notes indicating action taken or proposed to be taken to the Assam Legislative Assembly Secretariat with a copy to the Accountant General (Audit), Assam, Guwahati in respect of paragraphs and reviews included in the Audit Reports within 20 days from the presentation of the Report in the Legislature.

Review of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India (Revenue Receipts) for the years 1988-1989 to 2001-2002 due for discussion during 2002-2003 disclosed that explanatory notes in respect of 41 paragraphs only discussed by the PAC between April 2002 and June 2003 were received from the concerned Departments. Explanatory notes in the case of the remaining 258 paragraphs had not been received (November 2003).



## CHAPTER - II

### SALES TAX

#### 2.1 Results of Audit

Test check of records in Sales Tax Offices, conducted in audit during the year 2002-2003 revealed under assessments of tax, incorrect grant of exemptions, etc. amounting to Rs.54.79 crore in 131 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	Number of cases	Amount
1.	Turnover escaping assessment	44	7.09
2.	Incorrect exemption	26	1.91
3.	Under assessment of tax	05	0.33
4.	Non-levy/short levy of interest	14	0.17
5.	<b>Review : Exemption and concession of tax against declaration Forms</b>	01	39.25
6.	Other lapses	41	6.04
<b>Total</b>		<b>131</b>	<b>54.79</b>

During the course of the year 2002-2003, the Department accepted under assessments of tax amounting to Rs.4.45 crore pointed out during 2002-2003 and in earlier years. Of these, Rs.0.24 crore were recovered.

A few illustrative cases involving Rs.10.54 crore and a review, **Exemption and concession of tax against declaration Forms**, involving financial effect of Rs.39.25 crore are given in the following paragraphs:

## 2.2 Review : Exemption and concession of tax against declaration Forms

### Highlights

- **Incorrect levy of concessional rate of tax against Form 'C' resulted in short levy of tax of Rs.9.19 crore.**  
*(Paragraphs 2.2.5)*
- **Irregular allowance of exemptions against Kolkata Auction resulted in short levy of tax of Rs.13.90 crore.**  
*(Paragraph 2.2.9)*
- **Irregular allowance of deduction of goods consigned to branches/agents in other states against incomplete/unsigned/invalid declarations in Form 'F' resulted in non-levy of tax of Rs.4.91 crore.**  
*(Paragraph 2.2.10)*
- **Exemptions/concessional rate of tax allowed against invalid declaration Forms resulted in non-levy/short levy of tax of Rs.6.92 crore.**  
*(Paragraph 2.2.11)*
- **Incorrect allowance of deductions against Forms 'E-I' or 'E-II' during inter-state sales resulted in short levy/non-levy of tax of Rs.3.23 crore.**  
*(Paragraph 2.2.12)*
- **There was evasion of tax of Rs.22.94 lakh due to suppression of turnover and non-submission of returns by the dealer**  
*(Paragraph 2.2.16)*

### Introduction

**2.2.1** The Assam General Sales Tax Act, 1993 (AGST Act) provides that a registered dealer can purchase goods without payment of tax or at concessional rate of tax, if the goods so purchased are for resale within the state, provided the purchasing dealer furnishes a prescribed declaration Forms A to the selling dealer.

Under the Central Sales Tax Act, 1956, (CST Act) registered dealers are eligible to certain exemptions and concession of tax, on inter-state sales,

on the strength of prescribed declarations such as Form C, D, E-I, E-II, F and H etc.

### Organisational set up

**2.2.2** The Finance (Taxation) Department is responsible for sales tax administration in the State. The Commissioner of Taxes is the head of the Department who is assisted by Additional Commissioner of Taxes. There are 36 Sale Tax Offices in the state headed by Senior Superintendents/Superintendents of Taxes who are responsible to check the validity and correctness of the Forms before allowing exemptions and concessions claimed by the dealers at the time of finalisation of their assessments. Moreover, there are two check posts also besides these units.

### Audit objectives

**2.2.3** Detailed scrutiny of the assessment records of 14 out of 36 offices for the period 1997-98 to 2001-2002 was conducted in audit during October 2002 to March 2003 to -

- (a) seek assurance that concessional rate of tax was allowed correctly against valid, duly filled and signed declaration Forms as prescribed in the State Act and CST Act;
- (b) ascertain whether exemption was allowed correctly.

### Receipt and issue of declaration Forms

**2.2.4** As per the records of the Commissioner of Taxes, the receipt and issue of declaration Forms to various Sales Tax Offices under the Central and State Acts during the years 1997-98 to 2001-2002 were as under:

Name of Act	Year	Opening stock	Received	Issued	Closing stock
(1)	(2)	(3)	(4)	(5)	(6)
<b>Central Act</b>		<b>(Number of books each containing 25 leaves)</b>			
Form 'C'	1997-98	20,647	Nil	1,097	19,550
	1998-99	19,550	Nil	2,380	17,170
	1999-2000	17,170	Nil	1,570	15,600
	2000-2001	15,600	Nil	1,420	14,180
	2001-2002	14,180	Nil	2,240	11,940
		<b>(Number of books each containing 100 leaves)</b>			
Form 'F'	1997-98	1,030	Nil	110	920
	1998-99	920	Nil	152	768
	1999-2000	768	Nil	10	758
	2000-2001	758	Nil	58	700
	2001-2002	700	Nil	150	550
		<b>(Number of books each containing 25 leaves)</b>			

(1)	(2)	(3)	(4)	(5)	(6)
Form 'H'	1997-98	7,121	Nil	Nil	7,121
	1998-99	7,121	Nil	45	7,076
	1999-2000	7,076	Nil	Nil	7,076
	2000-2001	7,076	Nil	Nil	7,076
	2001-2002	7,076	Nil	Nil	7,076
<b>State Act</b>	<b>(Number of books each containing 25 leaves)</b>				
Form 'A'	1997-98	1,51,688	Nil	1,409	1,50,279
	1998-99	1,50,279	Nil	1,769	1,48,510
	1999-2000	1,48,510	Nil	1,075	1,47,435*
			1,000(new)	730	270
	2000-2001	270	2,640	2,175	735
2001-2002	735	6,360	2,565	4,530	

It would be seen that 1,47,435 books of declaration Form 'A' remained inoperative and were declared invalid with effect from 21 February 2000. This led to an infructuous expenditure of Rs.18.31 lakh (based on expenditure of Rs.24.84 lakh being cost of 2 lakh books printed in 1994). It is evident from the number of Forms issued between 1997-98 to 1999-2000 that the estimates by the Commissioner of Taxes, Assam for printing of Forms were not realistic.

**Incorrect grant of concessional rate of tax on sales against Form 'C'**

2.2.5 Under the CST Act, inter-state sale of goods, other than declared goods, to registered dealers if supported by duly filled in and signed declaration in Form 'C' are taxable at the concessional rate of four per cent. Otherwise, tax is payable at the rate of ten per cent or at the rate of tax applicable under the State Act, which ever is higher. In addition, interest at the prescribed rate is leviable.

• In six<sup>1</sup> Sales Tax Offices, tax was levied between December 1997 and March 2002 for the assessment years 1993-94 to 2000-01 at the concessional rate of four per cent on sale of goods amounting to Rs.9.76 crore supported by Forms 'C' in 19 cases. It was, however, seen that the declaration Forms were defective, as the names of the dealers to whom the Forms 'C' were issued by the purchasing dealers were not mentioned therein. Allowance of the concessional rate of tax on the basis of defective declarations was irregular and resulted in short levy of tax amounting to Rs.1.95 crore including interest.

On this being pointed out, the Department stated in July-August 2003 that assessments in two cases (Jorhat and Unit-C of Guwahati) were rectified

\* Old declaration Forms were declared inoperative with effect from 21 February 2000

<sup>1</sup> Digboi, Unit-A, Unit-B, Unit-C, Unit-D of Guwahati and Jorhat.

and additional demand raised for Rs.5.18 lakh. Report on recovery and final reply in respect of other cases are awaited (August 2003).

- Test check of the assessment records of seven<sup>2</sup> Sales Tax Offices for the assessment years 1994-95 to 1999-2000 revealed that while finalising assessments between March 1998 and March 2002, the Assessing Officers levied tax in 12 cases at concessional rate on sale of goods amounting to Rs.3.93 crore. However, the scrutiny of the declaration Forms 'C' revealed that the declarations were issued by the purchasing dealers in the names of some other dealers. The Assessing Officers' failure to verify the name of the dealer availing of concessional rate resulted in short levy of tax of Rs.77.78 lakh including interest.

- Test check of the assessment records of three<sup>3</sup> Sales Tax Offices for the assessment years 1995-96 to 1998-99 revealed that while finalising the assessments in four cases, the Assessing Officers levied tax between March 1999 and March 2002 at concessional rate of tax on sale of goods amounting to Rs.82.93 lakh in the course of inter-state trade or commerce. But the transactions were not supported by the prescribed declarations. Failure of the Assessing Authorities to detect the irregularity resulted in short levy of tax of Rs.8.06 lakh including interest.

On this being pointed out, the Department stated in July 2003 that assessment in one case (Dibrugarh) was rectified and additional demand of Rs.0.74 lakh raised. Report on recovery and reply in other cases are awaited (August 2003).

- Test check of the assessment records of three<sup>4</sup> Sales Tax Offices for the assessment years 1995-96 to 1999-2000 revealed that tax was levied between March 1999 and March 2001 at concessional rate of tax on sale of goods amounting to Rs.1.51 crore. Scrutiny of declaration Forms 'C' revealed that the Forms did not pertain to transactions for the period of assessments. Failure of the Assessing Officers to detect the irregularity resulted in short levy of tax amounting to Rs.17.82 lakh including interest.

- Test check of the assessment records of five<sup>5</sup> Sales Tax Offices, for the period between 1993-94 and 2000-2001 revealed that tax was levied between March 1998 and March 2002 at concessional rate on the sale of goods valued at Rs.17.40 crore. Scrutiny of declaration Forms revealed that the transactions were recorded in Form 'C' subsequent to the dates of issue of declaration Forms by the purchasing dealers. Failure of

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<sup>2</sup> Bongaigaon, Digboi, Unit-B, Unit-C, Unit-D of Guwahati. Jorhat and Tezpur..

<sup>3</sup> Dibrugarh, Unit-A and Unit-D of Guwahati,.

<sup>4</sup> Unit-A, Unit-C and Unit-D of Guwahati.

<sup>5</sup> Unit-A, Unit-B, Unit-C, Unit-D of Guwahati and Tezpur.

the Assessing Officers to detect the irregularity resulted in short levy of tax amounting to Rs.2.79 crore including interest.

On this being pointed out, the Department in respect of three cases (Unit-C, Guwahati) stated in August 2003 that the cases had been sent to Zonal Deputy Commissioner of Taxes for suo motu revision.

• Test check of the assessment records of six<sup>6</sup> Sales Tax Offices, for the assessment years 1995-96 to 2000-2001 revealed that tax was levied between June 1997 and March 2002 at concessional rate on the sale of goods amounting to Rs.32.27 crore. Scrutiny revealed that the declaration Forms were defective, as registration certificate number and date of validity of registration, invoice/ bill numbers and dates were not recorded; in some cases the transactions were also not authenticated by the purchasing dealers. Allowance of concessional rate of tax on the basis of defective declarations was irregular and resulted in short levy of tax amounting to Rs.3.33 crore.

On this being pointed out, the Department stated in August 2003 that assessment in two cases (Unit-C, Guwahati) were rectified and tax of Rs.4.28 lakh was levied. Report on recovery and reply in other cases are awaited (August 2003).

• Test check of the assessment records of four<sup>7</sup> Sales Tax Offices for the assessment years 1995-96 to 1999-2000 revealed that tax was levied between March 1999 and September 2001 at concessional rate of tax. On scrutiny of the declarations, it was, however, seen in audit that the concessional rate of tax was allowed against photo/duplicate copies of Forms 'C' valued at Rs.73.85 lakh. Since the submission of original Form 'C' is mandatory, allowance of the concessional rate of tax on the basis of duplicate/photo copy was irregular and resulted in short levy of tax amounting to Rs.8.34 lakh.

**Transaction not supported by valid declaration Form 'D'**

2.2.6 Under the CST Act, a dealer, who in the course of inter-state trade or commerce sells to the Government any goods other than declared goods, is taxable at the concessional rate of four per cent if supported by duly filled and signed declaration Form 'D'. Otherwise, tax is payable at the rate of 10 per cent or at the rate of tax applicable under the State Act, whichever is higher. In addition, interest at the prescribed rate is also leviable.

