



PLACED BEFORE THE STATE  
LEGISLATURE ON 6 SEP 2001

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

**FOR THE YEAR ENDED 31 MARCH 2000**

**(REVENUE RECEIPTS)**

**GOVERNMENT OF TAMIL NADU**

PLACED BEFORE THE STATE  
LEGISLATURE ON 16 SEP 2001



DEPARTMENT OF  
THE COMPTROLLER AND CHIEF ACCOUNTANT  
OF INDIA

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## PREFATORY REMARKS

*This report for the year ended 31 March 2000 has been prepared for submission to the Governor under Article 151(2) of the Constitution.*

*The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising Sales Tax, Stamp Duty and Registration Fees, Taxes on Vehicles, State Excise, Agricultural Income tax, Urban Land Tax, Other Tax Receipts and Non- Tax receipts.*

*The cases mentioned in this report are among those which came to notice in the course of test-audit of records during the year 1999-2000 as well as those noticed in earlier years, but could not be included in previous years' Reports.*

PREPARED BY: [Illegible]

This report for the year ended 31 March 2000 has been prepared for submission to the [Illegible] under Article 12(1) of the [Illegible].

The audit of revenue receipts of the State Government is conducted under Section 10 of the Companies and Auditors (General) (Third) Order and [Illegible] of [Illegible] Act, 1971. This Report presents the results of audit of receipts comprising Sales Tax, Stamp Duty and Registration Fee, Tax on [Illegible], State Excise, Agricultural Income tax, Land Tax, [Illegible] Tax and [Illegible] Tax receipts.

The facts mentioned in this report are among those which came to notice in the course of test-audit of records during the year 1999-2000 as well as those noticed in earlier years, but could not be included in previous years' Reports.



## OVERVIEW

This report contains 25 paragraphs including 2 reviews relating to non-levy/short-levy of taxes, interest, penalty, etc., involving Rs.417.84 crore which is 3.40 per cent of the revenue receipts of 1999-2000. The Government have accepted audit observations involving Rs.1.36 crore of which Rs.48.44 lakh had been recovered during 1999-2000. Some of the major findings are mentioned below:

### 1. General

(i) The revenue raised by the State during 1999-2000 amounted to Rs.12275.78 crore comprising Rs.10918.93 crore as tax revenue and Rs.1356.85 crore as non-tax revenue. Rs.2667 crore were received from the Government of India as State's share of divisible Union taxes and Rs.1384.75 crore as Grants-in-Aid. Sales Tax (Rs.7024.23 crore) formed a major portion (64 per cent) of the tax revenue of the State. Interest receipts, dividends and profits of Rs.388.74 crore accounted for 29 per cent of the non-tax revenue.

*[ Paragraph 1.1 ]*

(ii) At the end of 1999-2000, the arrears in respect of taxes administered by the departments of Commercial Taxes and Religious Endowments, Home, Revenue and Industries, etc. amounted to Rs.8663.60 crore of which Sales Tax and Mines and Minerals together accounted for Rs.8412.32 crore.

*[ Paragraph 1.5 ]*

(iii) Test-check of records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles and other departmental offices conducted during the year 1999-2000 revealed under-assessments, short-levy, loss of revenue, etc., amounting to Rs.663.98 crore in 2836 cases.

*[ Paragraph 1.10 ]*

(iv) As at the end of June 2000, 4100 Inspection Reports issued upto December 1999 containing 15579 audit observations with money value of Rs.386.98 crore were pending settlement with various departments.

*[ Paragraph 1.11 ]*

**2. Sales Tax**

A) A review on "Arrears of Revenue from Sales Tax" revealed

❖ Delay in issue of Other District Requisition (ODR) within the same department resulted in blockage of revenue of Government to the tune of Rs 5298.06 lakh

*[ Paragraph 2.2.6 ]*

❖ Due to delay in sending the requisition for recovery under Central Revenue Recovery (CRR) Act, arrears of Rs 1007.80 lakh remain uncollected.

*[ Paragraph 2.2.7 ]*

❖ Failure to take prompt action in respect of cases pending with Appellate Forum resulted in accumulation of arrears amounting to Rs 275.57 lakh.

*[ Paragraph 2.2.8 ]*

❖ Due to department's failure to notify the demand to the Official Liquidator in time, the possibility of recovering the amount of Rs 1254.12 lakh became remote.

*[ Paragraph 2.2.9 ]*

❖ The suppression of taxable turnover and consequent evasion of tax and penalty of Rs 9119.36 lakh were detected belatedly due to ineffective street survey resulted in the arrears remaining uncollected till date.

*[ Paragraph 2.2.10 ]*

❖ Delay in formulating D3 proposals by the Enforcement Wing resulted in blockage of Government revenue to the tune of Rs 2269.52 lakh.

*[ Paragraph 2.2.11 ]*

❖ Delay in implementation of D3 proposals received from the Enforcement Wing resulted in recovery of demand of Rs.8164.10 lakh becoming doubtful.

[Paragraph 2.2.12]

❖ Lack of co-ordination among departmental officers/revenue authorities both within/outside the State to take prompt action to recover the arrears resulted in accumulation of arrears amounting to Rs.1984.57 lakh.

[Paragraph 2.2.13]

❖ In 3 assessment circles, in the case of 3 dealers failure to follow the provisions of the Act and the Rules by the department at the time of closure of business resulted in accumulation of arrears of Rs.2362.05 lakh.

[Paragraph 2.2.14]

❖ Incorrect allowance of deferral even after the violation of conditions under deferral scheme by 8 dealers in 8 assessment circles resulted in accumulation of arrears to the tune of Rs.628.88 lakh.

[Paragraph 2.2.15]

❖ Omission to include interest leviable on arrears of sales tax in the proposals for recovery under RR Act resulted in under-statement of arrears to the tune of Rs.26.38 crore.

[Paragraph 2.2.17]

B) (i) Incorrect exemption granted to 36 dealers on sales made during 1993-94 to 1997-98 resulted in non-levy of tax amounting to Rs.3857.40 lakh.

[Paragraph 2.3]

(ii) Application of incorrect rate of tax on sale of various goods in 25 assessment circles during 1990-91 to 1997-98 resulted in short-levy of tax of Rs.44.06 lakh.

[Paragraph 2.4]

(iii) Penalty amounting to Rs.144.46 lakh was either not levied or levied short in 16 cases during the year 1993-94 to 1997-98.

[Paragraph 2.5]

(iv) In 13 assessment circles, interest of Rs 19.14 lakh was not levied for belated payment of tax in respect of 15 dealers.

*[ Paragraph 2.7 ]*

### **3. Land Revenue**

A review on "Receipts under Land Revenue" revealed as under:

(i) Failure to obtain details relating to production of salt from the Department of Salt had resulted in short-levy of royalty amounting to Rs.26.75 lakh in 6 districts.

*[Paragraph 3.2.5]*

(ii) Penalty amounting to Rs 112.99 lakh relating to periods between fasli 1404 to 1408 (1 July 1994 to 30 June 1999) in 8 districts was pending collection as arrears of land revenue.

*[Paragraph 3.2.6]*

(iii) Failure to renew the lease granted to 6 institutions/delay in fixation of lease rent resulted in revenue foregone amounting to Rs.283.91 lakh and non-realisation of lease rent amounting to Rs.198.35 lakh.

*[Paragraph 3.2.8]*

### **4. Taxes on Vehicles**

Short-levy of tax of Rs.2357.52 lakh due to incorrect classification of light motor vehicles as maxicabs

*[Paragraph 4.2]*

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## 5. Non-Tax Receipts

### *A - Mines and Minerals*

Due to absence of provision to fix the due date for payment of royalty, penalty on belated payment of royalty amounting to Rs.1924.14 lakh could not be levied.

[ Paragraph 6.2 ]

### *C - Police Department*

The huge pendency in police guard charges due to be recovered from 51 organisations as of December 1999 was Rs.87.85 crore due to lack of co-ordination between police with other Departments and under-assessment of guard charges Rs.6.62 crore.

[ Paragraph 6.4 ]

### *D - Public Works Department*

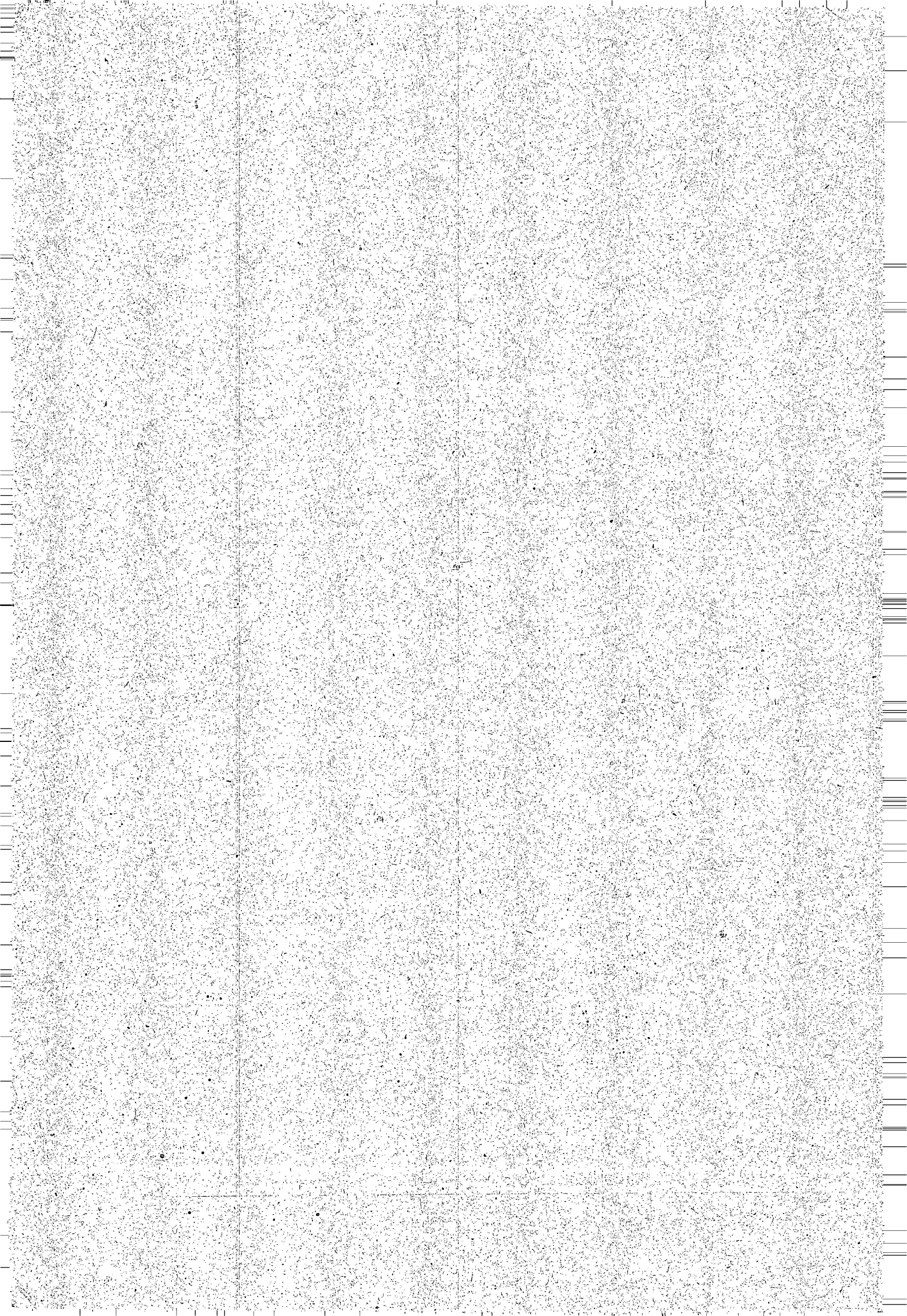
Failure of the Department to collect full advance payment resulted in non-collection of royalty charges to the tune of Rs.464.91 lakh and non-levy of penal interest for belated payment amounted to Rs.555.01 lakh.

[ Paragraph 6.5 ]

### *E - Revenue Department*

Quarrying of earth from the private land by the contractor without prior permission of the Collector resulted in non-realisation of seigniorage fee to the tune of Rs.61.87 lakh.

[ Paragraph 6.6 ]



## CHAPTER - 1

### GENERAL

#### 1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Tamil Nadu during the year 1999-2000, the share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

(Rupees in crore)

|     |  | 1997-98                              | 1998-99                              | 1999-2000                            |
|-----|--|--------------------------------------|--------------------------------------|--------------------------------------|
| I   | Revenue raised by the State Government                     |                                      |                                      |                                      |
|     | (a) Tax revenue  | 8685.64                              | 9625.30                              | 10918.93                             |
|     | (b) Non-tax revenue*                                       | 1121.87<br>(1105.86)                 | 1156.70<br>(1128.00)                 | 1356.85<br>(1317.66)                 |
|     | <b>Total - I</b>   | <b>9807.51</b><br><b>(9791.50)</b>   | <b>10782.00</b><br><b>(10753.30)</b> | <b>12275.78</b><br><b>(12236.59)</b> |
| II  | Receipts from the Government of India                      |                                      |                                      |                                      |
|     | (a) State's share of divisible Union taxes                 | 2728.30                              | 2408.98                              | 2667.00**                            |
|     | (b) Grants-in-aid  | 1051.14                              | 1069.85                              | 1384.75                              |
|     | <b>Total - II</b>  | <b>3779.44</b>                       | <b>3478.83</b>                       | <b>4051.75</b>                       |
| III | <b>Total receipts of the State Government [(I) + (II)]</b> | <b>13586.95</b><br><b>(13570.94)</b> | <b>14260.83</b><br><b>(14232.13)</b> | <b>16327.53</b><br><b>(16288.34)</b> |
| IV  | Percentage of I to III                                     | 72                                   | 76                                   | 75                                   |

\* Figures in brackets representing non-tax revenue include receipts from lotteries net of expenditure on prize winning tickets.

\*\* For details please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads of the Finance Accounts of the Government of Tamil Nadu for the year 1999-2000. Figures under the Head '0021 - Taxes on Income other than Corporation Tax - Share of net proceeds assigned to States' booked in the Finance Accounts under 'A - Tax Revenue' have been excluded from revenue raised by the State and included in State's share of divisible Union taxes' in this Statement.

(i) The details of tax revenue raised during the year 1999-2000, along with the corresponding figures for the preceding two years, are given below.

