

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

**FOR THE YEAR ENDED
31 MARCH 1999
REPORT No.1
(REVENUE RECEIPTS)**

GOVERNMENT OF ASSAM

THE UNIVERSITY OF CHICAGO
LIBRARY

FOR THE YEAR ENDING
MARCH 31, 1954
BY THE BOARD OF TRUSTEES
OF THE UNIVERSITY OF CHICAGO

UNIVERSITY OF CHICAGO

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PREFATORY REMARKS

This Report for the year ended 31 March 1999 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, agricultural income tax, taxes on motor vehicles, other tax and non-tax receipts and forest receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 1998-99 as well as those which came to notice in earlier years but could not be included in previous Reports.

OVERVIEW

This report contains 29 paragraphs including 2 reviews, relating to under-assessment, non-levy/short-levy of tax, interest and penalty etc. involving Rs.22.16 crore. Some of the important findings are mentioned below:

1. GENERAL

(i) The State Government's receipts for the year 1998-99 amounted to Rs.4506.54 crore as against Rs.4325.65 crore for the year 1997-98. While the revenue raised by the Government amounted to Rs.1434.53 crore (tax revenue:Rs.982.56 crore and non-tax revenue:Rs.451.97 crore), the balance (Rs.3072.01 crore) was received from the Government of India as the State's share of divisible Union taxes (Rs.1349.33 crore) and grants-in-aid (Rs.1722.68 crore) during the year 1998-99.

[Paragraph 1.1]

(ii) Test check of records of Offices of Sales Tax, Agricultural Income Tax, Taxes on Motor Vehicles, Land Revenue, State Excise, Forest Receipts and Other Tax and Non-Tax Receipts conducted during 1998-99 revealed under-assessment/short-levy/loss of revenue amounting to Rs.3827.75 lakh in 574 cases. The concerned departments accepted under-assessment, etc. of Rs.47.36 lakh in 37 cases pointed out in audit prior to the year 1998-99.

[Paragraph 1.7]

(iii) At the end of June 1999, 983 Inspection Reports issued up to December 1998 containing 3280 audit observations involving revenue effect of Rs.288.67 crore were outstanding for want of replies from the departments.

[Paragraph 1.8 (ii)]

2. SALES TAX

(i) Short-accounting of taxable purchase resulted in evasion of tax of Rs.5.98 crore (including interest and penalty).

[Paragraph 2.2 (i)]

(ii) Evasion of tax of Rs.49.62 lakh (including interest and penalty) due to suppression of turnover.

[Paragraph 2.2 (ii)]

(iii) Cross check of assessment records with the dealer's Profit and Loss (P&L) Account revealed concealment of turnover and evasion of tax of Rs.30.45 lakh (including penalty and interest).

[Paragraph 2.2 (iii)]

(iv) Sales to Government department not disclosed in the books of accounts resulting in evasion of tax of Rs.17.42 lakh (including interest and penalty).

[Paragraph 2.2(iv)]

(v) Turnover escaping assessment due to incorrect allowance of deduction of tax element from the taxable turnover resulted in under -assessment of tax of Rs.17.00 lakh.

[Paragraph (2.3)]

3. AGRICULTURAL INCOME TAX

Excess set-off of loss from the income resulted in non-levy of tax and interest of Rs.8.21 lakh.

[Paragraph 3.2]

4. INTEREST RECEIPTS

A review on "Interest Receipts on Loan" revealed the followings :

(a) Detailed accounts in interest recovery were not maintained by the departments. Arrears of interest and penal interest in respect of five departments were assessed to be Rs.1644.87 crore.

[Paragraph 4.1.6]

(b) Loans amounting to Rs.220.51 crore sanctioned at lower rates of interest during the years 1993-94 and 1994-95 resulted in short-levy of interest of Rs.4.22 crore.

[Paragraph 4.1.7]

(c) In absence of specific terms and conditions for repayment of loans, interest and penal interest aggregating Rs.2.43 crore were neither assessed nor demanded.

[Paragraph 4.1.8]

5. STATE EXCISE

Failure to monitor the minimum prescribed stock of liquor in two warehouses led to a revenue loss of Rs.24.73 lakh.

[Paragraph 5.2]

6. OTHER TAX RECEIPTS

A review on taxes on "Professions, Trades, Callings and Employments" revealed the followings :

(a) Despite instruction to send demands pending for more than 3 months to the Bakijai Officers for realisation, outstanding demands of Rs.22.84 lakh were not sent to them.

[Paragraph 6.2.6]

(b) No survey of prospective tax payers was conducted by the department despite instructions from the Commissioner of Taxes from time to time.

[Paragraph 6.2.7]

(c) Professional Tax amounting to Rs.17.29 lakh though deducted from the salaries of the employees was not deposited in to Government.

[Paragraph 6.2.8]

7. FOREST RECEIPTS

(i) Failure of the Forest Department to protect reserved forest from illicit felling and to prevent removal of timber resulted in loss of revenue of Rs.140.42 lakh.

[Paragraph 7.2]

(ii) Due to non-recovery of royalty as well as monopoly fee, there was loss of revenue of Rs.114.54 lakh.