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<sup>6</sup> Digboi, Unit-A, Unit-B, Unit-C and Unit-D of Guwahati and Tinsukia.

<sup>7</sup> Unit-A, Unit-C, Unit-D of Guwahati and Jorhat

Test check of the assessment of two\* Sales Tax Offices for the assessment period 1996-97 and 1997-98 revealed that tax was levied between May 1998 and March 2001 at the concessional rate of tax on sale of goods of Rs.1.03 crore. Scrutiny of declaration Forms 'D' revealed that these did not pertain to transactions for the period of assessments. Failure of the Assessing Officers to detect the irregularity, resulted in short levy of tax amounting to Rs.9.53 lakh including interest of Rs.4.96 lakh.

#### Application of incorrect rate of tax

**2.2.7** Under the AGST Act, the items medicine, lubricant and motor parts were taxable at the rate of 8, 12 and 14 per cent respectively at the point of first sale in the state.

Test check of assessment records of the Superintendent of Taxes, Unit-D, Guwahati revealed that inter-state sale of medicine, lubricant and motor parts aggregating Rs.69.64 lakh, not supported by declaration Form 'C' in respect of 3 dealers relating to the assessment years 1995-96 to 1997-98 were assessed between March 1999 and March 2001 to tax at incorrect rates. This resulted in short levy of tax of Rs.4.34 lakh including interest of Rs.2.45 lakh.

On these being pointed out in audit, the Department stated in June 2003 that assessment in one case was rectified and additional demand raised. Report on recovery and final reply in respect of the remaining cases have not been received (August 2003).

#### Non-levy of penalty

**2.2.8** Under the CST Act, if any registered dealer, falsely represents that the goods purchased by him are covered by his certificate of registration, or after purchasing the goods utilises the same for other purposes, the Assessing Authority may impose by way of penalty an amount not exceeding one and a half times of the tax, which would have been levied at the general rate in respect of sale of the goods.

Test check of records of three# Sales Tax Offices for the assessment periods 1998-99 and 2000-2001 revealed that 3 registered dealers engaged in the business of manufacture and sale of tea, purchased goods valued at Rs.43.63 lakh from other states against declarations Form 'C'. These goods were not used for manufacture of tea. The Assessing Authority failed to levy penalty of Rs.7.59 lakh.

\* Dibrugarh and Unit-D of Guwahati.

# Doomdooma, Sibsagar and Tezpur.

On this being pointed out in audit, the Department raised demand of Rs.0.48 lakh in one case in July 2003. Report on recovery and reply in other cases are awaited (August 2003).

**Irregular grant of exemption**

Under the CST Act, when any dealer claims exemption of tax in respect of any goods by reason of transfer of such goods to any other place of his business out of the state, he may furnish to the Assessing Authority, a declaration in Form 'F' duly filled in and signed by the transferee, along with the evidence of despatch of such goods. As per rules, one Form 'F' should cover the transaction of one calendar month.

2.2.9 Scrutiny of the assessment records of nine\* Sales Tax Offices revealed that 14 dealers despatched tea valued at Rs.64.00 crore during the assessment years 1993-94 to 2000-2001 and claimed exemption from payment of tax on the ground that the tea was sold at Kolkata (Calcutta) Auction. Since sale of tea at Kolkata (Calcutta) Tea Auction was neither supported by Form 'F' nor other evidence of despatch of goods to the branch offices of the dealers, the exemption allowed between January 1998 and March 2002 by the Assessing Officers was incorrect resulting in non-levy of tax of Rs.13.90 crore including interest of Rs.7.50 crore.

On this being pointed out, the Department stated in July 2003 in five cases of Jorhat office that exemptions from tax were allowed on the basis of brokers' certificates that the sales of tea were effected in Kolkata Tea Auction Centre. The reply of the Department is not tenable as the exemption allowed on the basis of brokers' certificates for the sale of tea in Kolkata Tea Auction Centre was irregular as the goods were not transferred to principals or commission agents by the dealers and as such it was sale. Moreover, the Act does not provide for exemption of sale of tea in Kolkata Tea Auction Centre. Replies in respect of the remaining cases were not received (August 2003).

2.2.10 Test check of records of eleven Sales Tax Offices revealed that while finalising the assessments of 31 dealers, the Assessing Authorities irregularly allowed exemptions on account of branch transfer of goods valued at Rs.20.46 crore, as the exemptions were either not covered by Form 'F' or covered with defective declarations. This resulted in non-levy of tax amounting to Rs.4.91 crore including interest as detailed below:

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\* Digboi, Doomdooma, Golaghat, Jorhat, Naharkatia, Sibsagar, Silchar, Tangla and Tinsukia (6 selected unit offices and 3 from information available).



(Rupees in crore)

Sl. No.	Name of unit (number of dealer)	Period of assessment	Date of assessment	Nature of irregularities	Amount of tax including interest
(1)	(2)	(3)	(4)	(5)	(6)
1.	Golaghat (2), Jorhat (2), Sibsagar (2), Tangla (1) and Bongaigaon (1)	1994-95 to 1999-2000	Between January 1998 and February 2002	Goods valued at Rs.7.58 crore were transferred to the branches of the dealers against Form 'F'. Scrutiny of declarations, however, revealed that the Forms were issued by the transferees to dealers of some other states and were liable to be rejected.	1.55
2.	Doomdooma (2) Guwahati Unit-A (1)	1996-97 to 1999-2000	Between March 2000 and December 2001	Exemption of turnover on account of branch transfer valued at Rs.4.67 crore were allowed, though the declaration Forms 'F' covered the transactions for more than one calendar month.	0.89
3.	Tinsukia (3) Doomdooma (1), Guwahati Unit-B (1) Jorhat (1)	1994-95 to 1998-99	Between August 1997 and March 2002	Goods valued at Rs.3.04 crore were transferred to branches of dealers outside the state against Forms 'F'. However, details viz. invoice numbers, date, quantity, value of goods transferred, mode of transportation, lorry receipt numbers, date on which delivery was taken by the transferees etc, were not recorded in the declaration Forms 'F'.	1.55
4.	Jorhat (1)	1998-99 to 1999-2000	Between September 2000 and March 2002	The claims of branch transfer of goods valued at Rs.3.34 crore against Form 'F' were allowed. Scrutiny revealed that the transferee had not mentioned the name of the dealer to whom the Forms were issued. As such the claim was liable to be rejected.	0.53
5.	Dibrugarh (7), Silchar (3), Guwahati Unit-A (1) and Sibsagar (1)	1996-97 to 1999-2000	Between January 1998 and October 2001	The claim for branch transfer of goods valued at Rs.1.58 crore against Form 'F' was allowed. Scrutiny revealed that the transactions mentioned in the declarations were not related to the period of assessments.	0.33
6.	Sibsagar (2)	1995-96 to 1996-97	Between March 1999 and September 1999	Exemption of turnover on account of branch transfer of goods valued at Rs.24.85 lakh were allowed but neither the Form 'F' nor the details regarding despatch of goods to branch offices outside the state were obtained and kept on record.	0.06
<b>Total:</b>					<b>4.91</b>

On this being pointed out, the Department stated in July 2003 that assessment in one case (Jorhat against Sl. No.1) was rectified and demand of Rs.1.27 lakh raised. Report on recovery and reply in respect of other cases are awaited (August 2003).

#### Deduction allowed against invalid declaration Forms

**2.2.11** Under the AGST Act, the Assessing Officer may of his own motion, rectify an assessment for any mistake of a factual nature apparent from the record at any time within three years from the end of financial year in which such assessment was made.

The Commissioner of Taxes, Nagaland, Dimapur vide his letter of February 2002 had intimated the Commissioner of Taxes, Assam, Guwahati that a series of declaration Forms 'C' and 'F' were cancelled and invalidated with effect from 11 June 2001. This information was circulated to the unit offices by the Commissioner of Taxes, Assam during December 2002.

Test check of records of four \* Sales Tax Offices revealed that while finalising the assessments for the years 1995-96 to 2000-01 between July 2001 and March 2002, the Assessing Officer had exempted from levy of tax or levied tax at concessional rate on turnover amounting to Rs.48.83 crore as the same were supported by declaration in Form 'F' and 'C' declared invalid by the Nagaland Government. The Assessing Authorities failed to reassess these assessments inspite of information regarding invalid declarations being available with them in December 2002. This resulted in non-levy of tax of Rs.6.92 crore including interest of Rs.2.57 crore.

On this being pointed out in audit, the Department in respect of four cases (three of Unit-A and one of Unit-C, Guwahati) stated in June-August 2003 that the cases had been sent to the Zonal Deputy Commissioner of Taxes for suo motu revision. In one case (Unit-D, Guwahati), a notice was served to the dealer for re-opening of the case and in another case (Unit-C, Guwahati) tax of Rs.25.79 lakh was levied after re-assessment. Report on recovery and reply in other cases are awaited (August 2003).

**Incorrect allowance of exemption against transfer of documents during inter-State sales against Form 'E-I', 'E-II'**

2.2.12 Under the CST Act, any subsequent sale of goods during their movement from one state to another effected by a transfer of documents of title to such goods to the Government, or to a registered dealer shall be exempted from levy of tax provided such sale is supported by a certificate in form 'E-I' or 'E-II' duly filled and signed by selling dealer alongwith Form 'C' or 'D'. It has been judicially\*\* held that where a dealer books goods to self without a purchaser and subsequently finds a purchaser and transfers title to the goods while the goods are in transit is eligible for exemption under the Act.

• Test check of assessment records of two Sales Tax Offices (Sibsagar and Unit-A, Guwahati) revealed that while finalising assessments of two dealers for the years 1994-95 to 1997-98, the Assessing Officers allowed between March 1998 and May 1999 exemption from payment of tax on the turnover of Rs.24.98 crore on the

\* Unit-A, Unit-B, Unit-C and Unit-D of Guwahati

\*\* Tata Iron and Steel Co. Ltd Vs S.R. Sarkar ((1960) 11 STC 665(SC))

ground that the sales were effected while goods were in transit. But, scrutiny of Forms 'E-I' and 'C' revealed that the dealers purchased goods on receipt of prior orders from the subsequent purchasers. Hence, dealers were not entitled to exemptions. Thus, allowance of incorrect exemption resulted in non-levy of tax of Rs.2.82 crore including interest.

- In the assessments of four dealers for the assessment years 1994-95 to 1997-98, finalised between July 1997 and March 2001, it was noticed that exemption of tax was incorrectly allowed resulting in short levy of tax of Rs.40.57 lakh as detailed below:

(Rupees in lakh)

Sl. No	Name of the unit office	No. of dealer	Period of assessment	Date of assessment	Nature of irregularity	Non-levy/short levy of tax
1.	Guwahati Unit-B	3	1994-95 to 1995-96	Between July 1997 and March 1999	Exemption of sales of Rs.2.06 crore was allowed. Scrutiny revealed that the name of the dealers, invoice number and dates etc. were not filled in the declaration Forms.	37.88
2.	Guwahati Unit-D	1	1997-98	March 2001	The dealer was allowed exemption of Rs.13.16 lakh on the basis of statement of Form 'C' attached with return whereas as per Form 'C' furnished by the assessee, total worked out to Rs.1.56 lakh. Thus, the dealer had inflated the amount of Form 'C' in the statement by Rs.11.60 lakh and the Assessing Officer allowed the same without verifying the figure shown in Form 'C'.	2.69
<b>Total</b>						<b>40.57</b>

#### Acceptance of incomplete certificate in Form 'H'

**2.2.13** Under the Central Sales Tax (Registration & Turnover) Rules, 1957, a dealer may claim exemption from payment of tax on sale of goods on the ground that such sale is a sale in course of export provided that the sales are supported by certificate in Form 'H' along with the evidence of export of such goods.

Test check of records in two<sup>\*</sup> Sales Tax Offices, it was noticed in the assessments of two dealers that the Assessing Authorities had accepted between June 1997 and October 2001 incomplete certificate in Form 'H' for export sales of Rs.2.00 crore. It was, however, noticed that the export was made from Kolkata instead of from Assam and other required evidences/documents namely name of consignees, bills of lading and proof

<sup>\*</sup> Sibsagar and Tinsukia.

of export etc. were not furnished by the dealers. This resulted in irregular exemption of tax of Rs.30.75 lakh.