(Rupees in crore)

| Sl. No | Heads of revenue  | 1997-98        | 1998-99        | 1999-2000       | Percentage of increase (+) or decrease (-) in 1999-2000 over 1998-99 |
|--------|---|----------------|----------------|-----------------|--|
| 1.     | Sales Tax   | 5603.79        | 6112.94        | 7024.23         | (+) 15   |
| 2.     | State Excise  | 1299.85        | 1709.81        | 1833.70         | (+) 7  |
| 3.     | Stamp Duty and Registration Fees  | 631.55         | 672.52         | 817.58          | (+) 22   |
| 4.     | Taxes on Vehicles   | 469.69         | 518.14         | 577.98          | (+) 12   |
| 5.     | Land Revenue  | 60.31          | 28.29          | 47.23           | (+) 67   |
| 6.     | Taxes on Agricultural Income  | 39.36          | 38.53          | 17.78           | (-) 54   |
| 7.     | Taxes on Immovable Property other than Agricultural Land (Urban Land Tax) | 10.96          | 14.18          | 11.47           | (-) 19   |
| 8.     | Others  | 570.13         | 530.89         | 588.96          | (+) 11   |
|        | <b>TOTAL</b>  | <b>8685.64</b> | <b>9625.30</b> | <b>10918.93</b> | <b>(+) 13</b>  |

(ii) The details of non-tax revenue realised during the years 1997-98 to 1999-2000 are given below:

(Rupees in crore)

| Sl. No | Heads of revenue                                | 1997-98        | 1998-99        | 1999-2000      | Percentage of increase (+) or decrease (-) in 1999-2000 over 1998-99 |
|--------|---|----------------|----------------|----------------|--|
| 1.     | Interest Receipts, Dividends and Profits        | 504.70         | 409.24         | 388.74         | (-) 5  |
| 2.     | Crop Husbandry                                  | 65.56          | 73.48          | 75.13          | (+) 2  |
| 3.     | Forestry and Wild life                          | 43.66          | 64.00          | 130.08         | (+) 103  |
| 4.     | Non-Ferrous Mining and Metallurgical Industries | 89.94          | 101.04         | 113.25         | (+) 12   |
| 5.     | Education, Sports, Art and Culture              | 33.13          | 38.29          | 44.86          | (+) 17   |
| 6.     | Others  | 384.88         | 470.65         | 604.79         | (+) 29   |
|        | <b>TOTAL</b>                                    | <b>1121.87</b> | <b>1156.70</b> | <b>1356.85</b> | <b>(+) 17</b>  |



## 1.2 Variations between budget estimates and actuals

The variations between budget estimates of revenue for the year 1999-2000 and actual receipts under the principal heads are given below:-

(Rupees in crore)

| Sl. No | Heads of revenue   | Budget estimates | Actuals | Variations increase (+) decrease (-) | Percentage of variation excess (+) shortfall (-) |
|--------|--|------------------|---------|--------------------------------------|--|
| 1.     | Sales Tax  | 6832.00          | 7024.23 | (+)192.23                            | (+) 2.81   |
| 2.     | State Excise   | 1860.00          | 1833.70 | (-) 26.30                            | (-) 1.41   |
| 3.     | Stamp Duty and Registration Fees   | 735.00           | 817.58  | (+) 82.58                            | (+)11.23   |
| 4.     | Taxes on Vehicles  | 574.00           | 577.98  | (+) 3.98                             | (+) 0.69   |
| 5.     | Land Revenue   | 35.00            | 47.23   | (+)12.23                             | (+) 34.94  |
| 6.     | Taxes on Agricultural Income   | 38.00            | 17.78   | (-)20.22                             | (-) 53.21  |
| 7.     | Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)              | 13.00            | 11.47   | (-)1.53                              | (-) 11.77  |
| 8.     | Other Taxes and Duties on Commodities and Services and Taxes and Duties on Electricity | 192.00           | 196.54  | (+)4.54                              | (+) 2.36   |
| 9.     | Interest Receipts, Dividends & profits   | 367.67           | 388.74  | (+)21.07                             | (+) 5.73   |
| 10.    | Non-ferrous mining and Metallurgical Industries  | 115.68           | 113.25  | (-)2.43                              | (-) 2.10   |
| 11.    | Crop Husbandry   | 74.44            | 75.13   | (+)0.69                              | (+) 0.93   |
| 12.    | Roads and Bridges  | 14.99            | 29.40   | (+)14.41                             | (+) 96.13  |
| 13.    | Major and Medium Irrigation  | 7.30             | 9.86    | (+)2.56                              | (+) 35.07  |

**Taxes on Agricultural Income:** The decrease (53.21 per cent) was due to low price of tea.

**Land Revenue:** The increase (34.94 per cent) was due to collection of arrears.

The reasons for variations in respect of other heads though called for from the State Government have not been received (September 2000).

### 1.3 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1997-98, 1998-99 and 1999-2000 along with the relevant all India average percentage of expenditure on collection to gross collections for 1998-99 are given below:

(Rupees in crore)

| Sl. No | Heads of revenue                 | Year      | Gross collection | Expenditure on collection | Percentage of expenditure to gross collection | All India average percentage for the year 1998-99 |
|--------|----------------------------------|-----------|------------------|---------------------------|---|---|
| 1.     | Sales Tax                        | 1997-98   | 5603.79          | 69.69                     | 1.24  | 1.40  |
|        |                                  | 1998-99   | 6112.94          | 99.45                     | 1.62  |   |
|        |                                  | 1999-2000 | 7024.23          | 102.02                    | 1.45  |   |
| 2.     | State Excise                     | 1997-98   | 1299.85          | 11.70                     | 0.90  | 3.25  |
|        |                                  | 1998-99   | 1709.81          | 15.55                     | 0.90  |   |
|        |                                  | 1999-2000 | 1833.70          | 20.32                     | 1.11  |   |
| 3.     | Stamp Duty and Registration Fees | 1997-98   | 631.55           | 34.27                     | 5.43  | 5.45  |
|        |                                  | 1998-99   | 672.52           | 53.94                     | 8.02  |   |
|        |                                  | 1999-2000 | 817.58           | 55.44                     | 6.78  |   |
| 4.     | Taxes on Vehicles                | 1997-98   | 469.69           | 16.03                     | 3.41  | 3.22  |
|        |                                  | 1998-99   | 518.14           | 21.69                     | 4.19  |   |
|        |                                  | 1999-2000 | 577.98           | 26.29                     | 4.55  |   |

### 1.4 Arrears in assessments

The details of assessment cases in respect of Sales Tax, Agricultural Income Tax and Urban Land Tax pending at the beginning of the year, cases due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 1999-2000, as furnished by the department are given below:

| Sl. No | Heads of Revenue        | Opening Balance | Cases due for assessment during the year | Total    | Cases finalised during the year | Balance at the end of the year |
|--------|-------------------------|-----------------|--|----------|---------------------------------|--------------------------------|
| 1      | Sales Tax               | 34,206          | 1,41,906                                 | 1,76,112 | 1,47,037                        | 29,075                         |
| 2      | Agricultural Income Tax | 112             | 4,102                                    | 4,214    | 3,995                           | 219                            |
| 3      | Urban Land Tax          | Nil             | 5445                                     | 5445     | 2334                            | 3111                           |

### 1.5 Arrears of revenue

As on 31 March 2000 arrears of revenue pending collection under principal heads of revenue as reported by the departments were as under:

| Sl. No.           | Heads of revenue | Arrears pending collection |                       | Remarks   |
|-------------------|------------------|----------------------------|-----------------------|---|
|                   |                  | Total                      | More than 5 years old |   |
| (Rupees in crore) |                  |                            |                       |   |
| 1                 | 2                | 3                          | 4                     | 5   |
| 1.                | Sales Tax        | 7244.17                    | 884.98                | Out of the total arrears of Rs.7244.17 crore, demands amounting to Rs.2094.02 crore were covered under Revenue Recovery Act. Demands amounting to Rs.2834.73 crore were stayed by High court and other judicial authorities. A sum of Rs.55.19 crore was stayed by Government. Recoveries amounting to Rs.27.16 crore were held up due to rectification/review applications. Rs.24.50 crore could not be recovered on account of the assessee becoming insolvent. A sum of Rs.150.51 crore was likely to be written off and a sum of Rs.1799.07 crore were under various stages of recovery. A sum of Rs.258.98 crore had since been collected (August 2000). |

| 1  | 2                  | 3       | 4      | 5  |
|----|--------------------|---------|--------|--|
| 2  | Mines and Minerals | 1168.15 | 767.81 | Out of the total arrears of Rs.1168.15 crore, a sum of Rs.96.80 crore were covered under Revenue Recovery Act. Demands amounting to Rs.263.93 crore were stayed by High court and other judicial authorities. Demands amounting to Rs.1.94 crore were covered by stay granted by Government. Recoveries amounting to Rs.80.00 lakh were held up due to rectification/review applications. A sum of Rs.21.00 lakh was likely to be written off. A sum of Rs.799.60 crore was under various stages of recovery. A sum of Rs.4.87 crore had since been collected (August 2000). |
| 3. | Urban Land Tax     | 94.47   | 42.82  | Out of the total arrears of Rs.94.47 crore, demands amounting to Rs.28.83 crore were stayed by High court and other judicial authorities. Demands amounting to Rs.2.84 crore were covered by stay granted by Government. A sum of Rs.3.11 crore were stayed by Principal commissioner of Land Reforms. A sum of Rs.56.51 crore were under various stages of recoveries. A sum of Rs.3.18 crore had since been collected (August 2000).   |
| 4. | State Excise       | 51.29   | 51.29  | Out of the total arrears of Rs.51.29 crore, demands amounting to Rs.13.25 crore were covered under Revenue Recovery Act. Rs.7.45 crore were stayed by High court and other judicial authorities. Demands amounting to Rs.54.37 lakh were held up due to rectification/review applications. Rs.3.84 lakh could not be recovered on account of the assessee becoming insolvent. A sum of Rs.5.79 crore was likely to be written off. A sum of Rs.24.23 crore were under various stages of recovery.  |

| 1  | 2                                | 3     | 4     | 5  |
|----|----------------------------------|-------|-------|--|
| 5. | Stamp Duty and Registration Fees | 39.62 | 11.63 | Out of the total arrears of Rs.39.62 crore, demands amounting to Rs.35.02 crore were covered under Revenue Recovery Act. A sum of Rs.4.60 crore was under various stages of collection.  |
| 6. | Land Revenue                     | 37.17 | 18.67 | Out of the total arrears of Rs.37.17 crore, arrears of Rs.12.19 crore were covered by stay granted by High Court and other judicial authorities. A sum of Rs.19.50 crore was under various stages of recovery and a sum of Rs.2.53 lakh was likely to be written off. A sum of Rs.5.45 crore had since been collected (August 2000). |

### 1.6 Frauds and Evasion of tax

The details of cases of frauds and evasion of taxes pending at the beginning of the year, number of cases detected by the departmental authorities (including internal audit), number of cases in which assessments/investigations were completed and additional demand (including penalties etc) of taxes raised against the assesseees during the year and the number of cases pending finalisation at the end of March 2000 as furnished (August 2000) by the Commercial Taxes and Religious Endowments Department are given below:

(Rupees in lakh)

| Nature of Tax            | Cases pending as on 31 March 1999 |           | Cases detected during 1999-2000 |           | Cases in which assessment/ investigations completed and additional demand including penalty etc. raised |           | Cases pending finalisation as on 31 March 2000 |           |
|--------------------------|-----------------------------------|-----------|---------------------------------|-----------|---|-----------|--|-----------|
|                          | No.                               | Amount    | No.                             | Amount    | No.   | Amount    | No.  | Amount    |
| Sales Tax                |                                   |           |                                 |           |   |           |  |           |
| (i) Enforcement Wing     | 4874                              | 17213.85  | 7064                            | 101134.77 | 8338  | 107732.23 | 3600   | 10616.39  |
| (ii) Administration Wing | 6554                              | 190997.74 | 2522                            | 171880.16 | 6267  | 162227.77 | 2809   | 200650.13 |

### 1.7 Refunds

Details of amount refunded during the year 1999-2000 under certain heads of receipts as furnished by the concerned departments were as follows:

(Rupees in lakh)

| Sl. No. | Heads of Revenue        | Claims outstanding at the beginning of the year |         | Claims received during the year |         | Total |         | Refunds made during the year |         | Balance outstanding at the end of the year |         |
|---------|-------------------------|---|---------|---------------------------------|---------|-------|---------|------------------------------|---------|--|---------|
|         |                         | No.   | Amount  | No.                             | Amount  | No.   | Amount  | No.                          | Amount  | No.  | Amount  |
| 1.      | Sales Tax               | 48084   | 3001.61 | 32407                           | 6283.54 | 80491 | 9285.15 | 17367                        | 4181.79 | 63124                                      | 5103.36 |
| 2.      | Taxes on vehicles       | 16  | 2.39    | 269                             | 26.53   | 285   | 28.92   | 229                          | 22.33   | 56   | 6.59    |
| 3.      | Agricultural Income Tax | -   | -       | 3                               | 1.07    | 3     | 1.07    | 3                            | 1.07    | -  | -       |
| 4.      | Urban land Tax          | -   | -       | 21                              | 7.84    | 21    | 7.84    | 6                            | 2.82    | 15   | 5.02    |

### 1.8 Write-off and waiver of revenue

Demands for Rs.1428.43 lakh in respect of 328 cases were written off/waived during 1999-2000 by competent authorities as indicated below:

| Sl. No. | Name of the department | Write off/Waiver of revenue |                      |
|---------|------------------------|-----------------------------|----------------------|
|         |                        | No. of cases                | Amount (Rs. in lakh) |
| 1.      | Commercial Taxes       | 325                         | 1428.08              |
| 2.      | Taxes on Vehicles      | 3                           | 0.35                 |
|         | <b>Total</b>           | <b>328</b>                  | <b>1428.43</b>       |

**1.9 Internal Audit**

The number of inspection reports/audit objections issued by the internal audit wing pending settlement as on 31 March 2000 were as under:

| Sl. No.             | Heads of Revenue  | Number of Inspection Reports | Number of objections | Amount (Rs. in lakh) |
|---------------------|---|------------------------------|----------------------|----------------------|
| 1.                  | Sales Tax (including Entertainments Tax, Betting Tax, etc.) | 1285                         | 22405                | 1227.47              |
| 2.                  | Taxes on vehicles   | 26                           | 155                  | 27.01                |
| 3.                  | Mines and Minerals  | 64                           | 700                  | 117701.27            |
| 4.                  | Agricultural Income Tax                                     | N.F.                         | 474                  | 505.81               |
| 5.                  | Taxes and Duties on Electricity                             | 295                          | 1105                 | 1.01                 |
| 6.                  | Stamp Duty and Registration Fees                            | 1269                         | 5263                 | 141.06               |
| 7.                  | State Excise  | N.F.                         | N.F.                 | N.F.                 |
| 8.                  | Land Revenue  | N.F.                         | N.F.                 | N.F.                 |
| 9.                  | Urban Land Tax  | 11                           | 48                   | 2.60                 |
| NF – Not furnished. |   |                              |                      |                      |

**1.10 Results of Audit**

Test-check of the records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles, Other Tax Receipts and Mines and Minerals under Non-Tax Receipts conducted during the year 1999-2000 revealed under-assessment/short-levy/loss of revenue amounting to Rs.663.98 crore in 2836 cases. During the course of the year 1999-2000, the concerned departments accepted under-assessments, etc. of Rs.3.68 crore involved in 874 cases, of which 419 cases involving Rs.44.63 lakh had been pointed out in audit during 1999-2000 and the rest in earlier years. Of these, the department recovered Rs.1.37 crore in 661 cases.

This report contains 25 paragraphs including 2 reviews involving Rs.417.84 crore. The department/Government have accepted audit observations involving Rs.1.36 crore. Of this, a sum of Rs.48.44 lakh has been recovered (September 2000). Audit observations with total revenue effect of Rs.61.71 crore in 2106 cases were not accepted by the departments/Government, but their contentions have been found at variance with facts and legal position and these have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (September 2000).

### **1.11 Outstanding Inspection Reports and Audit Observations**

Audit observations on incorrect assessments, short-levy of taxes, duties, fees, etc., as also defects in the maintenance of initial records noticed during audit and not settled on the spot are communicated to the Heads of Offices and other departmental authorities through inspection reports. Serious financial irregularities are reported to the Heads of Departments concerned and the Government. The Heads of Offices are required to furnish replies to the inspection reports through their respective Heads of Departments within a period of two months.