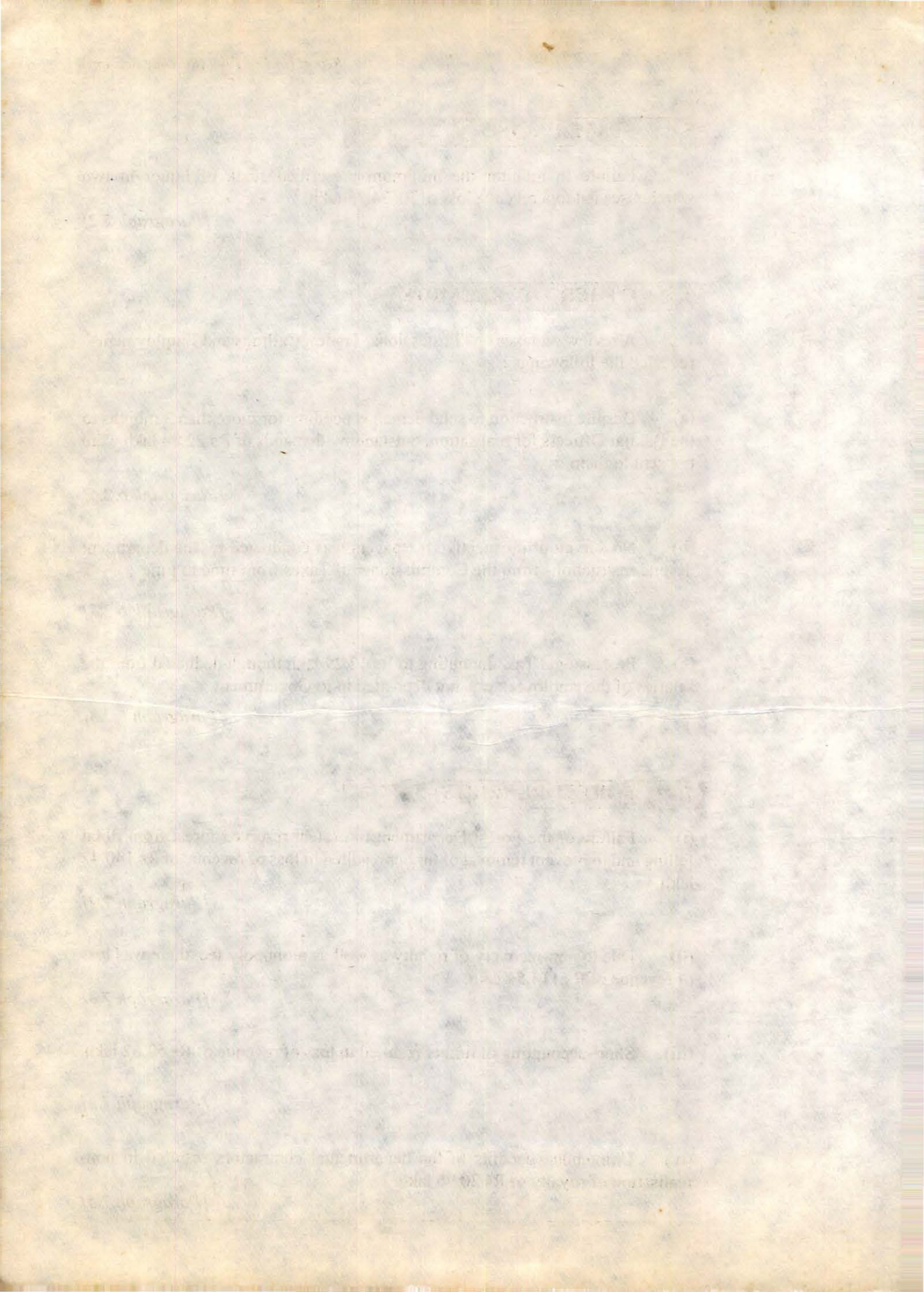
[Paragraph 7.3]

(iii) Short-accounting of timber resulted in loss of revenue of Rs.52.62 lakh

[Paragraph 7.4]

(iv) Unintended benefits to the departmental contractors resulted in non-realisation of royalty of Rs.20.96 lakh.

[Paragraph 7.5]



CHAPTER 1 : General

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CHAPTER 1 : General

1.1 Trend of Revenue Receipts

The tax and non-tax revenues raised by the Government of Assam during the year 1998-99, State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below:

| | | (In crore of rupees) | | |
|------------|--|----------------------|----------------|------------------|
| | | 1996-97 | 1997-98 | 1998-99 |
| I | Revenue raised by the State Government: | | | |
| | a) Tax Revenue | 766.90 | 881.94 | 982.56* |
| | b) Non-Tax Revenue | 322.13 | 381.21 | 451.97 |
| | Total | 1089.03 | 1263.15 | 1434.53 |
| II | Receipts from the Government of India: | | | |
| | a) State's share of divisible Union Taxes | 1175.56 | 1475.25 | 1349.33* |
| | b) Grants-in-aid | 1591.22 | 1587.25 | 1722.68 |
| | Total | 2766.78 | 3062.50 | 3072.01 |
| III | Total receipts of the State Government (I and II) | 3855.81 | 4325.65 | 4506.54** |
| IV | Percentage of I to III | 28 | 29 | 32 |

- (i) The details of tax revenue raised under major heads of revenue during the year 1998-99 alongwith corresponding figures for the preceding two years are given below:

* Figures under the Major 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 Government' and included in 'State's share of divisible Union Taxes' in this table.

** For details, please see "Statement No.10-Detailed Accounts by Minor Heads" in the Finance Accounts of the Government of Assam for the year 1998-99.