On this being pointed out, the Department stated in July 2003 in respect of one case (Tinsukia) that the dealer had closed down his business and records could not be verified. In respect of the other case, no reply was received (August 2003).

**Incorrect grant of deduction against Form 'A'**

2.2.14 Under the AGST Act, a registered dealer may sell taxable goods to another registered dealer free of tax or at concessional rate of tax provided such sales are covered by declaration Form 'A' for resale in the State. The Act further provides that if any dealer fails to pay the full amount of tax by the due date, he shall pay interest at the prescribed rate.

Test check of records of two Sales Tax Offices (Unit-B and Unit-D, Guwahati), revealed that the Assessing Officers allowed between March 1998 and March 2001 exemption from payment of tax on the turnover of Rs.1.22 crore for the years 1996-97 and 1997-98 while the turnover was not supported by declarations in Form 'A'. This incorrect allowance of exemption resulted in non-levy of tax of Rs.13.79 lakh including interest.

**Concealment of turnover**

2.2.15 Under the AGST Act, if a dealer conceals or has failed to disclose fully and truly the particular of his turnover or furnished incorrect or incomplete 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. The Act further provides that if a dealer conceals the particulars of his turnover, he shall pay by way of penalty a sum not exceeding one and a half times the amount of tax. Interest is leviable at the prescribed rate.

In four Sales Tax Offices (Barpeta Road, Guwahati Unit-A/Unit-C and Jorhat), four dealers imported taxable goods valued at Rs.4.19 crore from outside the state during the year 1997-98 and 1998-99 against which goods valued at Rs.3.29 crore were accounted for by them in their books of accounts. This resulted in suppression of turnover of Rs.90.17 lakh and evasion of tax of Rs.21.57 lakh including interest and penalty.

On this being pointed out, the Department in respect one case (Unit-C, Guwahati) stated in August 2003 that the dealer had been re-assessed on escaped turnover. Report on recovery and reply in other cases are awaited (August 2003).

**Evasion of tax**

**2.2.16** Under the AGST Act, every registered dealer is required to submit annual return of turnover, pay the admitted tax within the prescribed date and produce books of accounts. Otherwise, the Assessing Officer shall complete the assessment on best judgement basis and determine the tax payable by him.

During test check of assessment records of the Superintendent of Taxes, Jalukbari Check Post, it was noticed that a coal dealer did not file returns for the assessment periods 1998-99 to 2000-2001. Neither did the dealer pay any tax nor did the Assessing Officer complete the assessments on best judgement basis. However, cross verification by audit with the records of another dealer registered under the Meghalaya Taxation Department revealed that the dealer had purchased goods valued at Rs.2.07 crore during the period 1998-99 to 2000-2001 by utilising declaration Forms 'C' which were not actually issued to him. Thus, failure of the Assessing Officer to complete the assessments of the dealer on best judgement basis resulted in evasion of tax of Rs.22.94 lakh including interest and penalty.

**Recommendations**

**2.2.17** The audit findings revealed that the Administrative Authorities were not enforcing the statutory provisions regarding allowances of deductions on the strength of various Forms. Deductions were allowed against unsigned, invalid, and incomplete Forms without proper scrutiny/cross verifications.

Government may consider evolving a sound mechanism —

- to ensure prompt dissemination of information in respect of invalid declaration Forms with a view to curb their misuse.
- for scrutiny and cross verification of Forms before allowance of exemptions or concessional rate of tax.

Matters were reported to the Government in May 2003; reply from the Government had not been received (August 2003).

**2.3 Concealment of turnover**

Under the AGST Act, 1993, read with CST 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 a re-assessment of the dealer. When a dealer conceals the particulars of his turnover, he shall pay by way of penalty, in addition to tax and additional tax (from 5 June 1998) and interest, a sum not exceeding one and one half times the amount of tax sought to be evaded.

2.3.1 In four Sales Tax Offices (Dibrugarh, Guwahati Unit-A, Sibsagar and Tezpur), taxable turnover for the years 1994-95 to 1999-2000 in respect of four manufacturing dealers was determined by the Assessing Officers at Rs.44.63 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 that taxable turnover aggregating Rs.11.45 crore was suppressed by the dealers. This resulted in evasion of tax of Rs.4.18 crore including interest and penalty as detailed below:

(Rupees in lakh)

Sl No	Name of the dealer/ Unit office	Name of commodity	Assessment year (Month of assessment)	Turnover suppressed/ under stated	Tax evaded/ Short levied	Interest	Penalty	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	M/s Gas Authority of India Ltd, Sibsagar	Liquefied petroleum gas (LPG)	1998-99 (August 1999)	79.49	10.49	9.86	15.74	36.09
			1999-2000 (October 2000)	738.27	97.45	68.22	146.18	311.85
Remarks : On this being pointed out, the Department stated in June 2003 that the sale price was determined for payment of sales tax by taking into account basic price i.e. ex-factory price plus excise duty paid on assessable value. The reply is not tenable as freight, handling charges, insurance etc. were not included in the taxable turnover.								
2.	M/s Green Valley Industries, Tezpur	Hume pipe, Septic tank	1996-97 (June 1999)	35.81	4.30	3.70	6.45	14.45
			1997-98 (June 1999)	24.06	2.89	1.79	4.33	9.01
			1998-99 (June 1999)	8.13	1.07	0.67	1.61	3.35
Remarks : On this being pointed out, the Department stated in July 2003 that assessments have been revised.								
3.	M/s Rafiulla Tea & Industries, Dibrugarh	Plywood, Block board	1994-95 (March 1998)	6.87	0.55	0.71	0.82	2.08
			1995-96 (March 1999)	15.26	1.22	1.29	1.83	4.34
			1996-97 (August 1999)	18.90	1.51	1.24	2.27	5.02
Remarks : On this being pointed out, the Department stated in July 2003 that assessments have been revised.								

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
4.	M/s Assam Carbon Products Ltd, Guwahati Unit-A	Carbon block, Cabron brushes, Mechanical carbon etc.	1998-99 (March 2002)	218.66	9.62	7.31	14.43	31.36
Remarks : On this being pointed out, the Department stated in August 2003 that the dealer actually cleared goods valued at Rs.27.65 crore (including central excise duty) during the year 1998-99. Of these, goods valued at Rs.3.67 crore used for captive consumption, sample and fabrication being internal transactions of the dealer not involving any sale, were not included in the sale price. Scrutiny of the details enclosed with the reply revealed that the transactions on account of captive consumptions etc. was only at Rs.1.03 crore and not Rs.3.67 crore. Thus, there was suppression of sales of Rs.2.64 crore having a tax effect of Rs.37.18 lakh including interest (March 2003) and penalty.								
<b>Total:</b>				<b>1,145.45</b>	<b>129.10</b>	<b>94.79</b>	<b>193.66</b>	<b>417.55</b>

The cases were reported between January 2001 and January 2003 to the Government; their reply has not been received (November 2003).

**2.3.2** As per instructions issued (January 1996 / 1998) by the Commissioner of Taxes, Assam, every Assessing Officer while completing assessment of the Tea Estates should verify records maintained by the Central Excise Department to prevent leakage of Government revenue.

Cross verification of assessment records of five dealers engaged in manufacture of black tea leaves as available with two Sales Tax Offices (North Lakhimpur and Dibrugarh) with the information regarding quantity manufactured and cleared, obtained in audit from the Central Excise Department revealed that production and clearance of tea aggregating 7.20 lakh kgs was suppressed by the dealers. Thus, due to the Assessing Officers' non-verification of Central Excise records at the time of assessments, turnover of Rs.5.08 crore escaped assessment which resulted in evasion of tax of Rs.1.44 crore including interest and penalty as detailed below:

(Rupees in lakh)

Sl. No	Name of the dealer	Assessment year (Month of assessment)	Production/clearance suppressed (Kgs in lakh)	Turnover suppressed	Tax and additional tax short levied	Interest	Penalty	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>North Lakhimpur</b>								
1.	M/s Dolohat Tea Estate	1998-99 (April 2000)	2.01	148.67	13.09	9.16	19.63	41.88
Remarks : Matter was reported in March 2002; no reply was received (November 2003).								
2.	M/s Dejoo Tea Estate	1998-99 (November 1999)	1.12	71.61	6.30	4.41	9.45	20.16
	M/s Silonibari Tea Estate	1997-98 (March 2001)	0.12	8.03	0.64	0.60	0.96	2.20
		1998-99 (August 2001)	0.25	19.28	1.70	1.19	2.55	5.44
Remarks : On this being pointed out, the Department stated in September 2003 that as per certificates produced by the dealers from the Central Excise Department (North Lakhimpur) quantities shown in their books of accounts were correct. The reply is not acceptable as the information contained in the certificates obtained by the dealers were contrary to the information supplied by the Central Excise Department to audit. Moreover, the Assessing Officers relied on the certificates produced by the dealers without verifying the records of the Central Excise Department.								

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<b>Dibrugarh</b>								
3.	M/s Jamirah Tea Co.	1998-99 (May 2000)	3.27	229.20	20.17	14.93	30.25	65.35
Remarks : On this being pointed out, the Department stated in September 2003 that the assessment has been revised and demand for Rs.38.62 lakh was raised. Report on recovery was awaited (November 2003).								
4.	M/s Durgapur Tea Estate	1998-99 (May 2000)	0.43	30.94	2.72	2.01	4.08	8.81
Remarks : Matter was reported in March 2002; no reply was received (November 2003)								
<b>Total</b>			<b>7.20</b>	<b>507.73</b>	<b>44.62</b>	<b>32.30</b>	<b>66.92</b>	<b>143.84</b>

The cases were reported to the Government between June and September 2002; their reply has not been received (November 2003).

**2.3.3** Test check of assessment records of the Superintendent of Taxes, Unit-C, Guwahati, revealed that a dealer engaged in the business of electrical goods showed in his books of accounts closing stock of taxable goods valued at Rs.31.50 lakh as on 31 March 1997. But in his annual return for the year 1997-98, the opening stock as on 1 April 1997 was shown as Rs.18.19 lakh which the Assessing Officer accepted and accordingly finalised in November 1998 the assessment for that year. Thus, the dealer had concealed turnover of Rs.13.31 lakh resulting in short levy of tax of Rs.1.60 lakh. Besides, interest of Rs.0.73 lakh and penalty of Rs.2.40 lakh was also leviable.

On this being pointed out in audit, the Department stated in November 2002 and March 2003 that the dealer was re-assessed in August 2002 and the case was referred in December 2002 to the Tax Recovery Officer for realisation of the dues. The report on realisation has not been received (November 2003).

The case was reported to the Government in August 2000; their reply has not been received (November 2003).

## **2.4 Short demand of tax due to double/incorrect adjustment of challans**

**2.4.1** Under the AGST Act, 1993, every registered dealer is required to submit a copy of treasury challan as a token of full payment of tax paid on his taxable turnover along with the monthly statement of turnover. If the dealer fails to pay the full amount of tax payable within the prescribed 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.

Test check of assessment records of the Superintendent of Taxes, Guwahati, Unit-A, revealed that a dealer against his tax liability of Rs.88.18 lakh and Rs.82.45 lakh for the assessment periods 1996-97 and 1997-98, deposited Rs.51.45 lakh and Rs.79.21 lakh respectively. But, the Assessing Officer erroneously adjusted in March and September 2001



Rs.88.97 lakh and Rs.85.54 lakh in the assessments of 1996-97 and 1997-98 respectively. This incorrect adjustments resulted in short demand of tax Rs.43.85 lakh. Besides, Government had to forgo revenue of Rs.52.86 lakh by way of interest.

On this being pointed out in audit, the Assessing Officer accepted the audit observations and stated in July 2002 and June 2003 that the assessments for the years 1996-97 and 1997-98 were rectified in July 2002 and demands for Rs.22.27 lakh were raised and Rs.13.50 lakh recovered. The discrepancy between the amount objected to and the demands raised was due to wrong/non-adjustments of challans for Rs.40.37 lakh in earlier assessments of 1996-97 and 1997-98.

The case was reported to the Government in January 2003; their reply has not been received (November 2003).

**2.4.2** Under the AGST Act, the Assessing Officer may, of his own motion, rectify an assessment for any mistake of a factual nature apparent from the record at any time within three years from the end of the financial year in which such assessment was made

Test check of assessment records of the Superintendent of Taxes, Haflong, revealed that tax amounting to Rs.14.94 lakh deposited into the Government treasury by a dealer under the CST Act for the year 1997-98 was wrongly adjusted in March 2002 by the Assessing Officer against the year 1998-99. This resulted in short demand of tax of Rs.14.94 lakh and interest of Rs.10.75 lakh.