(i) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 1999, which were pending settlement by the departments as on 30 June 2000, along with corresponding figures for the preceding two years, are given below:

|   | Position as on 30 June |        |        |
|---|------------------------|--------|--------|
|   | 1998                   | 1999   | 2000   |
| Number of inspection reports pending settlement | 3710                   | 4084   | 4100   |
| Number of outstanding audit observations        | 14643                  | 15163  | 15579  |
| Amount of revenue involved (Rupees in crore)    | 284.54                 | 327.54 | 386.98 |

(ii) Revenue-wise break-up of the inspection reports and audit observations outstanding as on 30 June 2000 is given below:



| Sl. No. | Revenue Head                     | Number of outstanding |                    | Amount involved (Rupees in crore) | Earliest year to which reports relate |
|---------|----------------------------------|-----------------------|--------------------|-----------------------------------|---------------------------------------|
|         |                                  | Inspection Reports    | Audit Observations |                                   |                                       |
| 1.      | Sales Tax                        | 2076                  | 11158              | 268.54                            | 1982-83                               |
| 2.      | Stamp Duty and Registration Fees | 798                   | 1394               | 5.03                              | 1982-83                               |
| 3.      | Land Revenue                     | 412                   | 974                | 20.52                             | 1987-88                               |
| 4.      | Taxes on Vehicles                | 229                   | 429                | 6.93                              | 1983-84                               |
| 5.      | State Excise                     | 141                   | 281                | 8.74                              | 1986-87                               |
| 6.      | Taxes on Agricultural Income     | 77                    | 257                | 10.10                             | 1984-85                               |
| 7.      | Mines and Minerals               | 129                   | 387                | 54.64                             | 1989-90                               |
| 8.      | Urban Land Tax                   | 109                   | 521                | 6.31                              | 1983-84                               |
| 9.      | Electricity Duty                 | 42                    | 67                 | 4.72                              | 1986-87                               |
| 10.     | Entertainments Tax               | 49                    | 57                 | 1.26                              | 1992-93                               |
| 11.     | Luxury Tax                       | 28                    | 33                 | 0.10                              | 1994-95                               |
| 12.     | Betting Tax                      | 10                    | 21                 | 0.09                              | 1991-92                               |
|         | <b>TOTAL</b>                     | <b>4100</b>           | <b>15579</b>       | <b>386.98</b>                     |                                       |

The matter was brought to the notice of the Government (September 2000).

### 1.12 Follow-up on Audit Reports

With a view to ensuring accountability of the executive in respect of all the issues dealt with in Audit Reports, the Public Accounts Committee (PAC) directed that the department should furnish remedial/corrective Action Taken Notes (ATN) on all paragraphs contained therein within the prescribed time frame.

However, a review on outstanding ATNs as of 31 March 2000 on paragraphs included in the Report of the Comptroller and Auditor General of India, Revenue Receipts, Government of Tamil Nadu, disclosed that for 794 recommendations pertaining to 449 audit paragraphs the departments had not submitted remedial ATNs. Out of the 794 recommendations pending, in respect of 493 recommendations, ATNs were not submitted by the department even once.

Further, PAC has also laid down that necessary explanatory notes for those issues mentioned in the audit report should be furnished to Committee within a maximum period of three months from the date of placing of the Reports before Legislature. Though the Audit Reports for the year 1997-98 and 1998-99 were placed before the Legislative Assembly in April 1999 and May 2000 respectively, the departments is yet to submit Explanatory Notes for 50 paragraphs (including 4 reviews) included in these reports.

### **1.13 Response of the department/Government to Draft Audit Paragraphs**

Government (Finance Department) issued direction (April 1952) to all departments to send their response to the Draft Audit Paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India within six weeks. The Draft Paragraphs are always forwarded to the Secretaries of the concerned departments through Demi-Official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the departments are invariably indicated at the end of each such Paragraphs included in the Audit Report.

47 Draft Paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended March 2000 were forwarded to the Secretaries of the respective departments during April-October 2000 through Demi- Official letters.

The Secretaries of the departments did not send replies to 45 Draft Paragraphs in compliance to above instructions of the Government. These Paragraphs have been included in this Report without the response of the Secretaries of the departments.

## CHAPTER - 2

### SALES TAX

#### 2.1 Results of Audit

Test check of records in the office of the Commercial Tax department conducted from April 1999 to March 2000 revealed under assessments/non-levy of tax etc., amounting to Rs.50238.17 lakh in 1845 cases which fall under the following categories.

| Sl.No | Categories                                     | No. of cases | Amount (Rs. in lakh) |
|-------|--|--------------|----------------------|
| 1     | Incorrect grant of exemption                   | 397          | 3780.30              |
| 2     | Application of incorrect rate of tax           | 543          | 1079.91              |
| 3     | Incorrect Computation of taxable turnover      | 164          | 276.18               |
| 4     | Non-levy of penalty                            | 396          | 797.48               |
| 5     | Non-levy of Surcharge and Additional Sales Tax | 118          | 56.38                |
| 6     | Other irregularities                           | 227          | 8317.99              |
| 7     | Review on "Arrears of revenue from Sales Tax"  | -            | 35929.93             |
|       | <b>TOTAL</b>                                   | <b>1845</b>  | <b>50238.17</b>      |

During the course of the year 1999-2000, the department accepted under-assessments etc., amounting to Rs.139.18 lakh in 677 cases of which 404 cases amounting to Rs.40.63 lakh were pointed out during 1999-2000 and the rest in earlier years. A sum of Rs.51.86 lakh has been recovered upto June 2000.

A review on "Arrears of Revenue from Sales Tax" and few illustrative cases involving a financial effect of Rs.260.96 crore are mentioned in the following paragraphs.

## 2.2 Arrears of Revenue from Sales Tax

### Highlights

- ❖ Delay in issue of Other District Requisition (ODR) within the same department resulted in blockage of revenue of Government to the tune of Rs.5298.06 lakh.

[ Paragraph 2.2.6 ]

- ❖ Due to delay in sending the requisition for recovery under Central Revenue Recovery (CRR) Act arrears of Rs.1007.80 lakh remain uncollected.

[ Paragraph 2.2.7 ]

- ❖ Failure to take prompt action in respect of cases pending with Appellate Forum resulted in accumulation of arrears amounting to Rs.275.57 lakh.

[ Paragraph 2.2.8 ]

- ❖ Due to department's failure to notify the demand to the Official Liquidator in time, the possibility of recovering the amount of Rs.1254.12 lakh became remote.

[ Paragraph 2.2.9 ]

- ❖ The suppression of taxable turnover and consequent evasion of tax and penalty of Rs.9119.36 lakh were detected belatedly due to ineffective street survey resulted in the arrears remaining uncollected till date.

[ Paragraph 2.2.10 ]

- ❖ Delay in formulating D3 proposals by the Enforcement Wing resulted in blockage of Government revenue to the tune of Rs.2269.52 lakh.

[Paragraph 2.2.11 ]

- ❖ Delay in implementation of D3 proposals received from the Enforcement Wing resulted in recovery of demand of Rs.8164.10 lakh becoming doubtful.

[Paragraph 2.2.12 ]

- ❖ Lack of co-ordination among departmental officers/revenue authorities both within/outside the State to take prompt action to recover the arrears resulted in accumulation of arrears amounting to Rs.1984.57 lakh.

[Paragraph 2.2.13 ]

- ❖ In 3 assessment circles, in the case of 3 dealers failure to follow the provisions of the Act and the Rules by the department at the time of closure of business resulted in accumulation of arrears of Rs.2362.05 lakh.

[ Paragraph 2.2.14 ]

- ❖ Incorrect allowance of deferral even after the violation of conditions under deferral scheme by 8 dealers in 8 assessment circles resulted in accumulation of arrears to the tune of Rs.628.88 lakh.

[ Paragraph 2.2.15 ]

- ❖ **Omission to include interest leviable on arrears of sales tax in the proposals for recovery under RR Act resulted in under-statement of arrears to the tune of Rs.26.38 crore.**

[ Paragraph 2.2.17 ]

### **2.2.1 Introduction**

The procedure for assessment and collection of Sales Tax is prescribed in the Tamil Nadu General Sales Tax Act, 1959 and the Rules made thereunder. Every dealer whose total turnover in any year exceeds the amount prescribed from time to time should get himself registered and is required to pay the tax along with monthly return to be submitted to the department. On assessment, the tax already paid by the dealer is adjusted and the demand for the balance amount, if any, is raised against the dealer. The tax demanded is payable within thirty days from the date of service of demand notice. In the case of default the department shall recover the arrears through any of the following methods:

- a) As arrears of land revenue under Revenue Recovery Act (RR Act)/Central Revenue Recovery Act (CRR Act)
- b) By application to the Magistrate for recovery as a fine and
- c) By a demand on any person owing money to the assesseees by issue of notice.

### **2.2.2 Organisational Set up**

The Commissioner of Commercial Taxes (CCT) is the head of the department and is assisted by Joint Commissioners, Deputy Commissioners (DC) and Territorial Assistant Commissioners (AC) who exercise administrative jurisdiction over the Assistant Commissioner of Central Assessment Circles (CAC), Commercial Tax Officers (CTO)/Deputy Commercial Tax Officers (DCTO) and Assistant Commercial Tax Officers (ACTO) who are the assessing authorities responsible for collection of tax and arrears.

### **2.2.3 Scope of Audit**

The review was conducted from January 2000 to March 2000 to assess and analyse the Sales Tax arrears position and evaluate the overall adequacy and efficiency of the system existing for recovering the arrears.

During the review the records relating to major cases of arrears were test checked in 109 out of 320 assessment circles in the State

#### 2.2.4. Position of Arrears

The trend of Sales Tax revenue and arrears during past five years is as under:

| (Rupees in crore) |                              |   |
|-------------------|------------------------------|---|
| Year              | Sales Tax Receipts (Actuals) | Cumulative Arrears at the end of the year |
| 1995-96           | 4689                         | 2178                                      |
| 1996-97           | 5341                         | 2421                                      |
| 1997-98           | 5604                         | 3323                                      |
| 1998-99           | 6112                         | 5104                                      |
| 1999-2000         | 7024                         | 7244*                                     |

\* Out of the total arrears of Rs.7244 crore, a sum of Rs.885 crore is pending for more than 5 years.

It can be seen that there is an increasing trend in the position of arrears of revenue over a period 1995-96 to 1999-2000 indicating blocking up of substantial revenue as uncollected.

#### 2.2.5 Category-wise analysis of arrears

The category-wise analysis of arrears of Rs.7244.16 crore pending as on 31 March 2000 is as under:

| (Rupees in crore) |                          |                    |                        |                       |                       |                |
|-------------------|--------------------------|--------------------|------------------------|-----------------------|-----------------------|----------------|
| Sl. No.           | Category of pendency     | More than 10 years | Between 5 and 10 years | Between 3 and 5 years | Between 1 and 3 years | Total          |
| 1                 | Departmental proceedings | 39.48              | 206.56                 | 271.50                | 1782.61               | 2300.15        |
| 2                 | ODR/RR/CRR               | 49.50              | 217.19                 | 152.33                | 1674.99               | 2094.01        |
| 3                 | Under appeals            | 38.25              | 251.73                 | 384.10                | 2160.65               | 2834.73        |
| 4                 | B6 cases                 | 0.07               | 0.37                   | 0.96                  | 13.87                 | 15.27          |
|                   | <b>Total</b>             | <b>127.30</b>      | <b>675.85</b>          | <b>808.89</b>         | <b>5632.12</b>        | <b>7244.16</b> |

### **2.2.6 Accumulation of arrears due to delay in issue of ODR within the same department**

When the dealers closed down their business and default in payment of tax, the assessing authority, in the cases of dealers whose properties are available outside his jurisdiction, is required to send Other District Requisition (ODR) in Form 30 to the assessing authority concerned indicating the name and address of the defaulters, the amount of tax due, year to which it relates and such other particulars as may be useful for facilitating speedy collection of arrears.

However it was noticed that in eighteen<sup>1</sup> assessment circles, in respect of 40 dealers, due to delay in issue of ODR by the assessing authorities to other circles where the properties of the defaulters are situated, the arrears of Rs.5298.06 lakh relating to the years 1981-82 to 1997-98 were pending collection resulting in blockage of revenue to Government.

### **2.2.7 Delay in sending the requisition under CRR Act**

When defaulters do not own any property in the State and if the assessing authority is satisfied that they have properties in other State, the Revenue authorities of other States may be addressed for collecting arrears under the Central Revenue Recovery Act (CRR). For this purpose the Assistant Commissioner (CT) should address the Deputy Commissioner giving full details of the defaulter, his address, the arrears due for recovery and the action taken, if any, for collection duly enclosing a certificate that the arrears are not recoverable in the State. On receipt of the report, the Deputy Commissioner will address the Revenue authorities of other States for enforcing collection.

However it was noticed that in eight<sup>2</sup> assessment circles in respect of 10 dealers, for recovery of arrears of Rs.1007.80 lakh relating to the period 1981-82 to 1996-97 the requisitions under CRR Act were sent belatedly, the delay ranging from 6 months to 15 years. Consequently the arrears remain uncollected till date.

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<sup>1</sup> Adayar I (Chennai), Avinashi, Chintadripet (Chennai), Choolai (Chennai), Harbour V (Chennai), Koyambedu (Chennai), Loansquare I & II (Chennai), Nandanam (Chennai), Peelamedu South (Coimbatore), Perambur (Chennai), Periamet (Chennai), Saligramam (Chennai), Singanallur (Coimbatore), Tiruppur (South), Triplicane I (Chennai), Vadapalani II (Chennai) and Villivakkam (Chennai).

<sup>2</sup> Annasalai II (Chennai), Gandhipuram (Coimbatore), Harbour III & V (Chennai), Kothavalchaadi (Chennai), Kongunagar (Tiruppur), Podanur (Coimbatore) and Vallurvarkottam (Chennai).



### **2.2.8 Failure to pursue cases pending with Appellate forum**

Whenever Appellate Authorities permit payment of tax dues in installments and the dealer defaults in payment in terms of the orders, the assessing officer can take coercive action to collect the dues.

A test-check of records in seven<sup>3</sup> assessment circles revealed that in 8 cases of arrears relating to the years 1979-80 to 1983-84 and 1986-87 to 1994-95 even though the conditions stipulated for payment of dues were not fulfilled by the assesseees, the department failed to take prompt action in pursuing these cases and collect the dues. Thus the arrears amounting to Rs.275.57 lakh remained uncollected.

### **2.2.9 Delay to notify the demand to the Official Liquidators**

The tax due from persons adjudged insolvent and from companies which had wound up should be recovered by addressing the Official Assignee or Liquidator with whom the administration of the estate is vested.

Under the provisions of the Central Sales Tax Act, 1956, the assessing officer shall notify the tax payable by a liquidated company to the Official Liquidator appointed by the High Court within a period of three months from the date of appointment.

However it was noticed that in seven<sup>4</sup> assessment circles the arrears relating to the period 1986-87 to 1996-97 in respect of 7 companies which were wound up, the claims were preferred before the Official Liquidators belatedly, the delay ranging from 2 years to 11 years. Due to the failure of the department to prefer the claims within three months as per the provisions of the Act, the possibility of recovering the arrears of Rs.1254.12 lakh became remote.

### **2.2.10 Arrears due to lack of administrative action**

Under the provisions of the TNGST Act every dealer whose annual total turnover exceeds the amount as prescribed from time to time should get himself registered under the Act and pay the tax in respect of his sales turnover.

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<sup>3</sup> Harbour IV (Chennai), Madurantagam, Nethaji Road (Madurai), Nungambakkam (Chennai), Parktown II (Chennai), Perundurair and Salem Town (West).

<sup>4</sup> Egmore II (Chennai), Madurantagam, Nungambakkam (Chennai), Porur (Chennai), Thiruvanmiyur (Chennai), Vadapalani I (Chennai) and Velachery (Chennai).

Street Survey is one of the methods envisaged for detection of fresh cases of assessments. Standing Order 226 of the Tamil Nadu Commercial Taxes Manual requires every assessing officer to conduct street survey annually and get all the dealers under his jurisdiction registered. Monitoring of street survey is required to be done by the respective Territorial Assistant Commissioners (Commercial Taxes).

However it was noticed that in twenty seven<sup>5</sup> assessment circles, due to non/ineffective periodical survey of the place of business, the suppression of taxable turnover of 38 dealers could be detected only by the Enforcement Wing of the department after a delay ranging from 6 months to 10 years or more. Consequently the tax and penalty due from these dealers relating to the years 1975-76 to 1997-98 amounting to Rs.9119.36 lakh remained uncollected.

#### ***2.2.11 Delay in formulation of D3 proposals by enforcement wing.***

The Enforcement Wing of the department which has been constituted to make surprise checks of the accounts of the assesseees at the latter's premises to unearth suppression of turnover etc., forward its findings after such inspections in the form of proposals (known as D3 proposals) to the assessing officer for use by them while finalising the assessment since with the lapse of time, the recovery of arrears would be difficult. Therefore, it is imperative that the D3 proposals are formulated and sent to the assessing officers without any delay.