(In crore of rupees)

| Sl. No. | Head of revenue | 1996-97 | 1997-98 | 1998-99 | Percentage of increase(+)/ decrease(-) in 1998-99 over 1997-98. |
|--------------|--|---------------|---------------|---------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Sales Tax | 517.41 | 507.66 | 550.40 | (+) 08 |
| 2. | Land Revenue | 38.97 | 60.89 | 65.95 | (+) 08 |
| 3. | Taxes on Agricultural Income | 35.36 | 84.31 | 103.26 | (+) 22 |
| 4. | Taxes on Motor Vehicles | 51.98 | 43.26 | 40.83 | (-) 06 |
| 5. | State Excise | 29.42 | 77.73 | 100.46 | (+) 29 |
| 6. | Other Taxes on Income and Expenditure | 35.02 | 39.48 | 46.74 | (+) 18 |
| 7. | Stamp Duty and Registration Fees | 22.56 | 24.50 | 29.66 | (+) 21 |
| 8. | Taxes on Goods and Passengers | 20.54 | 22.43 | 20.27 | (-) 10 |
| 9. | Other Taxes and Duties on Commodities and Services | 13.35 | 19.82 | 23.30 | (+) 17 |
| 10. | Taxes and Duties on Electricity | 2.29 | 1.86 | 1.69 | (-) 09 |
| Total | | 766.90 | 881.94 | 982.56 | (+) 11 |

Specific reasons in respect of increase of revenue have not been provided and only general response has been made that increase was mainly due to increase in collection.

(ii) The details of non-tax revenue raised under major heads of revenue during the year 1998-99 along with the corresponding figures for preceding two years are given below:

(In crore of rupees)

| Sl.No. | Head of revenue | 1996-97 | 1997-98 | 1998-99 | Percentage of increase (+) / decrease(-) in 1998-99 over 1997-98. |
|--------|--------------------------------|---------------|---------------|---------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Petroleum | 243.80 | 301.96 | 302.36 | (+) 0.13 |
| 2. | Forestry and Wildlife | 17.43 | 7.80 | 9.59 | (+) 23 |
| 3. | Other Administrative Services | 10.05 | 18.19 | 44.13 | (+) 143 |
| 4. | Roads and Bridges | 5.62 | 1.16 | 16.80 | (+) 1348 |
| 5. | Other Industries | 0.80 | 8.56 | 9.28 | (+) 8 |
| 6. | Miscellaneous General Services | 3.54 | 3.07 | 3.59 | (+) 17 |
| 7. | Industries | 7.97 | 0.69 | 30.01 | (+) 4249 |
| 8. | Others | 32.92 | 39.78 | 36.21 | (-) 9 |
| | Total | 322.13 | 381.21 | 451.97 | (+) 19 |

The reasons for variations in receipts during 1998-99 as compared to those in 1997-98 as intimated by one department is given below:-

Forestry and wildlife – Increase (23 per cent) was mainly due to increase in sale of timber and other forest produce and also increase in the receipts from social farm, environmental forestries and other receipts.

Specific reasons in respect of remaining heads of revenue have not been received (November 1999).

1.2 Variation between Budget Estimates and actuals

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

* Others represent 38 other Heads of Revenue

(In crore of rupees)

| Sl. No. | Head of revenue | Budget Estimates | Actuals | Variations Increase(+)/ Shortfall(-) | Percentage of variation |
|------------------------|--|------------------|---------|--------------------------------------|-------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| Tax Revenue | | | | | |
| 1. | Sales Tax | 706.85 | 550.40 | (-)156.45 | (-) 22 |
| 2. | Land Revenue | 110.80 | 65.95 | (-) 44.85 | (-) 40 |
| 3. | Taxes on Agricultural Income | 46.35 | 103.26 | (+) 56.91 | (+)123 |
| 4. | Taxes on Motor Vehicles | 77.91 | 40.83 | (-) 37.08 | (-) 48 |
| 5. | State Excise | 85.88 | 100.46 | (+) 14.58 | (+) 17 |
| 6. | Other Taxes on Income and Expenditure | 60.00 | 46.74 | (-) 13.26 | (-) 22 |
| 7. | Stamp Duty and Registration Fees | 29.58 | 29.66 | (+) 0.08 | -- |
| 8. | Taxes on Goods and Passengers | 19.25 | 20.27 | (+) 1.02 | (+) 5.30 |
| 9. | Other Taxes and Duties on Commodities and Services | 36.00 | 23.29 | (-) 12.71 | (-)35.00 |
| 10. | Taxes and Duties on Electricity | 2.40 | 1.69 | (-) 0.71 | (-)30 |
| Non-Tax Revenue | | | | | |
| 1. | Petroleum | 289.00 | 302.36 | (+) 13.36 | (+)05 |
| 2. | Forestry and Wildlife | 8.40 | 9.58 | (+) 1.18 | (+)14 |
| 3. | Other Administrative Services | 28.69 | 44.13 | (+) 15.44 | (+)54 |
| 4. | Roads and Bridges | 6.20 | 16.80 | (+) 10.60 | (+)171 |

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

The reasons for variation where it was substantial, though called for, have not been intimated (November 1999) by the respective departments except State Excise Department wherein the increase of 17 per cent was stated to be due to merger of Sales Tax with Excise Duty. However, the merger of Sales Tax with Excise Duty was effective from 1 April 1997 itself.