On this being pointed out in audit, the Department stated in June 2003 that the assessment was rectified and a demand notice for Rs.33.16 lakh including interest was issued. Report on recovery has not been received (November 2003).

The case was reported to the Government in September 2002; their reply has not been received (November 2003).

**2.4.3** Under the AGST Act, every works contractor is required to furnish to the Assessing Officer copies of tax deduction certificates (TDC) issued by the Drawing and Disbursing Officer of the contractee Government Department / Undertaking together with attested copies of challans for the amount deducted at source and deposited into Government account. The Assessing Officer while finalising assessment of the dealer shall adjust such deposits against the tax assessed.

Test check of assessment records of the Superintendent of Taxes, Unit-B, Guwahati, revealed that while finalising in March 2001 assessment for the year 1997-98 of a works contractor, the Assessing Officer adjusted Rs.13.68 lakh as tax paid by the dealer and deducted at source by

Government Undertakings against actual deposits and TDCs of Rs.10.18 lakh. This incorrect adjustment resulted in short demand of tax of Rs.3.50 lakh. Besides, interest of Rs.2.72 lakh (upto July 2001) was leviable.

On this being pointed out in audit, the Assessing Officer stated in June 2002 and December 2002 that the assessment was rectified and demand notice issued. The dealer had filed petition before the Revisional Authority against the rectification. The decision of the Revisional Authority had not been received (November 2003).

The case was reported to the Government in February 2002; their reply has not been received (November 2003).

## **2.5 Incorrect allowance of deduction**

**2.5.1** Under the CST Act, where the aggregate of sale price shown by a dealer in his return includes tax collected by him, a deduction on account of tax collected is allowed from the aggregate sale price by applying a Formula prescribed in the Act for the purpose of arriving at the net turnover.

Test check of assessment records of two Sales Tax Offices (Guwahati Unit -A and Unit-D) revealed that while determining net turnover in respect of five dealers for the years 1993-94, 1996-97 and 1997-98, the Assessing Officers allowed in March 2000 and March 2001 deduction aggregating Rs.6.06 crore instead of Rs.88.66 lakh towards element of tax from their inter-state sales turnover. This resulted in under assessment of tax of Rs.97.62 lakh including interest of Rs.55.96 lakh.

On these cases being pointed out in audit, the Department reported in June 2003 rectification of assessment in two cases raising additional demand of Rs.12.26 lakh. In another case it was stated in January 2002 and September 2003 that the aggregate sale price of the dealer was inclusive of tax at appropriate rates realised from the concerned buyers who failed to submit the required 'C' Forms. The reply is not tenable since the dealer sold goods to the registered dealers as inter-state sale and the aggregate sale price was inclusive of 4 per cent tax only.

In another case, Department stated in June 2003 that the Formula was correctly applied to determine taxable turnover in consonance with the definition of sale price. The reply is not tenable as the Formula was devised to deduct the sales tax component from aggregate turnover so that tax on tax was not levied. In the instant case a portion of turnover included 4 per cent tax and the other portion included no tax, but the deduction was allowed at the rate of 10,12 or 14 per cent. The other case was sent in June 2003 to the Zonal Deputy Commissioner of Taxes for suo motu revisional order. Final report has not been received (November 2003).

The cases were reported to the Government between October 2001 and April 2002; their reply has not been received (November 2003).

**2.5.2** Under the AGST Act, 'taxable turnover' is determined after allowing deduction of tax included in the gross turnover according to the Formula prescribed.

Test check of assessment records of the Superintendent of Taxes, Guwahati, Unit-D, revealed that while finalising assessment in respect of a cement dealer for the year 1998-99, the Assessing Officer allowed in September 1999 deduction of Rs.57.04 lakh from the gross turnover of Rs.5.32 crore though the turnover was on account of tax free sale. This incorrect deduction resulted in under assessment of tax of Rs.12.65 lakh including interest of Rs.5.12 lakh.

On this being pointed out in audit, the Department stated in June 2003 that the gross turnover which had been brought to assessment was the total consideration received / receivable by the dealer and whether tax had been separately charged or not in the sale price was immaterial for the determination of gross turnover. The contention of the Department is not tenable since the turnover shown by the dealer in the annual accounts was exclusive of tax, and thus the deduction allowed was incorrect.

The case was reported to the Government in April 2002; their reply has not been received (November 2003)

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

Under the AGST Act, read with CST Act, 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 prescribed rate.

Test check of assessment records of four Sales Tax Offices (Barpeta, Guwahati Unit-C, Unit-D and Sibsagar) revealed that in the case of 15 assessments of 9 dealers finalised between March 1998 and March 2001 relating to the years 1994-95 to 1997-98, the concerned Assessing Officer either failed to levy or levied short, interest amounting to Rs.71.54 lakh.

On these cases being pointed out in audit, the Department stated in between January 2002 and June 2003 that interest of Rs.80.53 lakh in six cases was levied. Further report on recovery from these dealers and action taken in other cases have not been received (November 2003).

The cases were reported to the Government between October 2001 and April 2002; their reply has not been received (November 2003).

**2.7 Loss of revenue due to delay/non-finalisation of assessment**

2.7.1 Under the AGST Act, read with CST Act, every registered dealer is required to submit monthly statement / annual return of turnover within the prescribed date supported by a copy of the treasury challan in proof of full payment of tax due on the basis of such statement/return. In a case where a dealer fails to submit monthly statement of turnover before the due date along with payment of tax due, the Assessing Officer may assess the dealer provisionally for that month to the best of his judgement and proceed to demand and collect the tax due. In the event of default in payment of assessed tax, the Assessing Officer is required to send such case to Tax Recovery Officer for realisation of dues as arrears of land revenue.

Test check of assessment records of the Superintendent of Taxes, Unit-D, Guwahati, revealed that a tea dealer did not submit monthly statements of turnover for the period from 1 April 1996 to 30 June 1998 but submitted annual return for the year 1996-97 and quarterly statements of turnover for the periods from 1 April 1997 to 30 June 1998 on 17 August 1998 showing inter-state sale of goods aggregating Rs.3.08 crore without payment of tax. The Assessing Officer did not take any initiative to assess the dealer provisionally. The assessment for the year 1996-97 was, however, completed on best judgement basis on 31 March 2000 and tax levied worth Rs.15.29 lakh after the dealer closed his business and became untraceable. Neither tax assessed was realised nor any recovery certificate issued to the Tax Recovery Officer for realisation of the dues. The assessments for the periods from April 1997 to June 1998 were also not finalised.

On this being pointed out in audit, the Assessing Officer stated in December 2001 that the assessment for the year 1997-98 was completed in November 2001 but the demand notice could not be served as the dealer was not traceable. The reply was, however, silent as to why the assessments were not completed at the time the dealer was continuing his business without payment of tax. Thus, failure of the Assessing Officer to complete the assessments for the years 1996-97, 1997-98 and the quarter ending 30 June 1998 provisionally on best judgement basis in time and laxity in vigilance coupled with failure to report to Recovery Officer resulted in loss of revenue of Rs.44.24 lakh including interest.

The case was reported to the Government in April 2002; their reply has not been received (November 2003).

2.7.2 Under the AGST Act, every registered dealer is required to submit annual return of turnover, pay the admitted tax within the prescribed date and produce books of accounts. Otherwise, the Assessing Officer shall complete the assessment on best judgement basis and determine the tax payable by him. The Act further provides that no

assessment shall be made after expiry of three years from the end of the year in respect of which the assessment is made. However, where a return has been furnished by a dealer, but no assessment has been made within the specified time limits, the assessment shall be made within four years from the date of expiry of the limitation period with prior sanction of the Commissioner. "Tea" is taxable at the rate of 8 per cent at the point of first sale in the State or 2 per cent to a registered dealer provided such sale is supported by declaration in Form 'A' issued by the purchasing dealer and 6 per cent at the point of last sale in the State.

During test check of assessment records of the Superintendent of Taxes, Unit-C, Guwahati, it was noticed in January 2002 that a dealer engaged in the business of tea disclosed a turnover of Rs. 1.58 lakh in the annual return for the year 1997-98. Neither did the dealer pay any tax nor did the Assessing Officer complete the assessment on best judgement basis. However, cross verification of assessment records of the dealer by audit with the records of another registered dealer of Tinsukia Sales Tax Office revealed that the dealer had purchased tea valued at Rs.76.19 lakh during the period August 1997 to January 1998 by utilising six declaration Forms 'A'. Thus, due to failure of the Assessing Officer to ensure the correctness of the declaration and to complete the assessment of the dealer within the prescribed period, the assessment became barred by limitation and led to loss of revenue of Rs.4.57 lakh.

On this being pointed out in audit, the Department stated in May 2003 that the assessment was completed in March 2002 on best judgement basis and a demand notice of Rs.10.93 lakh including interest of Rs.5.87 lakh was issued. Report on recovery is awaited (November 2003).

The case was reported to the Government in May 2002; their reply has not been received (November 2003 ).

## **2.8 Application of incorrect rate of tax**

Under the AGST Act, tax is payable by a works contractor on his taxable turnover at prescribed rates. Additional tax at the rate of 10 per cent of tax assessed is payable with effect from 5 June 1998. A simple interest at the rate of 2 per cent for each month on the unpaid amount is also leviable.

Test check of assessment records of three Sales Tax Offices (Guwahati Unit-D, Sibsagar and Tezpur) revealed that while finalising assessments of four dealers for the years 1996-97 to 1999-2000, the Assessing Officer levied tax at incorrect rates resulting in short levy of tax of Rs.34.01 lakh including interest as shown below:

(Rupees in lakh)

Sl. No.	Name of Unit Name of dealer Business	Assessment year Month of assessment	Taxable turnover	Rate of tax (per cent) leviable / levied	Short levy of tax and additional tax	Interest	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Guwahati Unit-D, 'A' Works contract	1998-99 April 2000	135.89	8.8 2	9.08	5.99	15.07
		1999-2000 January 2001	106.66	8.8 2	6.91	2.90	9.81
2.	'B' Works contract	1998-99 April 2000	46.61	8.8 2	3.08	2.04	5.12
3.	Sibsagar 'C' Works contract	1997-98 May 1999	29.69	8 2	1.66	0.86	2.52
4.	Tezpur 'D' Hume pipe	1996-97 June 1999	19.94	12 8	0.80	0.69	1.49
		<b>Total:</b>	<b>338.79</b>		<b>21.53</b>	<b>12.48</b>	<b>34.01</b>

On these cases being pointed out in audit, the Department stated in June and September 2003 that the assessment of three dealers were revised and demand of Rs.13.58 lakh was raised, of which Rs.0.40 lakh was recovered. Further report on recovery from these dealers and action taken in other case has not been received (November 2003).

The cases were reported to the Department and the Government between October 2000 and April 2002; their replies have not been received (November 2003).

## 2.9 Turnover escaping assessment

Under the AGST Act, read with CST Act, if any part of the turnover of a dealer in respect of any period has escaped assessment to tax, the Assessing Officer may within four years from the end of the relevant year make a reassessment 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 2 per cent for each month on the amount by which tax paid falls short of the tax payable.

2.9.1 Test check of assessment records of the 2 Sales Tax Offices (Guwahati Unit – D and Sibagar) revealed that the turnover in respect of 5 dealers for the years 1994-95 to 1997-98 was determined between March 2000 and March 2001 by the Assessing Officers at Rs.5.07 crore instead of Rs.7.15 crore shown in their books of accounts, statements of sales, sales tax declaration Forms 'A' and annual return etc. Thus, a turnover of Rs.2.07 crore escaped assessment resulting in short levy of tax of Rs.22.08 lakh including interest of Rs.10.77 lakh as detailed below:

(Rupees in lakh)

Name of the unit office No. of dealer	Commodity	Assessment period Month of assessment	Turnover escaped assessment	Tax levied short	Interest	Nature of irregularities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Superintendent of Taxes, Guwahati Unit-D  (3)	Motor parts	1997-98 March 2001	24.77	3.48	3.13	Aggregate sales turnover was determined at Rs.1.17 crore instead of Rs.1.52 crore shown in the books of accounts
	Moulded suitcase	1995-96 March 2000	9.88	0.38	0.53	
	Edible oil	1997-98 March 2001	145.77	5.61	5.16	Sales made worth Rs.1.46 crore was omitted from the assessment.
Superintendent of Taxes Sibsagar  (2)	Tea	1996-97 March 2000	13.19	1.32	1.00	Claim for exemption from payment of tax of stock transfer of goods valued Rs.48.61 lakh not supported by 'F' Form or evidence of despatch was disallowed, but only Rs.35.42 lakh was assessed to tax. Inter-state sales turnover determined at Rs.3.53 crore instead of Rs.3.66 crore supported by 'C' Forms as shown in the statement of sales
	Tea	1994-95 August 2000	13.61	0.52	0.95	
<b>Total:</b>			<b>207.22</b>	<b>11.31</b>	<b>10.77</b>	

On these cases being pointed out in audit, the Department accepted between September 2001 and June 2003 audit observations involving Rs.15.13 lakh in 4 cases and recovered Rs.7.96 lakh. Further report on recovery of the balance amount and reply in the other case have not been received (November 2003)

The cases were reported to the Government between October 2000 and April 2002; their reply has not been received (November 2003).