However it was noticed that in seven<sup>6</sup> assessment circles in Chennai, in respect of 8 cases involving total demand of Rs 2269.52 lakh for the period 1989-90 to 1996-97, the D3 proposals were formulated after inspection of the premises of the assesseees and communicated to the assessing officers for implementation with a delay ranging from 9 months to 33 months. No recovery has been made so far.

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<sup>5</sup> Adayar-II, Annasalai III (Chennai), Big Bazar (Coimbatore), Chepauk (Chennai), Chidambaram-I, Choolai (Chennai), Egmore-II, Harbour V (Chennai), Gandhipuram (Coimbatore), Kamarajar Salai (Madurai), Luz (Chennai), Mannady East (Chennai), Munichalai Road (Madurai), Nethaji Road (Madurai), Nungambakkam (Chennai), Peelamedu (North), Perambur-I (Chennai), Perundurai, Perur (Coimbatore), Purasawakkam (Chennai), Shencottah, Sirkazhi, South Avani Moola Street (Madurai), Tallakulam (Madurai), Triplicane-I (Chennai), Vadapalani-I (Chennai) and West Veli Street (Madurai).

<sup>6</sup> Ice House (Chennai), Loansquare II (Chennai), Nethaji Road (Madurai), N.H. Road (Coimbatore), Podanur (Coimbatore), Sriperumbudur and Triplicane I (Chennai).

### 2.2.12 Delay in implementation of D3 proposals

Whenever the D3 proposals are received from the Enforcement Wing, the assessing officer is required to take prompt action to implement the proposal and finalise the assessment, in order to ensure that the demand raised do not become irrecoverable.

It was noticed that in 4 assessment circles in respect of 6 dealers for the years 1990-91 to 1995-96, the D3 proposals received from Enforcement Wing were implemented and assessments made belatedly; the delay ranging from 19 months to 52 months from the date of formulation of D3 proposals. Meanwhile the dealers had left their place of business and their whereabouts were not known and the demand of Rs.8164.10 lakh remained unrecovered as detailed below:

| Sl No | Assessment Circle (Name of the Assessee)         | Year of transaction (No. of dealers) | Date of D3 proposals/ Date of Assessment | Delay in months | Tax Effect (Rs. in lakh) | Remarks   |
|-------|--|--------------------------------------|--|-----------------|--------------------------|---|
| 1     | 2  | 3                                    | 4  | 5               | 6                        | 7   |
| 1     | Washer-manpet-II, Chennai (Sri Ajantha Textiles) | 1992-93 to 1994-95 (One)             | 28.02.95/ 29.12.97 & 28.01.98            | 33,34           | 226.51                   | Unregistered dealer. Stopped Business and left place (April 1998). Demand notice returned unserved. Tahsildar Fort-Tondiarpet was addressed for property details. B6 Notice to creditors was issued in March 1999. No response.                 |
| 2     | Ice House, Chennai (Tara Lotteries)              | 1990-91 to 1995-96 (three)           | 29.07.94/ 28.11.97                       | 39              | 5809.51                  | CRR action initiated on 28 July 1998 by addressing Collector, Bangalore but there was no response.  |
|       | (Mathi Lotteries)                                |                                      | 30.10.93/ 30.03.96, 31.01.97, 03.03.98   | 28,38, 52       | 98.01                    | ODR was sent to Tallakulam on July 1998; reply is awaited.  |
|       | (Prem Lotteries)                                 |                                      | 14.08.95/ 05.06.97                       | 19              | 656.26                   | Unregistered dealer. Stopped Business (1 April 1995). Details of property ascertained from the Revenue Officer, Chennai Corporation indicated that the building referred to did not belong to the defaulter and hence no action could be taken. |

| 1            | 2   | 3                                 | 4                     | 5  | 6              | 7   |
|--------------|---|-----------------------------------|-----------------------|----|----------------|---|
| 3            | Egmore-II,<br>Chennai                               | 1993-94<br>(One)                  | 22.12.93/<br>29.09.95 | 20 | 6.89           | Unregistered dealer. Stopped business. ODR sent to Nanguneri (December 1997) and there was no response even though reminders were issued. |
| 4            | T.Nagar<br>(North),<br>Chennai<br>(G.G.<br>Exports) | 1992-93<br>to<br>1993-94<br>(One) | 27.02.95/<br>01.10.96 | 19 | 1366.92        | Unregistered dealer. Stopped business and left the place. CRR action was initiated (January 1999). No response till-date.                 |
| <b>TOTAL</b> |   |                                   |                       |    | <b>8164.10</b> |   |

### 2.2.13 Lack of co-ordination between departmental officers and revenue authorities

(a) According to Standing Order 30A (1) (b) of Commercial Taxes Manual Vol-I, when a defaulter does not own any movable or immovable property in an area under the jurisdiction of an assessing officer and inquiries show that he owns properties in other districts, requisition should be sent to the assessment circle of that district (ODR) where the defaulter owns properties to effect collection of arrears of tax dues. On receipt of such requisition, action will be taken to collect the arrears as if the arrears had accrued in that district.

In eleven<sup>7</sup> assessment circles, for collection of the arrears of demand of Rs.974.95 lakh raised against 17 dealers relating the years 1984-85 to 1995-96 requisitions were sent to other districts (ODR) wherein the properties of the defaulters were situated. But the arrears remained uncollected due to (i) lack of co-ordination among the officers in the department, (ii) improper/non-response from the officers in the other districts, (iii) delay in ascertaining the correct details of property of the defaulters and (iv) furnishing of incorrect/insufficient details about defaulters to the officers of the other districts thereby blocking of revenue of Rs.974.95 lakh due to the Government.

(b) According Commercial Tax Manual when defaulters do not own property in the state but have in other state, the Revenue Authority of other states may be addressed for collecting arrears under the Central Revenue Recovery Act (CRR).

<sup>7</sup> Chepauk (Chennai), Egmore I (Chennai), Harbour-V (Chennai), Mandaveli (Chennai), Nethaji Road (Madurai), Peddunaickenpet (North), Periamet (Chennai), Perur (Coimbatore), Royapettah-I (Chennai), Sowcarpet-I (Chennai) and Veperiy (Chennai).

It was noticed in two assessment circles in Chennai (Annasalai III and Vepery) the arrears of Rs.1009.62 lakh in 2 cases relating to the period 1990-91, 1991-92 and 1993-94 which is still pending recovery under CRR Act due to (i) non-receipt of certificate for CRR action from Collector, Chennai because of which RRC could not be sent to Collector, Pondicherry where the assessee is presently residing and (ii) due to lack of response from the Collector, Jamshedpur (Bihar) to whom the requisition was sent (October - 1997/January 1998). Consequently, the arrears of Rs.1009.62 lakh remained uncollected.

#### ***2.2.14 Failure to adhere to the provisions of the Act in the cases of closure of business***

As per Commercial Taxes manual, the final assessment of dealers who have intimated their closure of business should be completed immediately. The assessing officer should also as a rule inspect the place of business to see whether the business has been closed as claimed.

Under Rule 22(8) of the Tamil Nadu General Sales Tax Rules, 1959, any unused declaration forms remaining in stock with the dealer shall be surrendered to the assessing authority on the discontinuance of the business by the dealer or cancellation of his certificate of registration or on his ceasing to be an assessee.

(i) It was noticed in Arni assessment circle, that a dealer who was doing business from July 1992 closed his business with effect from 31 March 1993 and his assessment was finalised as 'O' (Nil Tax) case on 9 June 1993. The assessee had obtained declaration forms namely Form 20, Form 'C' and Form 'F' from 1 July 1992 to 19 March 1993 from the department. The Assessing Officer while finalising the assessment had certified that all the declaration forms issued to the dealer were fully used by him. However, it was found out by the department from the records received from the check posts, Inter-State Investigation Cell, etc., that the dealer continued the business after 31 March 1993 and had misused the declaration forms which were supplied to him prior to his closure of business and also issued bogus declaration forms for effecting purchase/sale of goods like Vanaspathy, Refined Oil, Groundnut Oil, Jaggery etc., from Andhra Pradesh and Karnataka. Consequently the department revised the assessment under TNGST and CST Acts for the years 1992-93 and 1993-94 and levied tax and penalty amounting to Rs.2298.33 lakh. After exhausting all the modes of recoveries which proved futile, the department decided to send write-off proposals to Government.

(ii) Similarly, in two assessment circles in Coimbatore (Gandhipuram and R.G Street), it was noticed that two dealers continued to do business during the years 1990-91 to 1995-96 even after their intimation of closure of business (April 1986/March 1995) and misused the declaration forms supplied to them prior to their closure of business. This could be detected by Enforcement Wing at the time of inspection in 1995-96 only and consequently raised demand for Rs.63.72 lakh.

Failure of the department to verify the stock position of forms at the time of cancellation of registration certificate/closure of business and at the time of inspection of the business premises resulted in misuse of forms and consequent accumulation of arrears of Rs.2362.05 lakh.

#### ***2.2.15 Accumulation of arrears due to violation of conditions under deferral scheme***

As per Section 17-A of the TNGST Act, the Territorial Assistant Commissioners (Commercial Tax) are empowered to issue sanction of interest free Sales Tax deferral specifying the amount subject to certain conditions and the ceiling fixed in the eligibility certificate issued by the Implementing Agencies. The manufacturer shall execute a deed of agreement with the Territorial Assistant Commissioner for the grant of interest free sales tax deferral. The eligibility certificate issued by the implementing agencies and sanction orders issued by the Territorial Assistant Commissioner of Commercial Taxes, stipulate certain conditions as specified in the agreement for availing the deferral scheme. If the conditions are violated, the dealers would not be eligible for availing of the benefit under deferral scheme and the amount of Sales Tax deferred shall be recovered from them with interest.

However it was noticed that in eight<sup>8</sup> assessment circles, the deferral of Sales Tax was continued to be allowed to 8 dealers during the period between 1984-85 and 1998-99 in spite of their violation of the conditions stipulated in the agreement/non-execution of agreement/excess availing of deferral. Consequently the tax of Rs.628.88 lakh due from them have become recoverable as arrears with interest but no effective action has been taken to collect the arrears.

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<sup>8</sup> Ambattur (Chennai), Koyambedu (Chennai), Mannargudi, Nandanam (Chennai), Nungambakkam (Chennai), Ponneri, Saligramam (Chennai) and Thiruvottiyur (Chennai).

### 2.2.16 Failure to apply the provisions and inadequate care by the Assessing Officers in registering the dealers

The TNGST Rules envisage that registering authority shall verify the correctness of the information furnished by the dealers in the application for Registration. As per the provisions of the TNGST Act, the assessing authority is required to demand from a dealer a deposit as Security for the proper payment of tax of an amount not exceeding one half of the tax payable on the turnover estimated by him.

It was noticed, in eleven<sup>9</sup> assessment circles in the case of 19 dealers, when granting the registration certificates between the years 1972-73 and 1997-98, the registering authority either did not obtain property statements or failed to get the property particulars verified from the Tahsildars or did not obtain sufficient securities to guard the interest of the Government. This resulted in the recovery of Rs.723.84 lakh becoming doubtful. A few illustrative cases are given below:

(Rupees in lakh)

| Assessment Circle            | Year of transaction (No of dealers) | Amount | Remarks   |
|------------------------------|-------------------------------------|--------|---|
| Adayar-I, Chennai            | 1988-89 to 1991-92 (one)            | 254.60 | Property details were not obtained at the time of registration. Assessee stopped business (1 April 1992) and left the place. ODRs sent to Thallakulam, Dindigul (Rural) and Chokkikulam (place of residence) did not yield any result.  |
| R.S.Puram (West), Coimbatore | 1995-96 to 1997-98 (One)            | 104.16 | Property details were not obtained at the time of registration. Security was also not increased sufficiently from time to time depending upon the increase in tax liability. The dealer stopped business and his whereabouts are not known. B6 Notices issued to bankers and Telephones department proved futile. |
| Sivakasi-III                 | 1996-97 (one)                       | 72.36  | Stopped business. Property details not obtained at the time of registration.  |
| Tiruvotiyur, Chennai         | 1993-94 & 1994-95 (One)             | 72.23  | Assessee closed business (01 April 1995) and left the place. Whereabouts not known. Failure to obtain property details and proper security deposit resulted in non-realisation of arrears.  |

<sup>9</sup> Adayar I (Chennai), Avarampalayam, Chidambaram-II, R.G. Street (Coimbatore), R.S. Puram West (Coimbatore), Sivakasi III, Srivilliputtur, Thallakulam (Madurai), Tirukoyilur, Tiruvotiyur (Chennai) and Villupuram II.

**2.2.17 Non-inclusion of interest in the arrears proposal for recovery under Revenue Recovery Act.**

Under the provisions of the Act, on any amount remaining unpaid after the date specified for its payment, the dealer or person shall pay, in addition to the amount due, interest at the rate of two per cent per month of such amount for the period of default.

However, test check of records in forty four assessment circles in respect of 95 cases of arrears relating to the period 1978-79 to 1998-99 while sending requisitions for recovery of arrears under RR Act, the interest of Rs.26.38 crore payable upto the date of requisition was not included in it. This resulted in under-statement of arrears of Rs.26.38 crore. A few illustrative cases are given below.

(Rupees in lakh)

| Sl. No | Name of the assessment circle/No. of cases | Amount | Due date of payment of tax | Date of proposal | Delay in Months/Days | Interest leviable |
|--------|--|--------|----------------------------|------------------|----------------------|-------------------|
| 1.     | T.Nagar (North) Chennai/two                | 546.76 | 01.11.96                   | 30.11.99         | 37/0                 | 402.39            |
|        |  | 346.25 | 16.05.97                   | 27.07.99         | 29/12                | 203.59            |
|        |  | 116.05 | 16.09.98                   | 27.07.99         | 13/22                | 31.87             |
| 2.     | Ice House, Chennai/one                     | 809.47 | 02.04.98                   | 21.12.99         | 20/2                 | 270.67            |
| 3.     | Loansquare I, Chennai/one                  | 726.17 | 03.04.97                   | 25.01.99         | 21/24                | 316.61            |
| 4.     | N.H.Road, Coimbatore/one                   | 76.05  | 02.06.92                   | 15.10.99         | 88/13                | 134.52            |

These cases were pointed out to the department/Government (May/August 2000); their replies have not been received (September 2000).

**2.3 Incorrect grant of exemption from tax**

The Tamil Nadu General Sales Tax Act, 1959 (TNGST), provide for exemption of sales tax to certain commodities listed in the Third Schedule to the Act.



Under the Central Sales Tax Act, 1956, last sale or purchase preceding the sale occasioning the export outside India is deemed to be a sale in the course of export and exempted from tax subject to the condition that the goods exported should be same as that purchased as per agreement.

In 29 assessment circles, exemptions were incorrectly granted to 36 dealers on the turnover of Rs.24615.04 lakh during the years, 1993-94 to 1997-98 resulting in non-levy of tax (including surcharge, additional surcharge, additional sales tax and penalty) amounting to Rs.3857.40 lakh as detailed below:

(Rupees in lakh)

| Sl No | Name/ No. of assessment circle | Year of Transaction (No of dealers) | Nature of irregularity  | Taxable turnover | Amount of Tax and Penalty | Remarks  |
|-------|--------------------------------|-------------------------------------|---|------------------|---------------------------|--|
| 1     | 2                              | 3                                   | 5   | 4                | 6                         | 7  |
| 1.    | Ten <sup>10</sup>              | 1994-95 to 1997-98 (Ten)            | Recombined milk (enriched with vitamin, fat etc) sold under brand names was exempted treating it as fresh milk. | 23553.25         | 3753.37                   | The department replied (between September 1998 and March 2000) that milk sold was fresh milk only and accordingly the exemption was allowed as per entry 6 of Part B of III Schedule. The reply is not tenable since with effect from 1 April 1994, recombined milk was brought under the category of taxable goods. |
| 2.    | Thudiyalur (Coimbatore)        | 1995-96 to 1997-98 (One)            | Air pre-heaters, which are energy saving devices were exempted treating them as renewable energy devices.       | 210.90           | 22.32                     | The department contended (October 1999) that the commodity was exempt. The reply is not tenable since the exemption for Air pre-heater, an energy saving device, has been withdrawn with effect from 01 April 1993 and hence it is taxable thereafter.   |

<sup>10</sup> Ambur, Amindakarai (Chennai), Egmore-I (Chennai), Fast Track Assessment Circle-II, (Coimbatore), Krishnagiri, Ooty (South), Thuraiyur, T.Nagar-South (Chennai), Vellore (South) and Villupuram I.