1.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the year 1996-97, 1997-98 and 1998-99 along with the relevant all India average percentage of expenditure for 1996-97 and 1997-98 are given below:

(In crore of rupees)

| Sl. No. | Head of revenue | Year | Gross collection | Expenditure on collection | Percentage of expenditure to gross collection | All India average percentage |
|---------|-------------------------|---------|------------------|---------------------------|---|------------------------------|
| 1. | Sales Tax | 1996-97 | 517.41 | 8.24 | 1.6 | 1.19 |
| | | 1997-98 | 507.66 | 9.13 | 1.8 | 1.28 |
| | | 1998-99 | 550.40 | 11.62 | 2.1 | -- |
| 2. | Taxes on Motor Vehicles | 1996-97 | 51.98 | 3.22 | 6.2 | 2.60 |
| | | 1997-98 | 43.26 | 2.99 | 6.9 | 2.65 |
| | | 1998-99 | 40.83 | 3.58 | 8.8 | -- |

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

1.4 Arrears in assessment

The number of assessments due for completion, those actually completed and pending finalisation at the end of 31 March 1999 and the corresponding figures for preceding three years in respect of Sales Tax and Other Taxes and of Agricultural Income Tax as reported (September 1999) by the departments are as under :

| Year | Opening balance | Cases due for assessment | Total | Cases finalized | Closing balance | Percentage (5) to (4) |
|--|-----------------|--------------------------|--------|-----------------|-----------------|-----------------------|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| Finance (Taxation) Department | | | | | | |
| (Sales Tax, Professional Tax, Entertainment Tax, Amusement and Betting Tax, etc.) | | | | | | |
| 1995-96 | 68,559 | 30,252 | 98,811 | 55,322 | 43,489 | 56 |
| 1996-97 | 43,489 | 30,398 | 73,837 | 47,338 | 26,499 | 64 |
| 1997-98 | 26,499 | 37,062 | 63,561 | 34,706 | 28,855 | 55 |
| 1998-99 | 28,855 | 37,351 | 66,206 | 33,581 | 32,625 | 51 |
| Agricultural Income Tax | | | | | | |
| 1995-96 | 647 | 834 | 1,481 | 775 | 706 | 52 |
| 1996-97 | 706 | 834 | 1,540 | 1,113 | 427 | 72 |
| 1997-98 | 427 | 840 | 1,267 | 1,023 | 244 | 81 |
| 1998-99 | 244 | 1,310 | 1,554 | 1,150 | 404 | 74 |

Thus the disposal of assessment cases of Sales Tax, Entertainment Tax, Amusement Tax and Betting Tax, etc. have been low resulting in high level of pendency. Reasons for not completing assessment in large number of cases have not been intimated (November 1999) by the department.

1.5 Frauds and evasions

Though the information was called for, the same has not been furnished (November 1999) by the department.

1.6 Pending appeals

Number of appeal cases pending at the beginning of the year, added and disposed of during the year and pending at the end of the year together with percentage of disposal to the total number of cases for the years from 1994-95 to 1998-99 in respect of Sales Tax and Other Taxes as reported (September 1999) by the Finance (Taxation) Department are given below :

| Name of Acts | Year | No. of appeals pending at the beginning of the year | No. of appeals filed during the year | Total | No. of appeals disposed of during the year | No. of appeals pending at the close of the year | Percentage of appeals disposed of out of the total |
|---|---------|---|--------------------------------------|-------|--|---|--|
| The Assam Sales Tax and other Taxation Acts | 1994-95 | 981 | 476 | 1457 | 517 | 940 | 35 |
| | 1995-96 | 940 | 394 | 1334 | 529 | 805 | 40 |
| | 1996-97 | 805 | 398 | 1203 | 431 | 772 | 36 |
| | 1997-98 | 772 | 567 | 1339 | 691 | 648 | 52 |
| | 1998-99 | 648 | 388 | 1036 | 582 | 454 | 56 |

1.7 Results of Audit

Test check of records of Sales Tax, Agricultural Income Tax, Taxes on Motor Vehicles, State Excise, Forest Receipts and Other Taxes and Non-Tax Receipts conducted during the year 1998-99 revealed under-assessment/short-levy/loss of revenue amounting to Rs.3827.75 lakh in 574 cases. During the course of the year 1998-99, the departments accepted under-assessment, etc. of Rs.47.36 lakh in 37 cases which were pointed out prior to the year 1998-99.

The report contains 29 paragraphs including 2 reviews involving financial effect of Rs.22.16 crore. The departments/Government had accepted the audit observations involving Rs.93.16 lakh, of which Rs.43.27 lakh have been recovered. Audit observations with a total revenue effect of Rs.17.35 lakh have not been accepted by the Government/department but their contention having been found to be at variance with facts or legal position has been appropriately commented upon in relevant paragraphs. No replies have been received in other cases (November 1999).

1.8 Outstanding inspection reports and audit observations

(i) Audit observations on irregularities relating to incorrect assessments, short-levy of taxes, duties, fees, etc. and also defects in the maintenance of initial records noticed during local audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. The more important irregularities are also reported to the heads of departments and Government. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of one month.

(ii) The number of inspection reports and audit observations relating to revenue receipts issued up to 31 December 1998 and which were pending settlement by the departments as on 30 June 1999 along with corresponding figures for the preceding two years are given below :-

| | At the end of June | | |
|---|--------------------|--------|--------|
| | 1997 | 1998 | 1999 |
| Number of inspection reports pending settlement | 712 | 757 | 983 |
| Number of outstanding audit observations | 2441 | 2513 | 3280 |
| Amount of revenue involved (in crore of rupees) | 182.15 | 183.90 | 288.67 |

(iii) Department-wise break up of the inspection reports and audit observations outstanding as on 30 June 1999 are given below:-

| Department | Number of outstanding | | Amount of receipts involved (in crore of rupees) | Year to which audit observations relate | Number of inspection reports to which even first replies had not been received |
|-------------------------|-----------------------|--------------------|--|---|--|
| | Inspection reports | Audit observations | | | |
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. Forestry & Wild life | 180 | 907 | 121.23 | 1988-89 to 1998-99 | Nil |
| 2. Revenue | 389 | 1010 | 28.39 | 1993-94 to 1998-99 | 199 |
| 3. Taxation | 138 | 536 | 28.79 | 1986-87 to 1998-99 | Nil |
| 4. Geology & Mining | 6 | 25 | 62.60 | 1989-90 to 1997-98 | Nil |
| 5. Transport | 92 | 412 | 23.30 | 1987-88 to 1998-99 | 9 |