**2.9.2** Test check of assessment records of the Superintendent of Taxes, Guwahati, Unit-A, revealed that a dealer engaged in the business of motor car and motor parts submitted monthly returns for the year 2000-01 showing aggregate turnover at Rs.12.81 crore. On his failure to submit annual return and produce books of accounts, the assessment for the year was completed in October 2001 on best judgement on the basis of a statement of sales determining turnover at Rs.12.00 crore. Thus, non-finalisation of assessment on the basis of turnover shown in the monthly returns by the dealer resulted in escapement of turnover amounting to Rs.80.91 lakh and under assessment of tax of Rs.11.05 lakh including interest of Rs.2.14 lakh

On this being pointed out in audit, the Assessing Officer stated in June 2002 that the discrepancy of Rs.80.91 lakh was due to wrong inclusion of sale turnover of Rs.60.00 lakh pertaining to the month of April 2001 in the monthly return of March 2001. Thus, the balance turnover of Rs.0.21 crore

escaped assessment resulting in under assessment of tax of Rs. 2.75 lakh including interest (March 2003).

The case was reported to the Government in January 2003; their reply has not been received (November 2003).

## **2.10 Non-registration of dealers**

Under the AGST Act, every dealer liable to pay tax shall get himself registered with the Assessing Officer and possess a certificate of registration. The Act also empowers the Assessing Officer to register a dealer compulsorily, who, in his opinion is liable to register himself but fails to do so. Besides, simple interest at the rate of 2 per cent for each month on the unpaid amount of tax and penalty not exceeding the assessed tax for failure to get registered are also leviable.

**2.10.1** 'Bamboo' is taxable at the point of last purchase in the State. According to the Act, every purchase by a dealer shall be deemed to be last point purchase if such goods are sold in the course of inter-state trade or commerce.

During test check of assessment records of the Superintendent of Taxes, Dhubri, it was noticed that 11 dealers registered under the CST Act, made inter-state sales of 'bamboo' aggregating Rs.3.07 crore during the year 1999-2000. Since the dealers made inter-state sales, the last purchase value of goods amounting to Rs.2.27 crore was taxable under the AGST Act. But, the Assessing Officer neither registered the dealers under the State Act nor realised the tax due. Thus, failure to register the dealers resulted in non-levy of tax of Rs.18.66 lakh including interest of Rs.6.18 lakh.

On these cases being pointed out, the Department stated in April and September 2003 that the dealers were registered compulsorily and realisation of taxes due along with interest was under progress. Final report on the cases have not been received (November 2003).

The cases were reported in October 2000 to the Government; their reply has not been received (November 2003).

**2.10.2** The items 'sand' and 'gravel' being not specified as taxable in any of the schedules attached to the Act are taxable as unspecified goods at the rate of 8 per cent at the point of last sale in the State.

Cross verification by audit of records of the Superintendent of Taxes, Kokrajhar, with the records of the Divisional Forest Officer (DFO), Aie Valley Division, Bongaigaon, revealed that three Forest Mahaldars under the jurisdiction of Kokrajhar Sales Tax Office took settlement of sand and gravel mahal valued at Rs.44.91 lakh during the period from October 1993



to March 2000. The Mahaldars neither applied for registration nor did the Assessing Officer register them compulsorily. Thus, failure of survey and consequent non-registration of the Mahaldars resulted in evasion of tax of Rs.3.68 lakh. Besides, interest of Rs.3.91 lakh and penalty not exceeding Rs.3.68 lakh were also leviable.

On these cases being pointed out in audit, the Assessing Officer stated in May 2002 and March 2003 that the Mahaldars applied for registration in March 2003 and were liable to pay tax on the amount of difference between sale price and the purchase price since tax on royalty had already been paid. The contention of the Assessing Officer is not correct as the goods dealt with were taxable at the point of last sale.

The cases were reported to the Government in July 2002; their reply has not been received (November 2003).

**2.10.3** A test check of assessment records of the Superintendent of Taxes, Dibrugarh, revealed that a dealer engaged in the manufacture of 'ice cream' was registered under the CST Act, 1956, but not under the AGST Act. Cross verification by audit of the records of the dealer with the records of the Central Excise Department revealed that the dealer manufactured and sold goods valued at Rs.6.07 lakh during the period from 1996-97 to 1998-99. But, neither did the dealer apply for registration under the State Act nor did the Assessing Officer register him. This resulted in evasion of tax of Rs.1.23 lakh including interest and penalty.

On this being pointed out in audit, the Department stated in April and July 2003 that the dealer had been registered compulsorily under the State Act and assessments for the years 1994-95 to 1999-2000 was completed raising demands for Rs.4.44 lakh including interest and penalty. Final report on recovery has not been received (November 2003).

The case was reported to the Government in January 2001; their reply has not been received (November 2003).

### **2.11 Non-levy /short levy of additional tax**

Under the AGST Act, every dealer who is liable to pay tax shall pay additional tax with effect from 5 June 1998 at the rate of 10 per cent of the tax payable by him.

Test check of assessment records of three Sales Tax Offices (Guwahati Unit- A/Unit-D and Sibsagar) revealed that while finalising the assessments of 9 dealers for the year 1998-99, the Assessing Officers either did not levy or levied short additional tax on the tax assessed of Rs.1.17 crore. This resulted in non / short levy of additional tax of Rs.13.95 lakh including interest.

On these cases being pointed out, the Department stated between March and September 2003 that the assessments were rectified and demands for Rs.12.92 lakh including interest was raised, of which Rs.1.49 lakh was recovered. Further report on recovery of the balance amount has not been received (November 2003).

The cases were reported to the Government between January 2002 and January 2003; their reply has not been received (November 2003).

#### **2.12 Short levy of tax due to incorrect determination of turnover**

According to AGST Act, 'taxable turnover' in respect of a works contractor of the nature of civil works is determined after reducing the gross turnover by the turnover relating to declared goods and thereafter deducting not more than 25 per cent of the charges incurred towards labour and other charges.

Test check of assessment records of the Superintendent of Taxes, Naharkatia, revealed that the Assessing Officer while finalising assessments for the years 1995-96 and 1997-98 of a dealer engaged in civil works allowed in March 2001 deduction of Rs.7.83 crore towards labour and other charges at the rate of 25 per cent of the gross value of works contract instead of allowing deduction of Rs.5.13 crore arrived at after deducting the value of declared goods from the gross turnover. This resulted in escapement of turnover of Rs.2.70 crore and under assessment of tax of Rs.12.29 lakh including interest.

On this being pointed out in audit, the Department stated in March 2003 that the assessments were revised in March 2002 and the case was referred to the Tax Recovery Officer in September 2002 for realisation of the dues. The report on realisation has not been received (November 2003).

The case was reported to the Government in March 2002; their reply has not been received (November 2003).

#### **2.13 Non-levy of tax**

Under the AGST Act, where goods are liable to tax only at the point of last purchase, every purchase by a dealer shall be deemed to be a last purchase, if such goods are consumed in any way or used in manufacture of some other goods. 'Raw Jute' is taxable at the rate of 4 per cent at the point of last purchase in the State.

Test check of assessment records of the Superintendent of Taxes, Guwahati, Unit-B, revealed that while finalising assessments in March 1999 and March 2000 for the years 1995-96 and 1996-97 of a

manufacturer of jute yarn, the Assessing Officer did not levy tax on the purchase of 'raw jute' valued at Rs.77.48 lakh and used in the manufacture of finished goods. This resulted in non-levy of tax of Rs.6.56 lakh including interest.

On this being pointed out in audit, the Department stated in March and June 2003 that the dealer was assessed to tax and demands for Rs.7.29 lakh including interest was raised and the case was referred to the Tax Recovery Officer in March 2003 for effecting recovery. Report on realisation is awaited (November 2003)

The case was reported to the Government in February 2002; their reply has not been received (November 2003).

#### **2.14 Incorrect grant of exemption**

Under the AGST Act, 'sale' includes any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract. Under the Act, 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 2 per cent for each month on the amount by which tax paid falls short of the tax payable.

Test check of assessment records of the Superintendent of Taxes, Guwahati Unit-C, revealed that a turnover aggregating Rs.1.85 crore relating to the years 1994-95 to 1996-97, of a dealer engaged in printing works was allowed in June 1998 exemption from payment of tax on the ground of sales of non-taxable goods although the turnover was of works contract executed by the dealer where transfer of property in goods were involved. This incorrect allowance of exemption resulted in under assessment of tax of Rs.5.60 lakh including interest.

On this being pointed out in audit, the Department stated in April 2002 that the dealer was re-assessed and demand notices were issued. Report on realisation has not been received (November 2003).

The case was reported to the Government in August 2000; their reply has not been received (November 2003).

#### **2.15 Internal Audit System**

**2.15.1** Internal Audit was introduced in the Department in June 1988. During 2002-2003, as against annual coverage of 38 units, internal audit was conducted in 8 units raising 124 observations involving Rs.29.60 lakh in 29 Audit Notes. The shortfall of 30 per cent in coverage of units was attributed to shortage of staff by the Department.

**2.15.2** 70 Audit Notes containing 605 paragraphs involving Rs.2.64 crore were outstanding as on 31 March 2003, out of which 13 Audit Notes were more than 5 years old. Reasons for the pendency and tardy progress in disposal was stated to be due to shortage of staff in the Department (September 2003).

2.15.3

2.15.4

2.15.5

2.15.6

2.15.7

2.15.8

2.15.9

## CHAPTER - III

### STATE EXCISE

#### 3.1 Results of Audit

Test check of records of the State Excise offices, conducted in audit during the year 2002-2003 revealed non-realisation transport pass fee, short/non-realisation of excise duty etc. amounting to Rs.3.40 crore in 40 cases under the following categories :

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1	Short/non-realisation of excise duty	7	1.58
2	Excess allowance of godown loss	1	0.02
3	Non-realisation of excise duty due to warehouse going dry	4	0.26
4	Non-realisation of annual licence fee	9	0.40
5	Non-realisation of transport pass fee	2	0.70
6	Other lapses	17	0.44
<b>Total :</b>		<b>40</b>	<b>3.40</b>

During the year 2002-2003, the Department accepted the observations of audit in 14 cases involving Rs.0.17 crore relating to the years prior to 2002-2003 and the entire amount was recovered. A few illustrative cases highlighting important audit observations involving Rs.1.37 crore are mentioned in the following paragraphs :

#### 3.2 Non-realisation of transport pass fee

As per Assam Bonded Warehouse Rules, 1965, as amended in May 1998, the retail and wholesale licence holders of foreign liquor shall obtain transport pass from the collector on pre-payment of duty in advance at prescribed rate for transport of India Made Foreign Liquor (IMFL) manufactured in Assam.

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Test check of records of the Superintendent of Excise, Guwahati and Jorhat revealed that bonded warehouses, retailers and wholesale licence holders were allowed between July 2001 and November 2002 to transport 2.33 lakh cases of IMFL from the manufacturing units without payment of transport pass fee. The action of the Department in issuing transport pass without pre-payment of fee resulted in non-realisation of fee of Rs.69.78 lakh.

The matter was reported to the Government and the Department between December 2002 and March 2003; their replies have not been received (November 2003).

### **3.3 Loss of revenue due to departmental lapse**

The Assam Bonded Warehouse Rules, 1965 stipulates an allowance of 1.5 per cent to be made available to the licensee for wastage etc. It also provides that wastage in excess of 1.5 per cent may also be allowed in the case of accident or other unavoidable reasons subject to proof and satisfaction of the Excise Commissioner or any delegated officer.