*Audit Report (Revenue Receipts) for the year ended 31 March 2000*

| 1  | 2  | 3   | 4  | 5      | 6     | 7   |
|----|--|---|--|--------|-------|---|
| 3. | Adayar-I<br>(Chennai)  | 1996-97<br>(One)                                      | Value of tipper and bus bodies built on chassis supplied by an exporter and exported as fully built tipper trucks and buses (being different commercial commodity) was exempted as sales made in the course of export.             | 207.18 | 21.96 | The case was reported to the department (August 1999); their reply has not been received (September 2000).  |
| 4. | Kongu Nagar<br>(Tiruppur)<br>Tiruppur<br>(Central-II)<br>and<br>Mandaveli<br>(Chennai).  | 1995-96<br>&<br>1996-97<br>(Four)                     | Sale of cloth labels was exempted treating the commodity as textiles.  | 173.62 | 18.41 | The case was reported to the department (July/December 1999); their reply has not been received (September 2000).   |
| 5. | Mahal and<br>Muni-<br>chalai Road<br>(Madurai)   | 1995-96<br>to<br>1997-98<br>(Five)                    | Braided cords was exempted treating it as textiles.  | 126.92 | 13.87 | The case was reported to the department (between March 1998 and December 1999); their reply has not been received (September 2000).   |
| 6. | Nagercoil<br>(Tower<br>Junction),<br>Thiru-<br>thurai-<br>poondi,<br>Tuticorin-<br>II, Muni-<br>chalai Road<br>(Madurai),<br>Mylapore,<br>Velachery<br>(Chennai) | 1993-94<br>to<br>1995-96<br>and<br>1997-98<br>(seven) | First sale of Iron scraps, plant and machinery and lorries exempted as second sales. Value of doors and windows manufactured and used in works contract, were exempted and first sale of brass tubes was exempted as transit sale. | 86.64  | 7.35  | The department revised the assessment (between May 1997 and August 1999) in 4 cases and raised additional demand for Rs.4.93 lakh out of which a sum of Rs.1.71 lakh in 2 cases was collected. Replies in respect of other cases have not been received (September 2000). |

| 1            | 2  | 3                                 | 4   | 5               | 6              | 7  |
|--------------|--|-----------------------------------|---|-----------------|----------------|--|
| 7            | Karur<br>(East)  | 1993-94<br>(One)                  | Sales of welding electrodes exempted as consignment transaction without any documentary evidence.   | 27.02           | 7.23           | The department revised (December 1998) the assessment and raised the additional demand. The collection particulars have not been received (September 2000).  |
| 8.           | Thiruvanimiyur<br>(Chennai)  | 1996-97<br>(One)                  | Intra and inter-State sale of shrimp seeds exempted as sale of 'sea food'.  | 67.59           | 7.19           | The department replied (July 1999) that as per the clarification issued (July 1994) by the Head of the Department, shrimp seeds were exempt from tax. The reply is not tenable since the relevant entry in the schedule covers sea food only not sea food seeds. |
| 9.           | Pudukottai-I,<br>Salem<br>(Rural),<br>Sriperumbudur,<br>Cuddalore<br>(Town),<br>Moore-Market<br>(North),<br>Chennai. | 1993-94<br>to<br>1997-98<br>(Six) | Purchase turnover of rough granites effected from unregistered dealer, first sale of cotton yarn, and paint exempted under section 5(3). First Sale of Sanitary wares, first sale of car omitted. | 161.92          | 5.70           | The department revised the assessment (between May 1998 and September 1999) in 2 cases and raised additional demand for Rs.1.27 lakh which was also collected. Replies in respect of other cases have not been received (September 2000).                        |
| <b>TOTAL</b> |  |                                   |   | <b>24615.04</b> | <b>3857.40</b> |  |

These cases were reported to Government (between January 1999 and April 2000); the replies thereon have not been received (September 2000).

#### 2.4. Application of Incorrect rate of tax

Under the provisions of the TNGST Act, 1959, tax is leviable on the sale or purchase as the case may be at the rates mentioned in the relevant Schedules to the Act.

In twenty two<sup>11</sup> assessment circles, tax was short levied on the turnover of Rs.1614.20 lakh involving 25 dealers during the years 1990-91 to 1997-98 due to application of incorrect rate of tax. The short levy in these cases worked out to Rs.44.06 lakh.

On this being pointed out (between September 1993 and March 2000) the department raised the additional demands of Rs 16.43 lakh, out of which Rs.5.65 lakh was collected. Reply in the remaining cases and report on recovery of the balance amount was awaited (September 2000).

The cases were reported (between May 1999 and June 2000) to the Government; their reply have not been received (September 2000).

## **2.5. Non/short levy of penalty**

Under the provisions of the Tamil Nadu General Sales Tax Act, 1959, if the return filed by a dealer is found to be incorrect or incomplete, the assessing authority shall assess the dealer to the best of its judgement. In addition it may also levy penalty depending on the percentage of difference between the tax assessed and the tax paid as per the returns..

In thirteen<sup>12</sup> assessment circles, for short payment of tax by 16 dealers during the years from 1993-94 to 1997-98 penalty amounting to Rs.144.46 lakh was either not levied or levied short. A few illustrative cases are given below:

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<sup>11</sup> Adayar I (Chennai), Anna Salai I & II (Chennai), Chinglepet, Fast Track Assessment Circle II (Coimbatore), Harbour I (Chennai), Kovilpatti I, Nilakottai, Palakarai I (Trichy), Rajapalayam I, Saibaba colony (Coimbatore), Salem Bazaar, Saligramam (Chennai), Sriperumbudur, Thiruvanniyur (Chennai), Tiruppur (South), T.Nagar-North (Chennai), Tuticorm III, Valluvar Kottam (Chennai), Valparai, Velachery (Chennai) and Woraiyur (Trichy)

<sup>12</sup> Adayar-I (Chennai), Nandanam (Chennai), Royapuram (Chennai), Shencottah, Sivakasi-II, Tiruppur Central-II, Thiruvanniyur (Chennai), T.Nagar-South (Chennai), Tuticoim-I, Udumalpet, Vallalar Nagar (Chennai), Villivakkam (Chennai) and Vridhaachalam.

(Rupees in lakh)

| Sl No | Name of assessment circle | Year of transaction (No of dealers) | Tax due | Tax paid | Difference | Difference (in percentage) | Amount of penalty |
|-------|---------------------------|-------------------------------------|---------|----------|------------|----------------------------|-------------------|
| 1     | T.Nagar (South), Chennai  | 1996-97 (one)                       | 87.69   | 0.29     | 87.40      | 99.67                      | 131.10            |
| 2     | - do -                    | 1996-97<br>1997-98 (two)            | 1.88    | Nil      | 1.88       | 100                        | 2.82              |
| 3     | Vallalar Nagar, Chennai   | 1993-94 (one)                       | 1.45    | 0.03     | 1.42       | 98                         | 2.13              |

On this being pointed out (between March 1996 to October 1999) the department levied (between August 1996 to October 1999) penalty of Rs.7.06 lakh in 8 cases of which Rs.1.49 lakh in 3 cases have been collected. Report on recovery of the balance amount and replies in respect of other cases have not been received (September 2000).

The cases were reported (between November 1999 and April 2000) to the Government; their reply have not been received (September 2000).

## 2.6 Non-levy of penalty for misuse of 'C' forms

Under the Central Sales Tax Act, 1956, a registered dealer buying goods from other states is entitled to a concessional rate of tax at four per cent. provided he furnishes to the seller, a declaration in form 'C'. If the goods indicated in the declaration are not covered by the certificate of registration, the assessee renders himself liable to penalty not exceeding one and a half times of the tax due.

In three<sup>13</sup> assessment circles, three dealers had purchased goods such as viscose staple fibre, laminated zipper jute bag, paracetamol (a medicine) and glass bottles for Rs.81.64 lakh during the years 1993-94 to 1997-98 from other States and furnished declaration in form 'C', though the commodities purchased were not covered by their certificates of registration at the time of purchases. For misuse of forms 'C' penalty amounting to Rs.13 lakh was leviable, but was not levied.

<sup>13</sup> Salem Bazar, Valparai and Velachery (Chennai).

On this being pointed out (September 1997, July 1999 and December 1999), the department levied (March 1998) penalty in one case and raised additional demand for Rs.3.79 lakh which was also collected (May 1998). Reply in other cases was not received (September 2000).

The reply of the Government, to whom the cases were reported (April 2000), have not been received (September 2000).

## **2.7 Non-levy of interest for belated payment of tax**

Under the provisions of the Act, on any amount remaining unpaid after the date specified for its payment, the dealer or person shall pay, in addition to the amount due, interest at the rate of two per cent per month of such amount for the entire period of default.

In thirteen<sup>14</sup> assessment circle, in respect of 15 dealers, tax of Rs.24.02 lakh for the years 1984-85, 1986-87 to 1996-97 was paid belatedly for which interest of Rs. 19.14 lakh was leviable but not levied.

On this being pointed out (between January 1998 and March 2000) the department levied (between April 1998 and November 1999) interest of Rs.6.25 lakh in 6 cases of which a sum of Rs.5.93 lakh in 5 cases had been collected (between April 1998 and November 1999). Report in respect of other cases have not been received (September 2000).

The cases were reported to the Government; (May/June 2000); their reply has not been received (September 2000).

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<sup>14</sup> Annasalai-II (Chennai), Ariyalur, Central Assessment Circle-III (Chennai), Kilpauk (Chennai), Koyambedu (Chennai), Nandanam (Chennai), Royapettah-II (Chennai), Saligramam (Chennai), Sivakasi-I, T.Nagar-North (Chennai), Trichy Road (Coimbatore), Valparai and Villivakkam.

## 2.8 Non/short-levy of surcharge/additional surcharge

(i) As per the Tamil Nadu Sales Tax (Surcharge) Act, 1971 (as it existed upto 16 July 1996) every dealer who was liable to pay tax under the Tamil Nadu General Sales Tax Act, 1959, shall pay a surcharge on such tax at the rate of twelve per cent of such tax in all the Municipal Corporation areas (other than Chennai) during the period from 1 April 1990 to 4 September 1991, and at the rate of fifteen per cent, thereafter, in all the areas.

In three<sup>15</sup> assessment circles on the tax due of Rs.424.34 lakh for the years 1991-92, 1995-96 and 1996-97 from three dealers, surcharge was either not levied or levied short, resulting in short realisation of Rs.8.12 lakh.

On this being pointed out (October 1999, January/February 2000) in audit, the department revised (November 1999) the assessment in one case and raised an additional demand for Rs.3.70 lakh. Replies in respect of other cases have not been received (September 2000).

The matter was reported to Government (between December 1999 and March 2000); their reply has not been received (September 2000).

(ii) Under the Tamil Nadu Sales Tax (Surcharge) Act, 1971, as amended with effect from 1 July 1989, every dealer who is liable to pay tax under the Tamil Nadu General Sales Tax Act, 1959, on the sale or purchase of goods in the limits of Municipal Corporation of Chennai and within 32 kilometers from its outer peripheral, shall pay an additional surcharge at the rate of five per cent of such tax in addition to surcharge.

In Ramnagar Assessment Circle, Coimbatore, on the tax due of Rs.191.74 lakh from a dealer for the year 1992-93, in respect of his sales made at Chennai branch office, a sum of Rs.3.39 lakh only was levied as additional surcharge, as against Rs.9.58 lakh. This resulted in short levy of additional surcharge amounting to Rs.6.19 lakh.

The case was reported to the department (December 1999/February 2000) and Government (February 2000); their replies have not been received (September 2000).

<sup>15</sup> Egmore-I (Chennai), Fast Track Assessment Circle-II, (Coimbatore) and Virudachalam.

## **2.9 Short-levy of additional sales tax**

Under the Tamil Nadu Additional Sales Tax Act, 1970, additional sales tax was leviable at the rates as prescribed from time to time on the taxable turnover of a dealer if it exceeded rupees ten lakh.

In Myladuthurai-I and Ramnagar (Coimbatore) Assessment Circles on the taxable turnover of Rs.5595.76 lakh of three dealers for the years 1989-90, 1990-91 and 1992-93, additional sales tax due was incorrectly worked out as Rs.127.27 lakh instead of Rs.137.65 lakh resulting in short levy of additional sales tax amounting to Rs.10.38 lakh.

On this being pointed out in audit, (July/December 1999), the department revised (September 1999), the assessment in the cases of 2 dealers and raised additional demands for Rs.4.12 lakh out of which a sum of Rs.2.57 lakh was collected in one case and the other case is stated to be covered by deferral scheme. Report in respect of other case has not been received (September 2000).

The cases were reported to the Government (October 1999 and February 2000); their replies have not been received (September 2000).

## **2.10 Affording of excess credit**

According to Commercial Taxes Manual, assessment registers are to be maintained for each year in the assessment circles to show the tax paid by the assessee. Credits outstanding in respect of an assessee during a year are carried over to the register of the subsequent year. Further the credit entries should be attested by the Superintendent of the circle. The assessing authority should also test check as many credit entries as possible.

In five<sup>16</sup> assessment circles, while finalising the assessments of six dealers, for the years 1993-94 to 1996-97, the amount paid as tax by the dealers was either taken in excess or accounted for twice which resulted in affording of excess credit to the dealers account to the tune of Rs.7.17 lakh.

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<sup>16</sup> Ambattur (Chennai), Fast Track Circle II (Coimbatore), Trichy Road (Coimbatore), Valparai and Vepery (Chennai).



On this being pointed out (between February 1999 and January 2000) the department withdrew the excess credit afforded by revision (between April and October 1999) of the assessment and raised an additional demand of Rs.2.17 lakh in respect of 5 dealers (except in the case of one dealer in Fast Track Circle-II Coimbatore), out of which an amount of Rs.1.45 lakh has been collected. Report on recovery of balance amount and reply in respect of other case has not been received (September 2000).

The case (Fast Track Circle-II-Coimbatore) was reported to the Government (March 2000) and the reply thereon has not been received so far (September 2000).

### **2.11 Incorrect computation of taxable turnover**

Under the TNGST Act, the taxable turnover of a dealer is determined on the basis of sales shown in the returns or on the basis of further evidence/records produced after allowing permissible deductions. The sales tax is leviable at the rates specified in the Schedules to the Act on the taxable turnover so determined. In addition surcharge, additional surcharge, additional sales tax and penalty are also leviable as per the provisions of the Acts.

In seven<sup>17</sup> assessment circles, the taxable turnovers of seven dealers for the years 1993-94 to 1997-98 were incorrectly computed. This resulted in consequent short-levy of tax of Rs.6.33 lakh (inclusive of penalty).

On this being pointed out (between April 1998 and February 2000) the department revised (between April 1999 and February 2000) the assessments in all the cases except in one case and raised additional demand for Rs.5.60 lakh (including penalty) of which a sum of Rs.4.78 lakh (including penalty of Rs.0.59 lakh) in 4 cases has been collected. Report of collection in other cases and reply in respect of another case have not been received (September 2000).

The cases were reported to the Government (June 2000); their reply has not been received (September 2000).

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<sup>17</sup> Avinashi Road (Coimbatore), Dindugul III & V, Egmore-I, Mannady-West (Chennai), Tenkasi and Woraiyur (Trichy).

## **2.12 Incorrect grant of concessional rate of tax**

As per provisions of the Tamil Nadu General Sales Tax Act, 1959, on sale of any goods, tax is leviable at the concessional rate of 3 per cent under certain conditions and subject to the production of declarations (Form XVII) obtained from the purchaser.