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|--|------------|-------------|---------------|--------------------------|----------------------|
| 6.Agricultural Income Tax | 4 | 52 | 4.70 | 1995-96 to 1998-99 | Nil |
| 7.Other departments (including State Excise and Registration) | 174 | 338 | 19.66 | 1990-91 to 1998-99 | 16 (State Excise) |
| Total | 983 | 3280 | 288.67 | | 224 |

The matter was also brought to the notice of Chief Secretary to the Government (September 1999); intimation regarding steps taken by the Government to clear the outstanding inspection reports and audit observations has not been received (November 1999).

CHAPTER 2 : Sales Tax

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| 2.9 | Incorrect allowance of concessional rate of tax and exemption under the Central Sales Tax Act | 23 |
| 2.10 | Incorrect grant of exemption | 24 |
| 2.11 | Short levy due to incorrect rate of tax | 24 |

WILSON

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CHAPTER 2 : Sales Tax

2.1 Results of Audit

Test check of assessment records of Sales Tax department conducted during the year 1998-99, revealed under-assessment of taxes and losses of revenue, etc., amounting to Rs.1150.04 lakh in 175 cases, which broadly fall under the following categories :

| (Rupees in lakh) | | | |
|------------------|-----------------------------------|--------------|----------------|
| Sl.No. | Particulars | No. of cases | Amount |
| 1. | Turnover escaping assessment | 9 | 21.38 |
| 2. | Irregular exemption | 22 | 199.44 |
| 3. | Under-assessment of tax | 14 | 344.05 |
| 4. | Loss of revenue | 6 | 15.55 |
| 5. | Non-levy / short-levy of interest | 3 | 7.24 |
| 6. | Non-levy of penalty | 10 | 19.43 |
| 7. | Others | 111 | 542.95 |
| TOTAL | | 175 | 1150.04 |

During the course of the year 1998-99, the department accepted under-assessment, etc., in 12 cases involving Rs.5.23 lakh pointed out in audit prior to the year 1998-99 and the entire amount was recovered. Thirty one draft audit paragraphs involving financial effect of Rs.774.73 lakh and bringing out major points noticed during the year of Report or earlier years were issued to the department / Government for their comments. The department has accepted the observations in 15 cases involving Rs.75.95 lakh of which Rs.32.57 lakh have been recovered up to August 1999. A few illustrative cases highlighting important audit observations are mentioned in the following paragraphs :

2.2 Concealment of turnover

(i) Under the Assam General Sales Tax Act, 1993, read with Central Sales Tax Act, 1956, if a dealer conceals his turnover in any return, he shall pay by way of penalty, in addition to tax and interest, a sum not exceeding one and one half times the amount of tax evaded. If a dealer fails to pay the full amount of tax by the due date, he is liable to pay simple interest at the rate of two per cent for each month, on the amount by which tax paid falls short of the tax payable.

For the return period 1995-96, an India Made Foreign Liquor (IMFL) dealer disclosed his inter-state purchase of IMFL at Rs.7.78 crore in the statement of stock and purchase furnished along with the annual return of turnover and the same was accepted by Superintendent of Taxes, Guwahati. However, cross verification by Audit of the records maintained by the Sales Tax Unit Office revealed (January 1998) that the dealer had imported goods valued at Rs.11.82 crore against 552 delivery permits (Form B) issued by the area Inspector of Taxes during the same period. Thus, against actual purchase of Rs.11.82 crore, the dealer had accounted for Rs.7.78 crore. Failure of the Assessing Officer to cross verify the purchase particulars available in the Unit Office resulted in evasion of tax of Rs.2.02 crore on a concealed purchase turnover Rs.4.04 crore. Besides, interest (Rs.92.83 lakh) and penalty (maximum Rs.3.03 crore) up to March 1998 was also leviable.

The case was reported to the department and the Government (August 1998) followed by reminders (February, March and July 1999); their replies have not been received (November 1999).

(ii) Under the Taxation Acts * of the State read with Central Sales Tax Act, 1956, if a dealer has concealed, or failed to disclose fully and truly, the particulars of his turnover, the Assessing Officer may within eight years from the date of the relevant year make an assessment or reassessment of the dealer. When a dealer conceals his turnover, he shall pay by way of penalty, in addition to tax, a sum not exceeding one and one half times the amount of tax sought to be evaded. Interest at the prescribed rates varying from 12 to 24 per cent per annum up to 30 June 1993 and at the rate of 2 per cent for each month thereafter on the amount by which tax falls short of the tax payable, is also payable for default in payment of tax due.