Test check of records of the Superintendent of Excise, North Lakhimpur revealed that the Vigilance Department (Government of Assam) conducted in September 1999 an enquiry on the stock of M/s R.N. Bonded Warehouse, North Lakhimpur and found short 11 cases and 8 bottles of IMFL and 12 cases and 9 bottles of Beer against the stock of 7,167 cases of IMFL and 1,544 cases of Beer as on 30 August 1999. The Commissioner of Excise, Assam, on the basis of the report of the Vigilance Department suspended the operation of the bonded warehouse in September 1999 without conducting any departmental enquiry though the shortage was within the permissible limit as admissible for wastage. The licensee, being aggrieved, went to the court and obtained in May 2000 a decree in his favour. The Commissioner of Excise vacated in June 2000 the suspension order as per Court's verdict. Due to suspension of the licence for operation, the business of the bonded warehouse remained closed from September 1999 to June 2000 and the stock of IMFL/Beer of the warehouse remained undisposed of and ultimately became unfit for human consumption. As a result, 34,335.36 London Proof Litre (LPL) of IMFL and 6,848.40 Bulk Litre (BL) of Beer involving excise duty of Rs.30.08 lakh had to be destroyed by the excise officials.

Thus, due to injudicious decision and violation of normal procedure for suspension of licence of operation, the Department sustained a loss of revenue to the tune of Rs.30.08 lakh.

The matter was reported to the Government and the Department in August 2002; their replies have not been received (November 2003).

**3.4 Loss of revenue due to warehouse going dry**

The Assam Excise Rules, 1945 makes it mandatory for the contractor to maintain such minimum stock of spirit in the warehouse as may be fixed by the Excise Commissioner from time to time. The contractor shall be liable to compensate any loss to Government revenue which may be incurred owing to his failure to maintain adequate stock.

Test check of records (weekly stock return, monthly stock reports etc.) maintained by the Superintendent of Excise, Jorhat, revealed that the stock of country spirit of Excise Warehouse, Jorhat, declined to zero during the periods 13 October to 17 October 2001, 23 October to 31 October 2001, 1 November to 8 November 2001 and 8 January to 9 January 2002 due to failure of the contractor (warehouse) to lift the permitted quantities from distilleries. Based on sales during corresponding period of the previous year, the revenue loss worked out to Rs.18.11 lakh. No action was taken by the Department to recover the loss from the contractor.

The matter was reported to the Government and the Department in March 2003; their replies have not been received (November 2003).

**3.5 Non-realisation/non-levy of excise duty on short lifted country spirit**

As per Rule 78 of Assam Excise Rules, 1945 and provisions contained for execution of bond for the import or transport and storage of country spirit, the licensee or his legal representatives shall on each occasion of import or transport and storage of country spirit within the time mentioned in the pass, furnish satisfactory proof to the Officer granting the pass that the specified quantity of the country spirit has been delivered in full to the Officer-in-charge of the country spirit warehouse. In case of default, the licensee shall be liable to pay a sum equal to the amount of duty payable on the quantity short lifted.

Test check of records of the Assam Excise Warehouse, Jorhat, revealed that the licensee had short lifted 0.50 lakh BL of country spirit in the course of import against the permitted quantity of 1.00 lakh BL during the period August 2001 to November 2001. The licensee did not furnish any certificate of short execution from the Exporting Authority. The licensee was, thus, liable to pay duty of Rs.16.51 lakh to the Government. Failure

of the Department to exercise effective control on the matter resulted in non-realisation of excise duty of Rs.16.51 lakh.

The matter was reported to the Government and the Department in March 2003; their replies have not been received (November 2003).

### **3.6 Non-realisation of establishment cost**

The Assam Bonded Warehouse Rules, 1965 provides that the licensee of the warehouse shall pay to the Government at the end of each calendar month such establishment charges as may be determined from time to time by the Commissioner of Excise in respect of the Excise Officer (s) and establishment deployed in the warehouse.

Test check of records of the Superintendent of Excise, Kamrup, revealed that establishment charges amounting to Rs.2.58 lakh in respect of 4\* bonded warehouse for officials deployed during various periods between April 2001 to March 2002 which was required to be paid was not paid by the licensees. It was noticed that there was no prescribed system to ensure the realisation of establishment charges every month from the bonded warehouse. No action for realisation of the amount was taken by the Department.

Thus, due to inaction of the Department, revenue amounting to Rs.2.58 lakh remained unrealised (September 2002).

The case was reported to the Department and the Government in December 2002; their replies have not been received (November 2003).

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\* (i) M/s Camellia, Guwahati  
(ii) M/s Nanak Singh Sujjan Singh, Guwahati  
(iii) M/s Hill View Bonded Warehouse  
(iv) M/s Prag Raj Singh



## CHAPTER - IV

### OTHER TAX RECEIPTS

#### 4.1 Results of Audit

Test check of assessment records of the offices dealing with the following revenue receipts during 2002-03 disclosed irregular allowances of loss, non-levy of interest and deferment of advance tax etc. and under assessment, non-realisation/short realisation of revenue, amounting to Rs.37.89 crore in 238 cases under the following categories:

(Rupees in crore)

Sl. No.	Particulars	No. of cases	Amount
1.	Agricultural Income Tax	19	0.34
2.	Stamps and Registration Fees	7	0.24
3.	Taxes on Vehicles	80	2.30
4.	Land Revenue	123	34.94
5.	Professional Tax	7	0.05
6.	Taxes on Specified Land	2	0.02
	<b>Total:</b>	<b>238</b>	<b>37.89</b>

During the year, the Department accepted under assessment of Rs.11.11 crore in 23 cases which had been pointed out in audit in 2002-2003.

A few illustrative cases involving Rs.51.27 lakh are mentioned in the following paragraphs:

#### A. AGRICULTURAL INCOME TAX

#### 4.2 Incorrect allowance of loss

Under the provision of Assam Agricultural Income Tax Act, 1939 (Act) (as amended from time to time), 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 for any year by 31 December of the relevant assessment year, the claim to carry forward and set off of such loss against future income of the assessee shall not be entertained.

**4.2.1** Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed that two tea companies filed their returns for the assessment years 1999-2000 and 2000-01 in February and April 2001 respectively instead of in December 1999 and December 2000

respectively showing losses aggregating Rs.40.14 lakh. However, the Assessing Officer allowed in April 2001 carry forward and set off of such loss against future income resulting in potential loss of revenue of Rs.18.07 lakh.

On this being pointed out in audit, the Department stated in May 2003 that assessment orders had been rectified in April and May 2003 disallowing carry forward and set off of loss.

The cases were reported to the Government in March 2003; their reply has not been received (November 2003).

**4.2.2** Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed that a tea company filed the return for the assessment year 2000-01 in April 2001 instead of in December 2000 showing loss of Rs.2.68 lakh. However, the Assessing Officer while finalising the assessment in April 2001 for the year allowed carry forward of loss and set off in 2001-02. This incorrect carry forward of loss and subsequent set off resulted in short levy of tax of Rs.1.21 lakh.

On this being pointed out, the Department raised in April 2003 a demand of Rs.1.54 lakh including interest. Final report on recovery was awaited (November 2003).

The case was reported to the Government in March 2003; their reply has not been received (November 2003).

### **4.3 Non-levy of interest**

**4.3.1** Under the Act, 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 month from the 1<sup>st</sup> day of April of succeeding financial year in which the advance tax was payable upto the month prior to the month of regular assessment shall be payable by the assessee upon the amount by which the advance tax paid falls short of the tax determined on regular assessment.

Test check of the accounts of Agricultural Income Tax Officer, Guwahati, revealed that tax payable by an assessee for the assessment year 1998-99 was assessed in June 2001 at Rs.85.69 lakh. Of this, Rs.16.85 lakh was adjusted from the excess payment made on account of tax in 1990-1992 by the assessee; and the assessee had paid in March 1998 Rs.45.00 lakh as advance tax as against Rs.64.27 lakh (75 per cent of Rs.85.69 lakh) payable within March of the relevant assessment year. The assessee thus failed to pay the tax in time for which interest of Rs.6.90 lakh which was leviable was not levied.

On this being pointed out in audit, the Department raised the demand in July 2003. Report on realisation was awaited (November 2003).

The case was reported to the Government in March 2003; their reply has not been received (November 2003).

**4.3.2** As per Section 35-H of Assam Agricultural Income Tax Act, 1999 (as amended), where, in any financial year, the assessee who is liable to pay advance tax, fails to pay the same within the time prescribed, he shall be liable to pay simple interest at the prescribed rate.

Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed that in two cases, tax of Rs.1.20 crore for the assessment year 1999-2000 was assessed between October 2000 and June 2001. But the assesses failed to deposit the advance tax on or before the due dates and were liable to pay interest of Rs.3.42 lakh, which was not levied.

On this being pointed out in audit, the Department stated in May 2003 that demand had been raised in April 2003. Further reply was awaited (November 2003).

The cases were reported to the Government in March 2003; their reply has not been received (November 2003)

## **B. STAMPS AND REGISTRATION FEES**

### **4.4 Irregular exemption of stamps and registration fees**

Registered co-operative societies are allowed exemption from payment of stamp duty and registration fee under the Assam Co-operative Societies Act, 1949, in respect of various documents, subject to the condition that documents are registered by or on behalf of the registered societies and that these relate to the business of the societies.

Test check of records of the Senior Sub-Registrar, Kamrup, Guwahati revealed that for sale of flats to 10 members of a society viz. Pubali Housing Co-operative Society Limited registered in 1992 under Assam Co-operative Act, 1949, land owner promoter representing himself as the Secretary of the Society executed 10 sale deeds in favour of the members concerned instead of in favour of the society itself. The deeds were registered without levying stamp duty of Rs.4.38 lakh and registration fee of Rs.2.74 lakh. As the deeds were not executed in favour of the society for its business, exemption of duties were irregular leading to loss of revenue of Rs.7.12 lakh.

The matter was reported to the Department and the Government in April 2003; their replies have not been received (November 2003).

### **C. TAXES ON MOTOR VEHICLES**

#### **4.5 Short realisation of vehicles tax**

Under Assam Motor Vehicle Taxation (Amendment) Act, 1994, the motor vehicle tax on articulated vehicles having gross weight between 22,660 kilograms (kgs) to 26,400 kgs and between 26,400 kgs to 36,600 kgs is payable at the rate of Rs.3,500 and Rs.5,750 per quarter respectively effective from April 1994.

Test check of records of the District Transport Officer (DTO), Kamrup West Zone, Guwahati, revealed that motor vehicle tax in respect of 12 articulated vehicles having gross weight ranging between 25,000 kgs and 35,200 kgs was not calculated and realised at correct rates during the period September 1997 to September 2001. This resulted in short realisation of tax to the tune of Rs.2.30 lakh.

On this being pointed out, the DTO stated in July 2002 that demand notices to the owner of the vehicles had been issued in January and February 2002. However, the report on realisation of tax was awaited (November 2003).

The matter was reported to the Department and the Government in April 2002; their replies have not been received (November 2003).

### **D. LAND REVENUE**

#### **4.6 Non-realisation of penalty**

Under the Assam Land and Revenue Regulation, 1886, a person in unauthorised possession of Government land without any bonafide claim of right can be evicted by issuing a notice by the Deputy Commissioner concerned for vacation of land within 15 days of its issue. Any person disobeying the notice shall be liable to a maximum penalty of Rs.1,000 in each case and in case of continued disobedience, a further penalty which may extend to Rs.250 for each day during which such breach continues shall be leviable.

Test check of records in respect of encroachment cases under the Additional Deputy Commissioner (LR), Kokrajhar, revealed that in respect of 10 encroachment cases for the year 2001-02, eviction notices were issued on 18 September 2001, but the cases remained unsettled till March 2003. The penalty of Rs.12.25 lakh leviable for disobedience of notice in these cases was not levied. Failure of the Department to invoke the provisions of the Act resulted in non-realisation of Government revenue of Rs.12.25 lakh.

The matter was reported to the Government and the Department in April 2003; their replies have not been received (November 2003).