As per Entry 18 of Part E of the First Schedule to Tamil Nadu General Sales Tax Act, 1959, sales of electrical goods including all kinds of wires and cables, are taxable at twelve per cent.

In P.N. Palayam Assessment Circle (Coimbatore), on sale of copper wires amounting to Rs.49.39 lakh made by a dealer during 1993-94 tax was incorrectly levied at the concessional rate of three per cent instead of at the correct rate 12 per cent as the sales were not covered by valid declarations in Form XVII. This had resulted in short levy of tax by Rs.5.11 lakh (inclusive of surcharge).

On this being pointed out (May 1998) the department revised (March 1999) the assessment and raised additional demand for Rs.5.11 lakh. The report of recovery had not been received (September 2000).

The matter was reported to the Government (May 2000); their reply had not been received (September 2000).

## CHAPTER - 3

### LAND REVENUE

#### 3.1 Results of Audit

Test check of records of Land Revenue department conducted during the period from April 1999 to March 2000 revealed Non/short levy of local cess and local cess surcharge, non-levy of water cess and betterment contribution, non-levy of penalty and interest, short recovery of rent in respect of Government lands, other irregularities etc., amounting to Rs.10782.16 lakh in 118 cases which broadly fall under the following categories:

| Sl. No | Categories  | No. of cases | Amount (Rs.in lakh) |
|--------|---|--------------|---------------------|
| 1      | Non-levy/short levy of local cess and local cess surcharge                              | 3            | 26.33               |
| 2      | Non-levy of water cess and betterment contribution                                      | 5            | 62.96               |
| 3      | Non-levy of penalty and interest  | 11           | 85.12               |
| 4      | Short recovery of rent in respect of Government lands assigned, alienated or encroached | 22           | 287.39              |
| 5      | Review on "Receipts under Land Revenue"   | ---          | 9977.65             |
| 6      | Other irregularities  | 77           | 342.71              |
|        | <b>Total</b>  | <b>118</b>   | <b>10782.16</b>     |

During the course of the year 1999-2000, the department accepted under-assessments etc., amounting to Rs.28.95 lakh in 51 cases (pointed out in earlier years) which was also collected.

A Review on 'Receipts under Land Revenue' and an illustrative case involving a financial effect of Rs.657.82 lakh are mentioned in the following paragraphs:

## **3.2 Receipts under Land Revenue**

### **Highlights**

**(i) Failure to obtain details relating to production of salt from the Department of Salt had resulted in short-levy of royalty amounting to Rs.26.75 lakh in 6 districts.**

[Paragraph 3.2.5]

**(ii) Penalty amounting to Rs.112.99 lakh relating to periods between fasli 1404 to 1408 (1 July 1994 to 30 June 1999) in 8 districts was pending collection as arrears of land revenue.**

[Paragraph 3.2.6]

**(iii) Failure to renew the lease granted to 6 institutions/delay in fixation of lease rent resulted in revenue foregone amounting to Rs.283.91 lakh and non-realisation of lease rent amounting to Rs.198.35 lakh.**

[Paragraph 3.2.8]

### **3.2.1 Introduction**

Basic assessment on land fixed at the time of last ryotwari<sup>18</sup> settlement during 1937, is the main item of land revenue. There are certain other items of revenue which are collected by the district revenue authorities along with Land Revenue. These items fall under two categories (i) revenue due to local bodies but collected and credited under the "Land Revenue" head in the first instance for allocation to local bodies e.g. local cess and local cess surcharge under the Tamil Nadu Panchayat Act, 1958 and additional surcharge under the

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<sup>18</sup> The system of determination of assessment on land under which the ryot pays his fixed assessment direct to the Government. It is a settlement with the peasantry as tenants of the State. This right can be inherited, sold or burdened for debt.

Tamil Nadu Land Revenue (Additional surcharge) Act, 1955. (ii) revenues creditable to other heads but initially assessed and collected by the Revenue Department e.g. Betterment Contribution under the Tamil Nadu Irrigation (Levy of Betterment Contribution) Act, 1955, cost of survey operation, cost of establishment of survey staff lent to local bodies etc.

### 3.2.2 *Organisational set-up*

At the apex level, Special Commissioner and Commissioner of Land Administration and Revenue Administration is the Head of the Revenue Department under whom function the Collectors, Divisional Revenue Officers, Tahsildars and Deputy Tahsildars, who are empowered to levy and collect land revenue based on the Village Administration Officers' accounts and statements.

### 3.2.3 *Scope of Audit*

Since non/incorrect levy of land revenue may involve loss of revenue to Government, a review was conducted between October 1999 and March 2000 to verify as to how far the provisions and procedures prescribed in the Board's Standing Orders and executive orders issued by the government/department were observed to ensure correctness of the assessment and collection of land revenue thereon.

Under the review, the receipts pertaining to the period 1 July 1994 to 30 June 1999 (Faslis 1404 to 1408) and connected records maintained by sixteen<sup>19</sup> District Collectorates out of 29 Districts and 61 Taluk Offices out of 209 Taluks were test checked. Six<sup>20</sup> offices of the Assistant Commissioners of Urban Land Tax and the office of the Special Deputy Collector (Land Acquisition) Neyveli were also test checked.

### 3.2.4 *Cost of collection of Land Revenue*

The land revenue collected under the head "Land Revenue" and the expenditure incurred for the period 1995-96 to 1999-2000 were as follows:

<sup>19</sup> Chennai, Coimbatore, Cuddalore, Erode, Kancheepuram, Madurai, Nagapattinam, Ooty, Pudukottai, Ramnad, Tanjavur, Tirunelveli, Trichy, Tuticorin, Salem and Vellore.

<sup>20</sup> Alandur (Chennai), Coimbatore, Erode, Pollachi, Udagamandalam and Salem.

(Rupees in lakh)

| Year                             | Receipts | Expenditure | Percentage of expenditure to Receipts |
|----------------------------------|----------|-------------|---------------------------------------|
| 1995-96                          | 2521.09  | 5037.21     | 199.80                                |
| 1996-97                          | 1877.47  | 5726.12     | 304.99                                |
| 1997-98                          | 6030.88  | 6465.45     | 107.21                                |
| 1998-99                          | 2828.30  | 7784.40     | 275.23                                |
| 1999-2000<br>(upto October 1999) | 3500.00  | 5159.12     | 147.40                                |

It may be seen that the percentage of cost of collection ranged from 107.21 per cent to 304.99 per cent during the above period. The percentage would be still higher if a portion of the expenditure on the staff of Taluk office such as Village Administrative Officers, Village Assistants and Revenue Inspectors (debited to the head relating to District Administration) who are directly involved in the collection of land revenue is also included.

### 3.2.5 Short levy of royalty

Royalty on manufactured quantity of salt is to be levied from the licensed salt manufacturers in the State of Tamil Nadu on the basis of production figures to be obtained by the District Officials from the Salt Commissioner, Department of Salt, Government of India.

The rate of royalty was rupee one per metric tonne of salt produced subject to a minimum of Rs.25 per acre per annum (fixed in 1992).

A scrutiny of records of the revenue department in six<sup>21</sup> out of ten districts revealed that during the period 1994 to 1998 royalty of Rs.9.43 lakh was levied at the minimum rate of Rs.25 per acre per annum. However royalty of Rs.36.18 lakh was leviable on 36.18 lakh metric tonne of salt produced as per the details collected from the Department of salt. This resulted in short levy of Rs.26.75 lakh.

<sup>21</sup> Cuddalore, Kamnyakumari, Nagapattinam, Thanjavur, Thothukudi and Tiruvallur.

### 3.2.6 *Non-collection of penalty on arrears of land revenue*

According to an order issued by the government on 3 July 1974, with effect from fasli 1384 (1 July 1974), if any land holder failed to pay land revenue in the fasli year in which it falls due, and also in the fasli year that followed, then in the third fasli year, he should be charged a penalty at the rate of 5 per cent per year of default for the period subsequent to the two year period of grace mentioned above.

A test check of records in eight<sup>22</sup> districts revealed that an amount of Rs 112.99 lakhs for the period from fasli 1404 to 1408 (1 July 1994 to 30 June 1999) being the penalty recoverable on belated payment of arrears of land revenue was pending collection.

Though omission to levy penalty on arrears of land revenue was pointed out and inspite of instructions issued by the Government (July 1995) that such dues are collectable under statutory provision, the information regarding the quantum of dues and the period from which these are recoverable is yet to be received by the Commissioner of Revenue Administration from District Collectors.

On this being pointed out (January 2000), the department replied (January 2000) that the District Collectors were instructed (June 1999) to recover the penalty amount and the details of recovery is awaited (August 2000).

### 3.2.7 *Non-collection of quit rent in Chennai city and other urban areas*

Under Section 23 of the Tamil Nadu Urban Land Tax Act, 1966, the urban land tax replaces the ryotwari assessment, the assessment levied under the Tamil Nadu Inam (Amendment Act, 1956), the ground rent, quit rent and any amount due under the Madras City Land Revenue Act, 1951. However, in respect of lands which are not assessed to urban land tax, quit rent shall be collected.

The levy of quit rent in urban areas of Chennai city and collection thereof was suspended due to stay granted by Hon'ble Madras High court (1985). However, the Hon'ble High Court upheld (January 1994) the levy of quit rent and directed the authorities concerned to issue demand notices for the payment of quit rent. Accordingly, the rates of quit rent was fixed by the Collector of Chennai (July 1995) and demands were raised for Rs.357.19 lakh.

<sup>22</sup> Coimbatore, Cuddalore, Erode, Nagapattinam, Pudukottai, Salem, Thanjavur and Tirunelveli.

(i) A test-check of the records in five<sup>23</sup> taluk offices in Chennai revealed that the demand for the payment of quit rent pending collection for the period 1 July 1995 to 30 June 1999 (fasli 1405 to 1408) has been assessed at Rs.53.75 lakh. Out of this Rs.7.21 lakh has been collected by the department (February 2000), leaving a balance of Rs.46.54 lakh which remains uncollected.

(ii) Similarly, the rates of quit rent in other urban areas are to be fixed by the concerned District Collector. However the same was not done till-date.

A test-check of exemption register and enumeration register relating to six<sup>24</sup> offices of Assistant Commissioner (Urban Land Tax) revealed that in respect of 20605 cases quit rent could not be demanded and collected due to non-fixation of the rates resulting in non-realisation of revenue due to the Government.

### **3.2.8 Leasing of Government lands**

Under the provisions of Revenue Standing Order 24-A, Government land are leased out to private organisations, trusts and other Government bodies for a specified period with certain conditions. The District Administration is required to take action for fixation of lease rent, terms of lease, execution of the lease deed and renewal of lease or resumption of land wherever necessary.

Lease rent once fixed can be revised once in 3 years or 5 years as the case may be. Further in cases where the occupation (whether authorised or unauthorised) of Government land escaped notice, the collection of previous assessment shall be limited to the period of occupation or ten years which ever is less.

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<sup>23</sup> Egmore-Nungambakkam, Fort-Tondiarpet, Mambalam-Guindy, Mylapore - Triplicane and Pursawakkam-Perambur.

<sup>24</sup> Alandur, Coimbatore, Erode, Pollachi, Salem and Uthagamandalam.



With a view to check the omissions/irregularities if any, on the part of the department, test check was conducted in nine<sup>25</sup> districts involving 81 cases.

In 6 out of 81 cases test checked, due to delay on the part of the department in sending proposals regarding sanction of lease, fixation of lease rent, renewal/revision of lease rent parties have been enabled to delay the payment for over 10 years with the added advantage of not paying the interest on the arrears for the period they were enjoying the benefit of the land.

Even after expiry of the lease, parties were either paying the old lease rent which is very low compared to present market value of the land or not even paying any lease rent and the lessees continue to be in possession of the land which resulted in non-realisation of lease rent amounting to Rs.198.35 lakh and revenue foregone amounting to Rs.283.91 lakh due to limitations prescribed under the R.S.O. in collecting the lease rent as detailed below:

(Rupees in lakh)

| Name of the lessee                            | Extent leased out   | Period for which lease was sanctioned                                     | Revenue foregone due to limitation of period | Revenue yet to be collected | Remarks   |
|---|---|---|--|-----------------------------|---|
| 1   | 2   | 3   | 4  | 5                           | 6   |
| Chinthamani Co-operative super market. Trichy | 24,893 Sq. Feet. Puthur village. Tiruchy                  | 30 years from 26 September 1989 (G.O. Ms.1592 Revenue (12) dated 26.09.89 | 47.45 From 26.09.89 to 31.01.2000            | —                           | Lease Rent proposal have not been sent to collector. Trichy. by the RDO till September 1999. Consequently, lease rent has not been fixed and collected from the lessee.   |
| RBCC High School. Perambur Chennai            | 63 grounds and 925 Sq. feet Perambur village RS No. 356/1 | From 1961 to 1967 G.O. Ms. 5782 Revenue dated 30.11.61                    | 209.36                                       | 115.44 (1990 to 1999)       | Renewal of lease proposal beyond 1967 has not been issued so far (December 1999) and consequently lease rent has not been revised for years together and the lessee continue to enjoy the possession of the land without paying any rent for the past 30 years. |

<sup>25</sup> Chennai, Coimbatore, Erode, Kancheepuram, Salem, Tirunelveli, Trichy, Tuticorin and Vellore.

| 1                                    | 2  | 3  | 4             | 5  | 6  |
|--------------------------------------|--|--|---------------|--|--|
| M/s Voltas Limited, Chennai          | 2757 Sq feet Mylapore village              | Renewal of lease from 1 July 1988  | 21.33         | —  | Lease which expired on 30 June 1988 was not renewed, but the lessee continued to hold the possession of the land till date.  |
| Mahalakshmi Traders, Mettur Dam      | 0.24 acres TS 2/1, Mettur town, Salem      | Lease sanctioned for 20 years from 17 September 1967                         | 1.14          | 9.47                                       | Lease not renewed after 16 September 1987. Renewal of lease application submitted by the lessee in 1995 for a further period of 20 years from 17 September 1987 was forwarded by the Collector, Salem and still pending with SCCLA, Chennai.                                     |
| Pachaiappa trust, Chennai            | 6 grounds and 1730 Sq. feet                | Lease was renewed for a period of 20 years from 15 July 1963 to 14 July 1983 | 4.63          | 63.20<br>From 15 July 1988 to 14 July 1998 | Lease proposal was forwarded by the Collector for renewal for a further period of 20 years from 15 July 1983. However, no orders were issued by the Government so far. Consequently, lease rent was not revised and interest could not be levied from 15 July 1983 to till date. |
| Dalmiya Magnesite Corporation, Salem | 3.25 acres in Omalur taluk, Salem District | The lease was granted for a period of 10 years from 21 December 1977         | -             | 10.24                                      | Renewal of lease for the period from 21 December 1987 to 20 December 1997 is pending with the government. The lease rent has not been revised even though government policy is to revise the lease rent periodically.  |
| <b>Total</b>                         |  |  | <b>283.91</b> | <b>198.35</b>                              |  |

### 3.2.9 Alienation of Government poramboke lands

Government land classified as dry and wet and belonging to pattadars of villages in Panruti and Vridhachalam Taluks were acquired/being acquired for the Neyveli Lignite Corporation Limited, Neyveli (NLC) for their mining operation. A Post of Special Tahsildar (Land Acquisition) Neyveli was sanctioned (1990) to attend to this work.

Though the acquisition of patta lands were commenced as early as 1966 and permission was granted to NLC to enter upon the Government poromboke lands lying in between and in adjoining acquired patta lands it was seen that the process of alienation of Government poromboke lands was initiated only in 1990. In September 1998, sanction was accorded by the Government for the creation of special staff to attend to the works relating to the alienation of Government poromboke land to NLC.