Cross verification by Audit of records of 3 manufacturer- dealers as available in 2 Sales Tax Unit Offices (Digboi and Tinsukia) vis-à-vis value of excisable goods cleared, obtained from the Central Excise Department (Tinsukia) revealed (July 1997) that turnover aggregating Rs.200.92 lakh was suppressed by the dealers due to non/short-accounting of goods. Thus, non-verification of Central Excise records by the Assessing Officers at the time of assessments resulted in evasion of tax of Rs.49.62 lakh including penalty and interest as detailed in the table below:

* Assam Sales Tax Act, 1947, Assam Finance (Sales Tax) Act, 1956, Assam General Sales Tax Act, 1993

(Rupees in lakh)

| Sl. No | Unit Office | Dealer | Goods | Assessment period (Month of assessment) | Value of goods cleared as per Central Excise records | Value of goods as per Sales Tax records | Turnover suppressed | Sales Tax evaded @ 8% | Interest (up to August 1997) | Maximum penalty |
|--------------|---------------------------|--------|-------------------------------|---|--|---|---------------------|-----------------------|------------------------------|-----------------|
| 1. | Supdt. of Taxes, Tinsukia | 'A' | Black tea | 1993-94 (5/96, 6/96, 3/97) | 224.10 | 136.17 | 87.93 | 7.03 | 5.63 | 10.55 |
| 2. | -Do- | 'B' | -Do- | 1994-95 (5/96, 6/97) | 176.78 | 166.93 | 9.85 | 0.79 | 0.44 | 1.18 |
| | | | | 1995-96 (5/96, 6/97) | 205.45 | 194.79 | 10.66 | 0.85 | 0.27 | 1.28 |
| 3. | Supdt. of Taxes, Digboi | 'C' | Ply wood, Block board, Veneer | 1994-95 (5/96) | 106.88 | 68.64 | 38.24 | 3.06 | 1.71 | 4.59 |
| | | | | 1995-96 (3/97) | 180.30 | 126.06 | 54.24 | 4.34 | 1.39 | 6.51 |
| TOTAL | | | | | 893.51 | 692.59 | 200.92 | 16.07 | 9.44 | 24.11 |

The cases were reported to the department and the Government (December 1997 and February 1998), followed by reminders (November 1998, February and July 1999); their replies have not been received (November 1999).

(iii) Test check of assessment records of the Superintendent of Taxes, Unit-B, Guwahati, revealed (January and March 1998) that gross turnover in respect of a dealer relating to the year 1992-93 was determined (November 1995 and May 1996) by the Assessing Officer at Rs.95.72 lakh. However, a cross check with the Profit and Loss (P&L) Accounts of the dealer available in the assessment records revealed that the dealer had actually sold goods valued at Rs.222.19 lakh. Thus, due to non-consideration of P&L Account, a turnover of Rs.126.47 lakh escaped assessment. This resulted in evasion of tax of Rs.8.85 lakh. Besides, interest and penalty of Rs.8.32 lakh and Rs.13.28 lakh respectively were also leviable.

On this being pointed out (August 1998) in audit, the department stated (February 1999) that the dealer was reassessed at the concessional rate of 4 per cent and accepting stock transfer of goods outside the State under the Central Sales Tax Act, 1956 and demand of Rs.5.51 lakh (including interest) was raised and realised (December 1998). The Assessing Officer accepted the dealers prayer for composition of offence in lieu of prosecution and compounded the offence by realising Rs.1 lakh (December 1998) as composition money. But the reasons for levy of penalty of Rs.1.00 lakh only instead of Rs.13.28 lakh were not elucidated.

The case was reported to the Government (August 1998), followed by reminders (between February and July 1999); their reply has not been received (November 1999).

(iv) Test check of assessment records of the Superintendent of Taxes, Unit-A, Guwahati, revealed (July and December 1997) that sales turnover in respect of a dealer for the year 1991-92 was determined (August 1993) by the Assessing Officer at Rs.31.31 lakh. Cross verification of assessment records of the dealer with the records of the Animal Husbandry Department, Government of Assam revealed (September 1997) that the dealer supplied medicines valued at Rs.149.29 lakh during the period from April 1991 to March 1992. The dealer had thus concealed a turnover of Rs.117.98 lakh and evaded tax of Rs.17.42 lakh including interest and penalty (December 1997).

On this being pointed out in audit (March 1998), the department stated (February 1999) that since the books of accounts and all other documents of the dealer were seized by the Income Tax department, the accounts of the dealer could not be verified.

The case was reported to the department and the Government (March 1998), followed by reminders (November 1998, February and July 1999); their replies have not been received (November 1999).

(v) Cross verification of assessment records of a supari dealer registered with the Goalpara Sales Tax Unit Office with the records maintained at the Boxirhat Sales Tax Check Post revealed (September 1998) that during the return period of 1996-97, the dealer despatched supari valued at Rs.91.04 lakh in the course of inter-State trade or Commerce. However, the total value of goods despatched was accepted (September 1998) by the Assessing Officer at Rs.52.54 lakh as stock transfer supported by prescribed Form. Thus a turn over of Rs.38.50 lakh was concealed by the dealer and tax of Rs.6.95 lakh was evaded under the Central Sales Act and the State Act.

The case was reported to the department and the Government (November 1998), followed by remainder:(July 1999); their replies have not been received (November 1999)

(vi) Under the Central Sales Tax Act, 1956, no dealer who is liable to pay tax shall carry on business in the course of inter-State trade or commerce unless he has been registered as a dealer and possesses a certificate of registration. If a person who is not a registered dealer collects any amount by way of tax, he shall be punishable with simple imprisonment up to six months or fine or both, and when the offence is a continuing offence, with a daily fine which may extend to fifty rupees for every day during which the offence continues.

A cross check of assessment records of the Superintendent of Taxes, Unit-A Guwahati, with the records of the Director of Health Services, Government of Arunachal Pradesh revealed (between April and June 1996) that a medicine dealer registered under State Act sold goods valued at Rs.16.52 lakh during the period 1992-93 and 1994-95 to the said Directorate in the course of inter-State trade or commerce. The dealer neither applied for registration under the CST Act, nor paid taxes due thereon. This resulted in evasion of tax of Rs.1.59 lakh. No penal action was taken against the dealer for violation of the provision of the Act.