## CHAPTER - V

### NON-TAX RECEIPTS

#### 5.1 Results of Audit

Test check of assessment records in the offices dealing with the following revenue receipts during 2002-2003 revealed losses, blockage of government revenue etc. amounting to Rs.65.95 crore in 197 cases, which fall into the following categories :

(Rupees in crore)			
Sl. No.	Particulars	No. of cases	Amount
1.	Forest Receipts	182	32.22
2.	Ferry Receipts	1	2.21
3.	Mines and Mineral Receipts	14	31.52
	<b>Total:</b>	<b>197</b>	<b>65.95</b>

During the year, the Department has accepted under assessment of Rs.32.95 crore in one case which had been pointed out during 2001-2002.

A few illustrative cases involving Rs.46.02 crore highlighting important audit observations are mentioned in the following paragraphs:

#### A. FOREST RECEIPTS

#### 5.2 Loss of revenue due to illicit felling and removal of timber

Under the Assam Forest Regulation, 1891, and the Rules framed thereunder, 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 forest areas and also set up number of check gates.

Test check of records of four Divisional Forest Officers revealed that 14,255.463 cu.m. of timber had been illegally felled during 1997-98 to 2002-03. Out of this, 5,752.069 cu.m. were recovered by the Department

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and the remaining 8,503.394 cu.m valued at Rs.3.26 crore were removed by miscreants as tabulated below:

Sl. No.	Name of the Division	Period of removal	Quantity of timber illegally felled (in cu.m.)	Timber recovered by the Department (in cu.m)	Timber removed by the miscreants (in cu.m)	Percentage of removal	Value (Rupees in crore)
1.	Sonitpur West	2000-01 to 2002-03	7,992.739	2,089.034	5,903.705	73.86	2.27
2.	Nagaon	2001-02 to 2002-03	2,097.402	1,202.587	894.815	42.66	0.45
3.	Nagaon South	2000-01 to 2001-02	2,472.256	1,121.030	1,351.226	54.65	0.44
4.	Kachugaon	1997-98 to 2001-02	1,693.066	1,339.418	353.648	20.88	0.10
	<b>Total:</b>		<b>14,255.463</b>	<b>5,752.069</b>	<b>8,503.394</b>	<b>59.65</b>	<b>3.26</b>

The overall percentage of removal of timber by the miscreants in these Divisions was 59.65 per cent of the total timber illegally felled.

In none of the cases, FIRs were lodged with the Police. Thus, the failure of the Department to prevent / check illegal felling and removal of timber by miscreants, despite having forest protection force, squads and check gates, resulted in loss of revenue of Rs.3.26 crore.

The cases were reported to the Department and the Government between July 2002 and March 2003; their replies have not been received (November 2003).

### 5.3 Non-realisation of monopoly fee

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 is to be issued by an authorised Forest Officer, in token of full payment of the amount due to Government on account of the forest produce. Government Notification issued on 30 June 1992, stated that monopoly fee upto 200 per cent of the royalty shall be recovered on excess quantities of forest produce collected unauthorisedly.

Scrutiny of records of Divisional Forest Officer, Nagaon and Sonitpur West Divisions, revealed that three contractors of PWD Divisions, ARISP Nagaon and Tezpur and one contractor of N.F. Railway were issued permit to collect 7,760 cu.m. sand/stone/gravel against which the contractors

collected 73,936.592 cu.m. of sand/stone and gravels during 2001-02. So the contractors had collected 66,176.592 cu.m. of sand/stone/gravels unauthorisedly. The Department raised the bill of Rs.44.59 lakh as royalty but failed to demand the monopoly fee of Rs.89.18 lakh on unauthorised collection of forest produce.

The unauthorised collection of forest produce was attributed to non-enforcement of proper surveillance / control of the Department on the movement of forest produce. This resulted in non-realisation of revenue of Rs.89.18 lakh

The matters were reported between June 2002 and March 2003 to the Department and the Government; their replies have not been received (November 2003).

**5.4 Loss of revenue due to sale of Minor Forest Produce (MFP) by permit instead of tender**

According to the provisions of the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, forest produce is to be disposed of 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.

Test check of records of two Divisions (Divisional Forest Officer, Dhubri and Kamrup East Division, Guwahati) revealed that six\* sand/gravel/stone mahals under the concerned Divisions were settled for the terms 1998-2000 to 2002-04 by competitive tenders for extraction of 47,000 cu.m of sand/gravel/stone at Rs.1.21 crore.

It was also noticed that 27,333.50 cu.m of sand/gravel/stone from two mahals under Dhubri Division and 14,080 cu.m of sand from four mahals under Kamrup East Division were available. These quantities available were sold between April 2001 and December 2002 on permits on realisation of royalty at the rate of Rs.67.50 and Rs.50.00 per cu.m respectively instead of at tender rates.

Due to the Department not selling the quantities at tender sale rate, the Government was deprived of additional revenue of Rs.83.73 lakh (calculated at the differential rate of tender sale and sale on permit). Moreover, the royalty rate; revised in July 1992 had not been revised thereafter.

\* Dhubri Division – Khoraghat Sand and Gravel Mahal –1 and Dudhnath Stone Mahal No.-1 for 1998-2000 and 1999-2001.  
Kamrup East Division – Digaru Sand Mahal No.1(A), 1(B), 1(C) and 2(A) for 2001-03 and 2002-04

The matter was reported to the Department and the Government in February–March 2002; their replies have not been received (November 2003).

#### **5.5 Incorrect deduction of moisture content**

According to the agreement between the Government of Assam and Hindustan Paper Corporation (HPC) Limited (a Government of India enterprise) on extraction of bamboo from Reserve Forest area, the Corporation is to pay royalty of Rs.62.50 per tonne of air dry bamboo at 10 per cent moisture content as per weighment carried out at weigh bridge installed at the project site.

Mention was made in paragraphs 7.6 and 5.5 of Audit Report (Revenue Receipts), Government of Assam for the year ended 31 March 2000 and 2001 respectively, regarding short payment of royalty of Rs.38.31 lakh on excess deduction of moisture content. But, no action was taken to recover the above amount by the Department and the Government.

Test check of the records of the Divisional Forest Officer, Cachar and Hailakandi Divisions, further revealed that HPC Limited extracted 1,11,427 MT of bamboo during the years 2000-01 to 2001-02. The Department allowed a deduction of 52,450 MT on account of moisture content instead of admissible quantum of 11,142.70 MT. This resulted in short payment of royalty of Rs.25.82 lakh on excess deduction of moisture content.

The above matter was reported to the Department and the Government in September 2002; their replies have not been received (November 2003).

#### **5.6 Loss of revenue due to non-settlement of mahals**

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 the specified working period, the sand/stone is carried away by the river current and does not, therefore, become available later. The working period so lost, thus, results in loss of revenue.

5.6.1 Test check of records of the Divisional Forest Officer, Golaghat, revealed that the Doigrung Sand and Stone Mahal was settled in December 1990 with the highest tenderer at his offered bid of Rs.2.11 lakh for extraction of 4,000 cu.m of stone and 300 cu.m of sand during the working period from 26 August 1990 to 25 August 1992. Accordingly, the mahaldar took over in February 1991, the possession of the mahal with a request in December 1990 for extension of loss period of 112 days for



belated issue of settlement order, which was not considered because of non payment of 5<sup>th</sup> and 6<sup>th</sup> kists by the mahaldar.

Thereafter, the mahal was put to re-sale in April and June 1992 at the risk of the mahaldar. On both the occasions, the sale notices were withdrawn, following the submission in May–June 1992 of prayer petitions by the mahaldar for extension of 2 years. Ultimately, the Government rejected the prayer in October 1992.

Being aggrieved, the mahaldar filed a writ petition before the Hon'ble Gauhati High Court and the Hon'ble Court directed in December 1993 the Government to dispose of the representation within 2 months. The Government instead of taking timely action, put the Mahal to sale in December 2000 after a lapse of 7 years which resulted in loss of revenue of Rs.13.27 lakh..

**5.6.2** Test check of records of the Divisional Forest Officer, Digboi, revealed that the Mahal No. DIG-V was put to re-sale in June 1992 at the risk of the highest tenderer due to failure in implementing the settlement orders in October 1991 for the working period from 1 June 1991 to 31 May 1993 for extraction of 5,000 cu.m of sand.

Being aggrieved, the settlement holder filed two title suits (34/1992 and 35/1992) before the Court of Asstt. District & Session Judge, Tinsukia. Both the cases were disposed of by the Hon'ble Court as per the letter of August 1996 of the Government pleader, but the mahal was left unsettled till May 2002 without any recorded reasons.

Thus, due to non-settlement of the mahal for the period from 1 September 1996 to 31 May 2002 despite disposal of the court cases, the Department had to sustain loss of revenue of Rs. 7.19 lakh.

The matters were reported in August 2002 and March 2003 to the Department and the Government; their replies have not been received (November 2003)

## **5.7 Loss of revenue due to unauthorised grant of extension**

Rule 21(3) of the Assam Sale of Forest Produce Coupes and Mahals Rules, 1977, as amended by Government vide notification of March 2000 provides as follows:

In case the settlement holder is not able to operate the Mahal for certain period within the settled terms of the Mahal for reasons beyond his control, such period may be provided to him in addition to the Mahal period, but not exceeding a total of 3 months, by the Principal Chief Conservator of Forest. The Mahalder in every such case shall apply to the

Divisional Forest Officer concerned within seven days of each occurrence. The Divisional Forest Officer shall submit a report in the matter through the Conservator of Forest for consideration.

Test check of records of the Divisional Forest Officer, Dhemaji disclosed that the Upper Subansiri Sand and Gravel Mahal was notified in May 2000 for sale for the working period from 28 August 2000 to 27 August 2002 for extraction of 2,500 cu.m. sand and 2,000 cu.m. of gravel. The highest tender received was for Rs.10.03 lakh.

In the meantime, pending fresh settlement, the ex-mahaldar, was granted in December 2000 extension by the Government, following his prayer petition in May 2000 on payment of extension fee of Rs.0.19 lakh for collection of the balance quantity of sand and gravel for the period from 8 January 2001 to 8 July 2001. Thereafter, the ex-mahaldar filed a writ petition before the Hon'ble Gauhati High Court. The Hon'ble Court directed in July 2001 the Government not to grant extension of the mahal period and to dispose of the petition of the ex-mahaldar within two weeks and to settle the Mahal with the highest tenderer. But, the Government neither disposed of the petition nor settled the Mahal without any recorded reasons.

Thus, due to grant of extension in contravention of the Rules as well as non-settlement of the Mahal, despite directive from the Hon'ble Court, the Department had to forgo the government revenue to the extent of Rs.7.96 lakh.

The matter was reported in July 2002 to the Department and the Government; their replies have not been received (November 2003).

#### **5.8 Loss of revenue due to non-issue of lieu Transit Pass**

In accordance with the Assam Forest Regulation, 1891 and Rules framed thereunder, lieu Transit Pass (T.P) is to be issued on realisation of fees prescribed by the Authority from time to time in respect of vehicles carrying timber entering Assam from neighbouring states. The Department prescribed fee at rate of Rs.100 per cu.m. in lieu of TP in November 1998.

In the course of test check of records of 3 check gates under the territorial jurisdiction of the Goalpara Division, it was noticed that 153 numbers of vehicles carrying 1,799.931 cu.m. of timber entered Assam from Meghalaya for different destinations (West Bengal / Bihar etc.) between 20 July 1999 and 28 June 2002. The vehicles were allowed to cross the border / check gates on realisation of Rs.10/- per truck instead of lieu T.P. This resulted in loss of revenue of Rs.1.78 lakh.

The matter was reported to the Department and the Government in September 2002; their replies have not been received (November 2003).

## **B. INLAND WATER TRANSPORT**

### **5.9 Ferry Receipts**

#### **5.9.1 Introductory**

Ferry receipts include lease charges and tolls which are levied and collected under Northern India Ferries Act, 1878, and Control and Management of Ferry Rules, 1968, and 1976. Government levies lease charges from individuals for plying government owned vessels on specified ferry routes at the rates determined by open tender/negotiation. Toll charges on cargo ferries run by the Inland Water Transport (IWT) Department and on passengers/vehicles/goods carried by departmentally operated vessels on certain routes are levied at prescribed rates.

#### **5.9.2 Uneconomical operation of ferry services**

While discussing the Audit Report (Revenue Receipts), Government of Assam for the year 1985-86, the Public Accounts Committee (P.A.C.) in 53<sup>rd</sup> report laid in State Assembly on 9 April 1990 recommended that the IWT Department cause a study to analyse the bottleneck for loss in ferry receipts, and find remedial measures, to run the organisation on "no profit no loss" basis. Toll rates were last revised in March 1992.