Test check of records relating to alienation in the office of the Special Deputy Collector, Land Acquisition (SDCLA), Neyveli revealed the following:

i) According to the Government order issued (July 1990), out of 84.05.5 hectares of Government poromboke lands in Neyveli and six other villages, 3.63 hectares of Government poromboke lands in Neyveli Village were alienated so far to NLC Ltd., fixing the market value at Rs.74,100 per hectare. In two other cases also, in respect of 10.40 hectares of land in the same village, the same market value was adopted by the District Revenue Officer. Thus a total extent of 14.03 hectares of Government poromboke land in Neyveli village were alienated. The balance 70.02.5 hectares of land lying in the remaining six villages are yet to be alienated and the cost of land is yet to be recovered from the NLC Ltd.

ii) Similarly, in nineteen cases, alienation proposals sent by the SDCLA, Neyveli to the District Revenue Officer for the alienation of a total of 259.87.6 hectares of Government poromboke lands to NLC are pending for want of issue of final orders of alienation by the Government. Consequently the cost of land could not be worked out and collected from NLC.

### **3.2.10 Encroachment of Government land**

Tamil Nadu Encroachment Act 1905 lays down the procedure for dealing with unauthorised occupation of government lands. If the encroachment is by putting up a permanent structure, the site under encroachment may be assigned to the encroacher on collection of twice the market value.

In Thanjavur District, it was noticed that 8.34.8 hectares of Government poromboke lands in Thirumalai Samudram Village, was under encroachment by Shanmuga Engineering College from 1985 onwards by constructing super structures thereon. A meagre penalty of Rs 10 per year was levied and collected. On this being pointed out (August 1998) eviction orders were issued (May 1999) by the District authorities consequent on rejection of appeal of the college by DRO. Subsequently revision petition filed by the College was referred (January 2000) to the Special Commissioner and Commissioner of

Land Reforms, Chennai and a decision is yet to be taken in this regard. Inordinate delay in taking a decision had resulted in the encroacher continue to enjoy the possession of the lands without assignment (September 2000).

Had timely action been taken to assign the land, Government would have realised a revenue of Rs.41.36 lakh based on the guideline rate of Rs.2.30 per sq.ft.

### **3.2.11 Non-recovery of cost of survey staff**

The cost of establishment charges incurred on the officials lent to Municipalities/Panchayats have to be worked out by the department according to the instructions issued by the Government (June 1989) The same has to be apportioned in the manner prescribed in the survey manual and recovered from the borrowing institutions.

On a test check of records in the office of the Assistant Director of Survey and Land Records, Chennai, it was noticed (January 2000) that in twenty<sup>26</sup> districts a sum of Rs.81.59 lakh only has been collected out of the total demand of Rs.558.85 lakh raised towards cost of survey staff lent to municipality for the period 1981 to 1990.

In respect of twelve<sup>27</sup> districts the cost of survey staff due from the Municipalities are yet to be assessed for the period 1994-95 to 1998-99. Similarly out of Rs.78.71 lakh due from the panchayats in nineteen<sup>28</sup> districts towards the cost of survey staff lent for the year between 1979 and 1999 for the services rendered, a sum of Rs.2.61 lakh only has been recovered as on 31 March 2000 and the balance of Rs.76.10 lakh remain uncollected. Thus a total sum of Rs.553.36 lakh is pending collection from the local bodies as on March 2000.

On this being pointed out (January 2000), the department stated (January 2000) that the amount could not be collected for want of sufficient funds in the Municipalities and panchayats concerned.

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<sup>26</sup> Cuddalore, Coimbatore, Dharmapuri, Dindigul, Erode, Kancheepuram, Madurai, Nagercoil, Ooty, Pudukottai, Ramanathapuram, Salem, Sivaganaga, Thanjavur, Tirunelveli, Trichy, Tuticorin, Vellore, Villupuram & Virudhunagar

<sup>27</sup> Coimbatore, Cuddalore, Dharmapuri, Dindigul, Madurai, Pudukottai, Ramanathapuram, Salem, Thanjavur, Tiruchirapalli, Udhamandalam and Villupuram.

<sup>28</sup> Coimbatore, Cuddalore, Dharmapuri, Dindigul, Erode, Madurai, Nagercoil, Pudukottai, Ramanathapuram, Salem, Sivaganai, Thanjavur, Tirunelveli, Tiruvannamalai, Tuticorin, Udhamandalam, Vellore, Villupuram and Virudhunagar

### 3.2.12 Non-collection of interest on betterment contribution

The Tamil Nadu Irrigation Act, 1955, provides for the levy and collection of betterment contribution on all lands benefited by any notified irrigation or drainage work the cost of which exceeds Rs.1.50 lakh executed by the Government on or after 1 January 1947.

The annual instalment of betterment contribution fixed and levied shall become payable on or before 10<sup>th</sup> of first month (July) of each fasli year. Interest at 6 per cent per annum is leviable on delayed payments.

In Thoothukudi and Coimbatore Districts it was noticed (December 1999 to January 2000) that for the period 1 July 1971 to 30 June 1991 (fasli 1381 to 1400) betterment contribution of Rs.45.06 lakh was paid belatedly, the delay ranging from 14 to 20 years, for which interest amounting to Rs.27.94 lakh though leviable was not levied.

On this being pointed out (December 1999 to January 2000) the department replied (December 1999 to January 2000) that action would be taken to collect the interest.

### 3.3 Non realisation of lease rent

Under the Board's Standing Orders, lease of Government lands for non-agricultural purposes should be covered by an agreement in the prescribed form. The lease amount should be collected in advance annually. Land revenue for this purpose includes lease rent payable to the Government in respect of land held on lease from the Government

Under the Tamil Nadu Panchayats Act, 1958, local cess and local cess surcharge at the rates of Re.1 and Rs.5 respectively are leviable on every rupee of land revenue payable to Government

In Chengalpattu Taluk, Government lands measuring 4.04 hectares in Melakottaiyur Village was leased out (December 1989 and January 1990) to two persons for 9 years from 19 December 1991 on an annual lease rent of Rs.22,522. The lessees paid the lease amount, including local cess and surcharge on local cess for the first year only. The department failed to collect/realise the lease amount, local cess and surcharge on local cess for the subsequent years (ie) fasli 1402 to 1407 (1 July 1992 to 30 June 1998). This has resulted in non-realisation of land revenue amounting to Rs.7.88 lakh..

On this being pointed out (September 1995), the department replied (September 1996) that action would be taken to raise the demand and to realise the dues from the above individuals. Further action taken report has not been received so far (June 2000).

This was brought to the notice of the Government/department (May/October 2000); their reply has not been received (October 2000).

## CHAPTER – 4

### TAXES ON VEHICLES

#### 4.1 Results of Audit

Test check of records of departmental offices conducted during the period from April 1999 to March 2000 revealed non/short-collection of tax/fees, short collection of penalty and incorrect/excess refund of tax etc. amounting to Rs.1277.47 lakh in 140 cases which broadly fall under the following categories:

| Sl. No | Categories                     | No. of cases | Amount (Rs.in lakh) |
|--------|--------------------------------|--------------|---------------------|
| 1      | Non/Short -collection of tax   | 76           | 1216.25             |
| 2      | Non/Short- collection of fees  | 31           | 25.91               |
| 3      | Short- collection of penalty   | 32           | 31.70               |
| 4      | Incorrect/excess refund of tax | 1            | 3.61                |
|        | <b>Total</b>                   | <b>140</b>   | <b>1277.47</b>      |

During the course of the year 1999-2000, the department accepted under-assessments, non-realisation of revenue due to non-issue of fresh permits etc., amounting to Rs.17.56 lakh in 10 cases, of which 1 case amounting to Rs.0.02 lakh was pointed out during 1999-2000 and the rest in earlier years. An amount of Rs.2.74 lakh has been collected (December 1999).

Three cases involving a financial effect of Rs.2400.63 lakh are mentioned below:

#### **4.2 Short levy due to mis-classification of light motor vehicle as maxi cab**

Under Motor Vehicles Act, 1988, a 'maxi cab' has been defined as any motor vehicle constructed or adapted to carry more than six passengers, but not more than 12 passengers excluding the driver, for hire or reward. The tax leviable for the maxi cab is Rs.150 per seat per quarter. On the other hand, a mini bus is a vehicle constructed or adapted to carry more than six passengers but not more than 25 passengers. When such vehicle is used as contract carriage, the tax leviable thereon is Rs.1500 per passenger per quarter (upto 31 March 1998) and Rs.2000 thereafter.

In fourteen<sup>29</sup> regions, it was noticed (between June 1999 and February 2000) that 2090 light motor vehicles (manufactured by M/s. Mahindra and Mahindra Ltd., Model - FJ470 DS) with a seating capacity of 16 in all (as per manufacturer's certificate) were registered during the period as maxi cab with seating capacity of 12 and issued permits accordingly. Tax had also been collected for 12 seats only. Whereas light motor vehicles of the same model when registered as private service vehicles were registered with a seating capacity of 16 and classified as mini buses.

Since these vehicles were manufactured with a seating capacity of 16 and meant for carrying passengers on hire or reward, they were classifiable as mini buses (contract carriages), and leviable to tax at Rs.2000 per passenger per quarter. The incorrect classification resulted in short levy of tax amounting to Rs.2357.52 lakh for the period 1998-99.

On this being pointed out (between June 1999 and February 2000) the department stated (March 2000) that the Government had issued orders (January 1990) to register such vehicles as maxi cabs on the basis of their wheel base.

The reply is not acceptable since (i) as per the Act, the classification of a passenger vehicle depends upon its seating capacity and not on wheel base and (ii) the same model vehicles when registered as private service vehicle, were permitted to carry 16 passengers in all and registered as mini bus.

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<sup>29</sup> Chennai - North West (Anna Nagar), Cuddalore, Chennai (South), Chennai - South West (Valasaravakkam), Chennai (West), Dindigul, Gobichettipalayam, Kancheepuram, Nagercoil, Namakkal, Tirunelveli, Tiruvannamalai Tiruvarur and Trichy.



This was brought to the notice of the Government (March 2000), their reply is awaited (September 2000).

#### **4.3 Short levy of fine on overloading by goods vehicles**

Under the Motor Vehicles Act, 1988, a minimum fine of Rs.2000 and an additional fine of Rs.1000 per tonne of excess load are leviable with effect from November 1994 in respect of vehicles carrying overloads. This had also been communicated by the Transport Commissioner, Chennai (May 1997) to all regional transport officers in the State.

In twenty two<sup>30</sup> regions, it was noticed (between April 1998 and January 2000), that fine on 1411 goods vehicles which were found by the department to be overloaded was levied at pre-revised rates. This resulted in short-levy of fine of Rs.29.11 lakh

The matter was brought to the notice of the department (April 1999/March 2000) and Government (March 2000); their replies have not been received so far

#### **4.4 Non-realisation of revenue due to non-issue of fresh Permits**

The Government by a notification (October 1996) introduced a modified approved scheme in the city of Chennai metropolitan area according to which all vehicles belonging to the state transport undertaking in Chennai metropolitan area were immediately brought under the new modified scheme. As the existing system is modified and approved, the permits issued previously to the state transport undertaking became invalid and a fresh permit in the light of the modified scheme has to be obtained.

<sup>30</sup> Coimbatore (South), Cuddalore, Dindigul, Erode, Gobichettipalayam, Kancheepuram, Karur, Nagapattinam, Nagercoil, Namakkal, Perambur, Pollachi, Pudukottai, Salem, Sivaganga, Thanjavur, Tirunelveli, Tiruvannamalai, Tuticorm, Valasaravakkam (Chennai), Villupuram and Virudhunagar.

In Chennai Central Region, it was noticed (October 1998) that a state transport undertaking operating 1443 regular stage carriages and 135 spare buses under the old scheme had obtained fresh permits for 578 vehicles only upto July 1997. The remaining 1000 stage carriages continue to be operated with permits issued under the old scheme which are invalid. This resulted in non-realisation of revenue amounting to Rs.14.00 lakh.

On this being pointed out (January 1999), the department stated (October 1999) that the state transport undertaking has been requested to apply immediately for issue of fresh permits in respect of remaining vehicles. Further report on action taken is awaited.

The matter was reported to Government (February/October 2000); their reply has not been received so far.

**CHAPTER - 5**  
**OTHER TAX RECEIPTS**  
**A - URBAN LAND TAX**

**5.1 Results of Audit**

Test check of records of departmental offices conducted during the period from April 1999 to March 2000 revealed under assessment/non-levy of urban land tax, incorrect grant of exemption, other irregularities etc. amounting to Rs.246.85 lakh in 45 cases which broadly fall under the following categories:

| Sl. No | Categories                                  | No. of cases | Amount (Rs. in lakh) |
|--------|---|--------------|----------------------|
| 1      | Under-assessment/non-levy of urban land tax | 27           | 200.63               |
| 2      | Incorrect grant of exemption                | 7            | 3.12                 |
| 3      | Other irregularities                        | 11           | 43.10                |
|        | <b>Total</b>                                | <b>45</b>    | <b>246.85</b>        |

During the course of the year 1999-2000, the concerned department accepted under-assessments of Rs.22.21 lakh in 14 cases out of which an amount of Rs.6.71 lakh was collected in five cases.

Two illustrative cases involving a financial effect of Rs.21.11 lakh are mentioned below.

**5.2 Non-revision of urban land tax**

Under the Tamil Nadu Urban Land Tax Act, 1966, as amended in 1991, urban land tax is leviable on the basis of market value of land as on 1 July 1971 upto Fasli 1400 (i.e. upto 30 June 1991) and thereafter on the basis of market value of lands as on 1 July 1981. In such cases, where the revised urban land tax leviable on the basis of market value as on 1 July 1981 exceeds five times tax already levied, the revised urban land tax shall be limited to five times of the tax levied.

In Egmore Assessment Division it was noticed that 113 Grounds and 1033 sq.ft. of urban land owned by Employees' State Insurance Corporation comprising administrative office and staff quarters was not assessed to tax as per the amended Act. Failure to revise the assessment resulted in short levy of tax amounting to Rs.7.95 lakh for the period fasli 1401 to 1407 (1 July 1991 to 30 June 1998).

On this being pointed out (December 1998) the department revised the assessment order (February 1999) and collected a sum of Rs.6.81 lakh (August 2000). Report regarding collection of balance amount is awaited.

The matter was reported to Government (March 2000); their reply has not been received (May 2000).

### **5.3 Non-assessment of urban lands**

Under the Tamil Nadu Urban Land Tax Act, 1966, as amended from time to time, lands lying within 16 kilometres from the outer limits of Chennai city are assessable to urban land tax from fasli 1385 onwards (1 July 1975) on the basis of market value as on 1 July 1971 upto fasli year 1400 (30 June 1991) and on the basis of market value as on 1 July 1981 from fasli year 1401 (1 July 1991).

In two assessment divisions, urban lands measuring 1467 grounds<sup>31</sup> and 2130 square feet belonging to a company and 15 other assesseees were either not assessed to tax from fasli 1385 (1 July 1975) or not revised after the amendment came into effect from fasli 1401 (1 July 1991) onwards. This resulted in non/short-levy of urban land tax amounting to Rs.13.16 lakh as detailed below:

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<sup>31</sup> Ground : One ground is equivalent to 2400 square feet.

| Sl. No.      | Name of the assessment division (Name of villages)                    | Area not assessed to tax         | Area assessed to tax and month in which assessment order was passed by the department/period for which assessment has been made. | Non/Short-levy of tax (Rs. in lakh) |
|--------------|---|----------------------------------|--|-------------------------------------|
| 1            | Tambaram (Chitlapakkam, Rajakilpakkam, Hasthinapuram and Irumbuliyur) | 716 grounds and 2020 square feet | 665 grounds and 999 square feet (November 1999, April 1997 to February 1999) - (1 July 1991 to 30 June 1995)                     | 8.97                                |
| 2            | Ambattur (Soorapattu)   | 751 grounds and 110 square feet  | 748 grounds and 110 square feet (April 1997 to February 1999) - (1 July 1985 to 30 June 1999)                                    | 4.19                                |
| <b>Total</b> |   |                                  |  | <b>13.16</b>                        |

On this being pointed out (December 1995/January 1999), the department revised the assessments (April 1997 and February/November 1999) and raised demands for Rs.13.16 lakh. Report on recovery is awaited (October 2000).