On this being pointed out in audit (August 1996), the Assessing Officer stated (December 1998) that the dealer's registration certificate was amended by fixing liability under the CST Act with effect from 18 March 1993 and that he was assessed to tax. It was further stated that though demand notices for Rs.1.50 lakh were issued (August 1998), the dealer failed to pay the demanded tax and consequently, the case was sent (November 1998) to the Superintendent of Taxes (Recovery) for effecting recovery. Further report on realisation has not been received (November 1999).

The case was reported to the Government (August 1996); followed by reminder (July 1999); their reply has not been received (November 1999).

2.3 Incorrect allowance of deduction

Under the Assam General Sales Tax Act, 1993, while determining taxable turnover, the tax included in the gross turnover is to be deducted according to the formula prescribed. No such deduction is admissible where the turnover is exclusive of tax.

Test check of assessment records of the Superintendent of Taxes, Unit C, Guwahati, revealed (between April and June 1998) that the Assessing Officer deducted an amount of Rs.8.50 crore as tax element from the turnover of Rs.433.75 crore to determine (February and March 1997) the taxable turnover of a dealer for the period from 1 April 1992 to 31 March 1994. As the turnover of Rs.433.75 crore disclosed by the dealer was exclusive of tax element, deduction on this account was incorrect. Thus, due to incorrect allowance of deduction, taxable turnover of Rs.8.50 crore escaped assessment resulting in under-assessment of tax of Rs.17 lakh.

On this being pointed out (May 1998), the Assessing Officer stated (June 1998) that the assessments were rectified (June 1998) and that after adjustment of Rs.13.99 lakh showed in the first assessment orders as tax paid in excess, fresh notices of demand for the balance amount of tax of Rs.3.01 lakh were issued

(June 1998). Further report on realisation has not been received (November 1999).

The case was reported to the Government (August 1998), followed by reminder (July 1999); their reply has not been received (November 1999).

2.4 Turnover escaping assessment

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

Test check of assessment records of the Superintendent of Taxes, Unit-A, Guwahati revealed (October and December 1997) that turnover of items taxable at the rate of 8 per cent of a dealer for the period from 1 July 1993 to 31 March 1994 was determined (March 1997) by the Assessing Officer at Rs.116.79 lakh instead of Rs.142.57 lakh as shown in monthly returns of turnover submitted by the dealer for the same period. Thus, taxable turnover of Rs.25.78 lakh escaped assessment resulting in short levy of tax of Rs.3.88 lakh including interest of Rs.1.81 lakh.

On this being pointed out (March 1998), the department stated (February 1999) that the assessment was revised (February 1999) and that after adjusting Rs.0.51 lakh as excess tax already paid, a demand notice for Rs.3.30 lakh was issued. Report on realisation has not been received (November 1999).

The case was reported to the Government (March 1998), followed by reminders (January and July 1999); their reply has not been received (November 1999).

(ii) Test check of assessment records of the Superintendent of Taxes, Digboi, revealed (September 1997) that inter-State sales of a registered coal dealer relating to the assessment period ending September 1992 was determined (March 1997) by the Assessing Officer at Rs.1030.54 lakh instead of Rs.1083.83 lakh as mentioned in declaration in Form C. Thus a turnover of Rs.53.29 lakh escaped assessment resulting in under-assessment of tax of Rs.2.04 lakh.

The case was reported to the department and the Government (December 1997), followed by reminders (February and July 1999); their replies have not been received (November 1999).

(iii) Under the Assam General Sales Tax Act, 1993, and Rules framed thereunder, a registered dealer may purchase goods from another registered dealer without payment of tax, by furnishing declaration (Form A) for resale within the State. If such goods are used by the dealer for purposes other than those specified in the declaration, the value of such goods shall be included in his taxable turnover. Besides, penalty not exceeding one and one half times the amount of tax thus evaded is also leviable.

Test check of assessment records of the Superintendent of Taxes, Unit-B, Guwahati revealed (March 1998) that a dealer engaged in contract works purchased 'Paper' valued at Rs.13.67 lakh by furnishing prescribed declarations but utilised the same in his contract works during the period from 1993-94 to 1995-96. The Assessing Officer while making assessments (August 1994, June and July 1996) did not include the purchase price of 'Paper' valued at Rs.13.67 lakh in the dealer's taxable turnover. This resulted in under-assessment of tax of Rs.1.09 lakh besides interest (Rs.0.83 lakh) and penalty (maximum Rs.1.64 lakh) (March 1998).

On this being pointed out (August 1998), the department stated (July 1999) that the assessments were revised and a demand of tax of Rs.2.47 lakh (including interest and penalty) was raised. Report on realisation has not been received (November 1999).

The case was reported to the Government (August, 1998), followed by reminders (February and July 1999); their reply has not been received (November 1999).

(iv) Under the Central Sales Tax Act, 1956 and the Rules made thereunder, inter-State sales of goods, other than declared goods, to registered dealers if supported by prescribed declaration forms furnished by the purchasing dealers, are taxable at the concessional rate of 4 per cent. Otherwise, tax is payable at the rate of 10 per cent or at the rate of tax applicable under the State Act, whichever is higher.

Test check of assessment records of the Superintendent of Taxes, Tinsukia revealed (July-September 1997) that a dealer in his return of turnover for the six monthly period ending March 1993 disclosed inter-State sales turnover to registered dealers at Rs.68.36 lakh. On his failure to produce books of accounts, the Assessing Officer completed (February 1997) the assessment proceedings to the best of his judgement on a turnover of Rs.56.31 lakh which was supported by declaration forms. Thus, turnover of Rs.12.05 lakh, not covered by

prescribed declaration forms, escaped assessment resulting in short levy of tax of Rs.1.16 lakh.