The IWT Department was operating ferry services ranging between 63 to 70 per year with fleet strength of 143\* vessels/boats during 1997-98 to 2001-02 on specified routes over the rivers Brahmaputra, Barak and their tributaries. Of these, ferry services ranging between 34 to 49 numbers were leased out and 21 to 31 numbers were operated departmentally. The Government earned total revenue of Rs.9.23 crore (Rs.1.97 crore from departmental operation and Rs.7.26 crore from leased out ferries) against the total expenditure of Rs.49.10 crore on fuel, wages and maintenance etc. leading to uneconomical operation of the ferry services.

The Commissioner and Secretary to the Government of Assam, Transport Department, directed the Department in January 1999 that all proposals for settlement of departmentally run ferries and leased out ferries be accompanied with profit and loss account in every case for approval of the

\* Silchar - 51, Dibrugarh - 56 and Guwahati - 36

Government. But in none of the cases test checked did the Department adhere to this instruction.

The Department failed to take adequate remedial measures for running the organisation economically as recommended by the Public Accounts Committee in April 1990. Moreover, no revision in toll rates had been made after March 1992.

**5.9.3 Loss on operation of commercial services (Cargo ferries)**

The P.A.C. in their 53<sup>rd</sup> report recommended that the Department should analyse the lacuna leading to shortfall of receipts compared to expenditure incurred in departmental operation of commercial services so as to take corrective steps for starting similar services in future.

Hire charges for the vessels/barges leased out other than for tourist purposes were determined at the rate of 10 per cent of the cost of construction, including renovation of the vessels/barges. The Department started commercial service through lessees over the river routes in January 1975 and placed 35 numbers of vessels/barges under commercial services on the three river routes, Brahmaputra, Subansiri and Barak. Out of these, only 14 to 20 vessels/barges were leased/hired out during 1997-98 to 2001-02.

Scrutiny of records of IWT Department, Guwahati relating to operation of commercial services revealed that during the period 1997-98 to 2001-02, as against total receipt of Rs.2.84 crore, the Department incurred total expenditure of Rs.13.79 crore on account of pay and allowances, wages and maintenance of all vessels/barges resulting in loss of Rs.10.95 crore.

It was noticed that the Department had included the cost of construction of vessels for calculation of hire charges but did not include the salary component.

The Department failed to adopt corrective steps to analyse the various factors responsible for loss as recommended by the P.A.C.

**5.9.4 Non-realisation of bid money, salary of staff etc. from the lessee**

As per provision of Control & Management of Ferries Rules, 1968, and 1976, the lessee shall pay bid money in 4 equal instalments (kist). The rules also provide that the lessee shall bear the expenditure on pay and allowances of staff placed at his disposal for the entire period of lease which shall be payable in advance in one instalment. In case of failure to

pay the quarterly instalments of kist, and other dues within the prescribed period, the lessee shall be liable to pay a fine at the rate of one per cent of the defaulted amount for each day of default.

Scrutiny of records of the Executive Engineer, IWT Division, Dibrugarh and Silchar, revealed that an amount of Rs.17.55 lakh being the kist money/salary of staff etc. in 19 numbers of ferry services for the period from 1997-98 to 2001-02 remained unrecovered from the lessee till March 2003. The Department neither realised the defaulted amount nor imposed any fine which worked out to Rs.2.09 crore.

#### **5.9.5 Non-realisation of hire charges**

As per the terms and conditions of the agreement, the hirer should deposit in advance hire charges as per the bill raised by the owner of vessel. In case, the hirer failed to pay the hire charges, he would be liable to pay additional charges at the rate of ten per cent, as penalty, of the bill value.

Test check of records of the Director, IWT, Guwahati, revealed that 20 commercial vessels/barges were hired out to 11 private companies, corporations and Government departments between August 1997 and June 2002. But, hire charges of Rs.57.39 lakh were not realised in advance for which penalty amounting to Rs.5.74 lakh was leviable. In two cases, vessels were even hired out in May 2001 for the second occasion while Rs.2.88 lakh was lying outstanding since January / February 1999. The Department had not taken any steps to realise the same as of November 2003.

#### **5.9.6 Irregular utilisation of departmental receipts towards departmental expenditure**

As per Rule 7 of the Assam Treasury Rules, all moneys received by or tendered to a government servant on account of the revenues 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 two IWT Divisions at Guwahati and Silchar revealed that tolls of Rs.7.15 lakh collected between April 1999 and March 2002 were utilised towards departmental expenditure for purchase of POL in violation of the rules *ibid*. Irregular appropriation of departmental receipts towards departmental expenditure resulted in non-deposit of revenue to Government account.

Matters were reported to the Department and the Government in May 2003; their replies have not been received (November 2003).

## **C. GEOLOGY AND MINING**

### **5.10 Short realisation of royalty**

**5.10.1** The Petroleum and Natural Gas Rules, 1959, stipulate that a lessee shall pay to the State Government on demand a royalty computed at the rate of 10 per cent of the gross value at well head of all crude oil / natural gas obtained from the mining operations.

The Petroleum and Natural Gas Ministry (Government of India) vide letter dated 31 December 1991 fixed the price of natural gas with calorific value in the range of 9,000 to 9,500 K. Cal. per cu.m. at Rs.1,000 per thousand cu.m with effect from 1 January 1992 for North Eastern Region. The discount available on this price on a case to case basis was limited to maximum of Rs.400 per thousand cu.m. It was further clarified that for gas with lower or higher calorific value than the range mentioned above, a rebate or premium to be calculated as per formula conveyed vide Ministry's letter dated 17 February 1987, is to be deducted or added to the basic price.

Test check of records of the Director, Geology and Mining, Assam, revealed that M/s Oil India Limited (OIL) produced 110.13 lakh cu.m; and 40.34 lakh cu.m of natural gas having calorific value more than 10,000 K.Cal. during 1999-2000 and 2000-2001 respectively. For determining the royalty payable on the natural gas produced, OIL instead of applying the Formula fixed by the Ministry (GOI), applied its own method incorporating deduction of cost of collection and distribution charges etc. and paid royalty at an average rate of Rs.59.89 and Rs.77.83 per thousand cu.m. instead of minimum of Rs.100 per thousand cu.m. This resulted in short realisation of royalty of Rs.5.31 crore.

On this being pointed out, the Department stated in May 2003 that the demand was raised in January 2003. The matter had been referred by the Department to the Government. Further reply was awaited (November 2003).

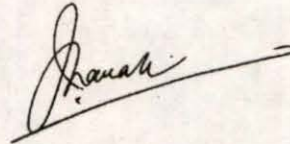
**5.10.2** Rule 14 of the Petroleum and Natural Gas Rules, 1959, stipulates that a lessee shall pay to the State Government on demand a royalty computed at the rate of 10 per cent of the gross value at the well head of all crude oil/natural gas obtained from mining operations. The minimum rate of royalty during the period from 1997 to 1999 was Rs.578 per MT.

Test check of records of the Director, Geology and Mining, Assam, revealed that royalty was recovered from the Oil and Natural Gas Corporation (ONGC) Limited and Oil India Limited (OIL) on 96.85 lakh MT of crude oil extracted by both the lease holders during 1997-98 and 1998-99. However, as per “Indian Mineral Year Book 2000” published by Indian Bureau of Mines, the lease holders actually produced 102.55 lakh MT of crude oil during 1997-98 and 1998-99 from the oil fields situated in Assam. Thus, there was an under statement of 5.70 lakh MT of crude oil compared to production as reflected in the “Indian Mineral Year Book” resulting in non-realisation of royalty of Rs.32.95 crore.

On this being pointed out, the Department stated in April 2002 that the matter was being settled with OIL and ONGC Limited and also had been taken up with Ministry of Petroleum and Natural Gas, Government of India. Final outcome would be intimated in due course of time. The final reply was awaited (November 2003).

The matter was reported to the Government in February 2002; their reply has not been received (November 2003)

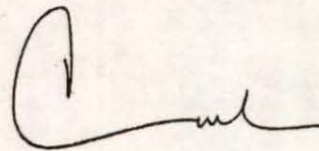
**GUWAHATI**  
The



**(J.M.R. MARAK)**  
**Accountant General (Audit), Assam**

**Countersigned**

**NEW DELHI**  
The



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

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Mr. J. M. ...  
Secretary

Mr. W. ...  
Secretary

Continued



Mr. J. M. ...  
Secretary

Mr. W. ...  
Secretary



## Appendix – I

**Statement showing the Inspection Reports (IRs) and Paragraphs outstanding for settlement at the end of June 2003.  
(Reference: Paragraph - 1.11; Page – 10)**

(Rupees in crore)

Sl. No.	Name of Department	Total number of outstanding IRs/Paragraphs at the end of June 2003			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	No. of paragraphs	Amount
1	Taxation	1986-87 to June 2003	239	953	1986-87 to 1992-93	24	40	1999-2000 to December 2002	08	27	0.18
2	Agricultural Income Tax	1994-95 to June 2003	10	34	NIL	NIL	NIL	NIL	NIL	NIL	NIL
3	Land Revenue	1993-94 to June 2003	452	1187	NIL	NIL	NIL	1993-94 to December 2002	345	864	60.41
4	Mines & Minerals	1990-91 to June 2003	7	22	1990-91	01	01	NIL	NIL	NIL	NIL
5	Registration	1997-98 to June 2003	107	189	NIL	NIL	NIL	1997-98 to December 2002	51	77	0.15
6	Transport	1995-96 to June 2003	135	635	NIL	NIL	NIL	2002-2003 upto December 2002	14	60	1.82
7	State Excise	1993-94 to June 2003	138	403	NIL	NIL	NIL	2002-2003 upto December 2002	11	43	2.54
8	Forest and Wild Life	1988-89 to June 2003	285	1289	1992-93	18	39	2002-2003 upto December 2002	11	62	1.60
9	Other Taxes	1987-88 to June 2003	68	102	1987-88 to 1992-93	24	44	2002-2003 upto December 2002	08	07	0.05
	<b>Total :</b>		<b>1,441</b>	<b>4,814</b>		<b>67</b>	<b>124</b>		<b>448</b>	<b>1,140</b>	<b>66.75</b>

# Inventory

This document is for internal use only. It is not to be distributed outside the organization. All information is confidential.

Item ID	Description	Quantity	Unit	Location	Category	Value	Notes
001	Apple	100	kg	Store A	Fruit	1000	Good quality
002	Banana	50	kg	Store B	Fruit	500	Some bruising
003	Orange	20	kg	Store A	Fruit	200	Excellent
004	Carrot	30	kg	Store C	Vegetable	300	Good
005	Tomato	40	kg	Store B	Vegetable	400	Some rot
006	Potato	60	kg	Store A	Vegetable	600	Good
007	Onion	70	kg	Store C	Vegetable	700	Good
008	Garlic	80	kg	Store B	Vegetable	800	Good
009	Spinach	90	kg	Store A	Vegetable	900	Good
010	Kale	100	kg	Store C	Vegetable	1000	Good
011	Broccoli	110	kg	Store B	Vegetable	1100	Good
012	Cauliflower	120	kg	Store A	Vegetable	1200	Good
013	Cabbage	130	kg	Store C	Vegetable	1300	Good
014	Strawberry	140	kg	Store B	Fruit	1400	Good
015	Raspberry	150	kg	Store A	Fruit	1500	Good
016	Blueberry	160	kg	Store C	Fruit	1600	Good
017	Blackberry	170	kg	Store B	Fruit	1700	Good
018	Cherry	180	kg	Store A	Fruit	1800	Good
019	Peach	190	kg	Store C	Fruit	1900	Good
020	Nectarine	200	kg	Store B	Fruit	2000	Good
021	Plum	210	kg	Store A	Fruit	2100	Good
022	Apricot	220	kg	Store C	Fruit	2200	Good
023	Cherry	230	kg	Store B	Fruit	2300	Good
024	Peach	240	kg	Store A	Fruit	2400	Good
025	Nectarine	250	kg	Store C	Fruit	2500	Good
026	Plum	260	kg	Store B	Fruit	2600	Good
027	Apricot	270	kg	Store A	Fruit	2700	Good
028	Cherry	280	kg	Store C	Fruit	2800	Good
029	Peach	290	kg	Store B	Fruit	2900	Good
030	Nectarine	300	kg	Store A	Fruit	3000	Good