The matter was reported to the Government (March/August 2000); their replies has not been received (October 2000).

## B - ENTERTAINMENTS TAX

### 5.4 Results of Audit

Test check of records in the departmental offices conducted from April 1999 to March 2000 revealed under assessments of tax amounting to Rs.14.71 lakh in 13 cases which fall under the following categories.

| Sl.No. | Categories   | No. of cases | Amount (Rs. in lakh) |
|--------|--|--------------|----------------------|
| 1      | Loss of revenue due to delay in reclassification of local bodies | 9            | 11.52                |
| 2      | Other irregularities   | 4            | 3.19                 |
|        | <b>TOTAL</b>   | <b>13</b>    | <b>14.71</b>         |

An illustrative case involving a financial effect of Rs.7.78 lakh is mentioned below.

### 5.5 Loss of revenue due to delay in reclassification of local bodies

According to Section 5-A of the Tamil Nadu Entertainments Tax (TNET) Act, 1939, with effect from 1 July 1989, Entertainments Tax is payable in respect of every show that is held in theatres situated in the areas under municipalities, town panchayats and village panchayats (other than municipal corporations and special grade municipalities) as given in the Schedule to the Act. However, under Section 5-B of the Act, the theatre owner is given the option to pay a compounded rate of tax every week, based on the gross collection capacity for a show, irrespective of the number of shows actually held. Further, whenever the gradation of a municipality or panchayat listed in the Schedule is changed, the tax payable would also change.

In six<sup>32</sup> assessment circles, certain municipalities were upgraded by Government (Municipal Administration and Water Supply Department) with effect from 22 May 1998 but consequent amendment to the Schedule had not been issued so far. The delay in amendment to the Schedule resulted in compounding tax being levied at lower rates in respect of 17 theatres, during the year 1998-99. Consequently, tax amounting to Rs.7.78 lakh could not be demanded and collected.

The Government issued orders in April 1996 to the effect that whenever a decision to upgrade any local body is taken, the concerned department should simultaneously inform the Commissioner of Commercial Taxes within 60 days to enable them to revise the rates.

<sup>32</sup> Kovilpatti I & II, Paramakudi, Tambaram, Uthamapalayam and Vandavasi.

## C – AGRICULTURAL INCOME TAX

### 5.6 Results of Audit

Test check of records of departmental offices conducted during the period from April 1999 to March 2000 revealed short-levy due to incorrect computation of income, incorrect exemption, incorrect computation of holdings of agricultural lands, other cases etc. amounting to Rs.205.65 lakh in 66 cases which broadly fall under the following categories:

| Sl. No | Categories   | No.of cases | Amount (Rs. in lakh) |
|--------|--|-------------|----------------------|
| 1      | Short levy due to mistake in computation of income                         | 20          | 100.03               |
| 2      | Short levy due to incorrect exemption                                      | 18          | 65.57                |
| 3      | Short levy due to mistake in computation of holdings of Agricultural lands | 7           | 1.01                 |
| 4.     | Other cases  | 21          | 39.04                |
|        | <b>Total</b>   | <b>66</b>   | <b>205.65</b>        |

During the course of the year 1999-2000, the concerned department accepted under-assessments, non-levy of interest and penalty, incorrect allowance of deduction amounting to Rs.41.76 lakh in 31 cases. An amount of Rs.33.98 lakh in 30 cases has been collected so far.

An illustrative case involving a financial effect of Rs.23.97 lakh is given below:



### 5.7 Non-levy of interest and penalty for the belated payment of tax/ advance tax

Under the Tamil Nadu Agricultural Income Tax Act, 1955, every person liable to pay agricultural income tax on the agricultural income derived by him during the previous year, shall pay the advance tax for the said previous year on or before the end of February of the said previous year. The advance tax shall not be less than 80 per cent of the tax due on the estimated total agricultural income derived by him during the said previous year. The balance amount of tax shall be payable by an assessee before the 31<sup>st</sup> day of December of that year or in pursuance of demand notice issued failing which the assessee shall pay simple interest at 15 per cent per annum for every month or part thereof on the unpaid balance.

However, it was noticed in two assessment circles, that tax/advance tax was paid by six assessee belatedly for which interest/penalty of Rs.23.97 lakh though leviable was not levied as detailed below:

(Rupees in lakh)

| Sl. No       | Assessment circle/<br>No. of cases | Assessment year/<br>Month of assessment | Amount of tax | Period of delay in months | Penalty/<br>Interest leviable |
|--------------|------------------------------------|---|---------------|---------------------------|-------------------------------|
| 1            | Pollachi<br>(Three)                | i) 1998-99<br>(February 1999)           | 63.65         | 14 to 21                  | 13.14                         |
|              |                                    | ii) 1997-98<br>(March 1998)             | 39.35         | 7 to 17                   | 6.63                          |
|              |                                    | iii) 1995-96<br>(March 1996)            | 7.29          | 13                        | 3.08                          |
| 2            | Gudalur<br>(Three)                 | 1994-95<br>(March 1997)                 | 26.72         | 1 to 5                    | 1.12                          |
| <b>Total</b> |                                    |   |               |                           | <b>23.97</b>                  |

On these being pointed out (between December 1997 to August 1999), the department raised (between September 1997 to December 1999) a demand of Rs.23.17 lakh and collected a sum of Rs.7.71 lakh. Report on recovery of balance amount and raising of additional demand have not been received (September 2000).

The matter was reported to Government (March 2000); their reply have not been received (September 2000).

**CHAPTER - 6**  
**NON-TAX RECEIPTS**  
**A - MINES AND MINERALS**

**6.1 Results of Audit**

Test check of records of departmental offices conducted in Audit during the period from April 1999 to March 2000 revealed non/short-levy of royalty, dead rent, seigniorage fee, other items etc. amounting to Rs.286.47 lakh in 53 cases which broadly fall under the following categories:

| Sl. No | Categories   | No. of cases | Amount (Rs. in lakh) |
|--------|--|--------------|----------------------|
| 1      | Non/Short levy of royalty, Dead rent and Seigniorage fee | 21           | 14.15                |
| 2      | Other items  | 32           | 272.32               |
|        | <b>Total</b>   | <b>53</b>    | <b>286.47</b>        |

During the course of the year 1999-2000, the department accepted under-assessments of Rs.3.88 lakh in five cases of which two cases amounting to Rs.2.91 lakh were pointed out during 1999-2000 and the rest in earlier years.

An illustrative case involving a financial effect of Rs.1924.14 lakh is mentioned below.'

## **6.2 Absence of provision to fix the due date for payment of royalty**

Section 6A(2) of the Oil Fields (Regulation and Development) Act, 1948, provides for payment of royalty at the prescribed rate in respect of any mineral oil mined, quarried or explored by a lessee. Under Rule 14(2) of the Petroleum and Natural Gas Rules, 1959, the lessee, shall, within the first seven days of every month, furnish to the State Government, full and proper return showing the quantity of oil etc. obtained during the preceding month. According to Rule 23(1), all dues if not paid to the Government within the time limit shall be increased by 10 per cent for each month or part thereof during which such dues remain unpaid. However, the due date for payment of royalty has not been prescribed in the Rules.

In Nagapattinam district, one lessee (a public sector undertaking) paid royalty of Rs.96.20 crore for the period April 1993 to March 1998 belatedly, the delay ranging from 45 to 60 days. The revenue forgone on this account amounted to Rs.1924.14 lakh.

Mention was also made in para 9.2 2(iii) of C & A.G.'s Audit Report (Revenue Receipts) Government of Tamil Nadu for the year 1988-89 and the department replied (December 1992) that the quantity of oil produced would be determined only after obtaining the intake certificate from the Madras Refineries Limited and royalty was paid after the receipt of the same.

Even though the absence of the provision was pointed out as early as in 1988-89, the loophole has not been plugged so far. As a result, the penalty could not be levied for the late payment of royalty after the seventh of the succeeding month, the date prescribed for the submission of the return.

The matter was reported to the Government (April/May 2000). Government stated (August 2000), that ONGC was requested (August 1999) to remit the royalty on or before 10<sup>th</sup> of the month succeeding the month of production; however, ONGC had informed that the High Power Committee formed to go into the various issues including the payment of royalty, took a decision that it would pay the royalty on or before 15<sup>th</sup> of every second month from the production month.

Further, in Andhra Pradesh and Assam, due date for payment of royalty has been fixed by issuing Government Order, and inserting a suitable clause in the lease agreement. In the absence of the same in Tamil Nadu, penalty on belated payment of royalty could not be levied.

The matter was reported to the Government (October 2000); their reply has not been received (October 2000).

## B - Health and Family Welfare Department

### 6.3 Non-realisation of contribution payable for medical facilities at Government Hospitals

Government of Tamil Nadu in May 1979 extended medical facilities to the Autonomous Bodies/Corporations which opted for medical attendance of their employees in Government Hospitals, subject to the condition that the organisation would pay to Government contribution of Rs.56 per employee per annum. This was enhanced to Rs 120 in June 1984, to be revised after a period of three years, taking into consideration, the prevailing cost of treatment rendered in Government hospitals and the ESI rate of contribution collected from insured persons (Labour employees). Though the rate of contribution collected by the ESI Corporation was revised on six occasions during 1988-2000, the above rates were not revised accordingly. Government in September 1995 asked the Director of Medical and Rural Health Services (DMRHS) and Director of Medical Education to send proposals for revision of rates. Only in October 1999 the DMRHS suggested revision of rates per employee per annum retrospectively as follows:

|             |        |
|-------------|--------|
| From 1.4.91 | Rs.245 |
| From 1.4.94 | Rs.410 |
| From 1.4.97 | Rs.500 |
| From 1.4.99 | Rs.600 |

Final orders on this issue are still awaited from Government, as of May 2000.

Three Government organisations viz., Tamil Nadu Agro Industries Corporation Limited, Tamil Nadu Adi Dravidar Housing Development Corporation and Tamil Nadu Text Book Corporation had not paid medical contribution at all for certain periods the amount due being Rs 13.64 lakh.

The matter was referred to Government in June 2000; their reply is awaited.

## C - Police Department

### 6.4 Police guard charges

Under the provision of Police Standing Orders (PSO), cost of police guards deployed in different organisations like banks, Central Government/ State Government departments, Central/State Government undertakings etc., had to be recovered from the respective departments/ organisation. The cost of deployment of police Force included average pay, special pay, all admissible allowances, clothing charges etc. The following points were noticed during the course of audit (May 2000).

(i) While assessing the demands of police cost, the elements of cost (*viz.*) Travelling allowances, adhoc bonus, LTC, equipment and gun maintenance charges was not taken into account resulting in under-assessment of cost amounting to Rs.6.62 crore for the years 1997-98 to 1999-2000.

(ii) An amount of Rs.10 crore recoverable from various banks of 10 districts towards V<sup>th</sup> pay commission arrears for the period between January 1996 and December 1999 on the police guards deployed in these banks have not been realised so far.

(iii) The amounts recoverable towards guard charges from 52 organisations as on 31.3.1998 were commented in the Civil Audit Report No.3 (March 1998). The pendency position as of December 1999 from 51 organisations is Rs.87.85 crore. Out of the total amount Rs.54.18 crore (62 *per cent*) related to one organisation alone (National Capital Territory of Delhi), Rs.8.82 crore (10 *per cent*) from Southern Railway and Rs.8.99 crore (10 *per cent*) from Airport Authority of India.

The matter was pointed out to Government in June 2000; the department accepted the objection in the matter of pendency and need for effective follow up.

## D - Public Works Department

### 6.5 Sale of water for industrial purposes

The drawal of water from Government sources for industrial purposes is permissible on payment of royalty charges at prescribed rates payable in advance before 10 April each year by the licensee through the Public Works Department.

The licencees did not pay royalty charges for drawal of water as per agreement conditions in respect of 8 industries noticed in audit. The dues exceeding Rs.10 lakh for the period from 1971-72 to 1999-2000 and works out to Rs.464.91 lakh. The arrears of royalty charges are on account of the following reasons:-

- (i) The licencee paid royalty charges as per actual drawal of water instead of permitted quantity as per agreement.
- (ii) The licencee paid at old rates instead of the revised rate effective from 9 May 1991.
- (iii) Some industries remitted only nominal amounts, far less than the royalty charges due.

As per G.O. Ms. No. 530, PW dated 22.03.1980, penal interest at the rate of one *per cent* per mensem upto 6 months and thereafter at 1.5 *per cent* per mensem or part thereof is leviable for delayed payment of water charges. The non levy of penal interest in respect of 14 cases where the amount was more than Rs.One lakh each, worked out to Rs.555.01 lakh (upto 1999-2000).

A few cases where the royalty charges recoverable and penal interest leviable is more than Rs.20 lakh is shown as under:



(Rupees in lakh)

| Sl. No. | Name of the licensee                                  | Period of assessment | Royalty charges recoverable | Penal interest leviable |
|---------|---|----------------------|-----------------------------|-------------------------|
| 1       | TWAD Board maintenance Division, Tambaram             | 1971-72 to 1999-2000 | 182.39                      | 242.83                  |
| 2       | TWAD Board Tamil Nadu Steels Ltd., Arakkonam          | 1971-72 to 1997-98   | 93.84                       | 117.31                  |
| 3       | TWAD Board SIPCOT Industries, Hosur                   | 1995-96 to 1999-2000 | 78.78                       | 41.41                   |
| 4       | Vellore Co-operative Sugar Mills Ltd., Ammundi        | 1994-95 to 1999-2000 | 49.26                       | 61.00                   |
| 5       | Amaravathy Co-operative Sugar Mill Ltd., Krishnapuram | 1994-95 to 1999-2000 | 20.06                       | 20.00                   |

The matter was referred to Government in June 2000; their reply is awaited (October 2000).

## E - Revenue Department

### 6.6 Non-realisation of seigniorage Fee


As per the Tamil Nadu Minor Mineral Concession Rules, 1959, quarrying of any mineral shall be subject to payment of seigniorage fee at such rates as may be specified from time to time. A registered holder or tenant or lessee in actual possession of the land or a contractor who obtains permission from the registered holder for quarrying in the land shall make an application to the District Collector concerned in the prescribed form along with a mining dues clearance certificate issued by the District Collector.

Tamil Nadu Housing Board sanctioned (December 1995) a plotted development scheme at Sholinganallur with a provision for filling 69.65 hectare of low lying area with earth. Tenders were called for and the lowest tender for Rs.562.04 lakh was accepted. An agreement was executed (August 1997) with a condition that the contractor should make his own arrangements for earth and should meet all charges thereof. Royalty in case of Government Quarry, Private Quarry etc. should be paid by the contractor to the Revenue Department.

The site was handed over to the contractor on 1 September 1997. The District Collector, Kancheepuram accorded permission to quarry 27,759 cu.m of earth from various Government sources between October 1997 to August 1998 of which 14,011 cu.m of earth was only conveyed by the contractor on payment of seigniorage fee. The quantity of 6,74,938 cu.m earth was taken from a private land and the filling work was completed at a cost of Rs.459.84 lakh. Neither the private land owner obtained the prior permission from the District Collector nor the Department intimated the revenue

authorities about the quarrying of earth by the contractor in the private land which resulted in non-realisation of seigniorage fee to the tune of Rs.61.87 lakh.

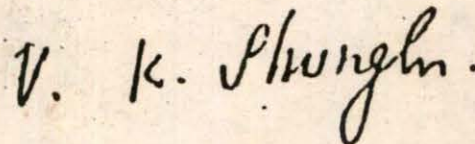
The matter was referred to Government in May 2000; their reply is awaited (October 2000).



(T.THEETHAN)  
Accountant General (Audit) II  
Tamil Nadu

Chennai,  
The 14 MAY 2001

Countersigned



(V.K.SHUNGLU)  
Comptroller and Auditor General  
of India

New Delhi,  
The 21 MAY 2001

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