The case was reported to the department and the Government (February 1998), followed by reminders (February, March and July 1999); their replies have not been received (November 1999).

2.5 Short-levy of interest

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

Test check of assessment records of 3 Sales Tax Unit Offices revealed (between January and June 1998) that in 4 cases interest amounting to Rs.21.59 lakh was short-levied by the concerned Assessing Officers as detailed below:-

(Rupees in lakh)

| Sl. No. | Name of Unit Offices | Assessment period (Month of assessment) | Interest leviable | Interest levied | Interest short-levied | Reply of the Department |
|---------|---|---|-------------------|-----------------|-----------------------|--|
| 1. | Superintendent of Taxes, Unit-B, Guwahati | 1995-96 (August 1997) | 44.98 | 34.20 | 10.78 | On this being pointed out (August 1998) in audit, the department stated (July 1999) that the assessment was revised and demand notice for Rs.10.78 lakh was issued of which Rs.3 lakh was realised. The case was reported to the Government (August 1998), their reply has not been received (November 1999) |
| 2. | Superintendent of Taxes, Unit-C, Guwahati | 1993-94 (March 1997) | 6.14 | | 6.14 | The case was reported to the department and the Government (August, 1998); followed by reminders (February and July 1999); their replies have not been received (November 1999) |
| 3. | Superintendent of Taxes, Dibrugarh | 31.03.91 30.09.91 31.03.92 30.09.92 31.03.93 (February 1997) | 10.37 | 6.20 | 4.17 | The case was reported to the department and the Government (July 1998), followed by reminders (February and July 1999); their replies have not been received (November 1999). |

(Rupees in lakh)

| Sl. No. | Name of Unit Offices | Assessment period (Month of assessment) | Interest leviable | Interest levied | Interest short-levied | Reply of the Department |
|--------------|---|---|-------------------|-----------------|-----------------------|--|
| 4. | Superintendent of Taxes, Unit-C, Guwahati | 1993-94 1994-95 (December 1996) | 1.79 | 1.29 | 0.50 | On this being pointed out in audit (May 1998) the department stated that demand notice was issued (June 1998). Report on realisation has not been received (November 1999) |
| Total | | | 63.28 | 41.69 | 21.59 | |

2.6 Excess allowance of credit of tax

Under the Assam General Sales Tax Act, 1993, and the Rules made thereunder, every registered dealer is required to submit a copy of treasury challan as a token of full payment of tax paid on his taxable turnover along with the monthly statement/annual return of turnover.

Test check of assessment records of 2 Sales Tax Unit Offices revealed (September 1997, May and June 1998) that in case of 3 dealers against actual deposit of tax of Rs.453.10 lakh, the concerned Assessing Officers allowed credit of Rs.462.39 lakh. This resulted in excess allowance of credit and consequent short demand of tax of Rs.10.06 lakh including interest as given below:-

(Rupees in lakh)

| Sl. No. | Name of unit offices | Name of the dealer | Assessment period (month of assessment) | Amount deposited | Amount shown as adjusted | Excess credit allowed | Interest leviable | Reply of the department/Government |
|--------------|---|--------------------|--|------------------|--------------------------|-----------------------|-------------------|--|
| 1. | Superintendent of Taxes, Unit C, Guwahati | X | 1993-94 (March 1997) | 41.95 | 48.13 | 6.18 | -- | The case was reported to the department and the Government (August 1998), followed by reminders (January and July 1999); their replies have not been received (November 1999). |
| | - do - | Y | 1994-95 March 1998 | 385.88 | 388.55 | 2.67 | - | On this being pointed out (May 1998), the department stated that the assessment was rectified and demand notice issued. Report on realisation has not been received (November 1999). |
| 2. | Superintendent of Taxes, Digboi | Z | October 1989 to March 1990 (February 1997) | 25.27 | 25.71 | 0.44 | 0.77 | The case was reported to the department and the Government (December 1997), followed by reminders (February, March and July 1999); their replies have not been received (November 1999). |
| Total | | | | 453.10 | 462.39 | 9.29 | 0.77 | |

2.7 Loss of Revenue

Under the Assam General sales Tax Act, 1993, and the Rules made thereunder, every registered dealer is required to file annual return of his turnover within the prescribed date and pay the tax due thereon. If a dealer fails to furnish a return, the Assessing Officer may assess the dealer to the best of his judgement and determine the tax payable by him. The sales tax declaration (Form A) is issued to a registered dealer to enable him to purchase goods free of tax or at the concessional rate of tax from another registered dealer for resale in the State. 'Cement' is taxable at the rate of 12 per cent at the point of first sale in the State to a person other than a registered dealer, 8 per cent to a registered dealer provided such sale is supported by declaration in Form-A and 4 per cent at the point of last sale in the State.

Test check of assessment records of the Superintendent of Taxes, Unit-C, Guwahati, revealed (May 1998) that a dealer 'X' who was registered with effect from 4 November 1994 neither filed any return nor paid any tax for the periods from 1994-95 to 1995-96. However, cross verification of assessment records of another dealer 'Y' registered under Bongaigaon Sales Tax Unit Office revealed that the dealer 'X' purchased cement valued at Rs.79.41 lakh at the concessional rate of 8 percent by utilising declarations in Form A from the dealer 'Y' during the year 1994-95 and 1995-96. It also transpired from the assessment records of dealer 'X' that he imported cement valued at Rs.2.47 lakh from outside the State by utilising 8 delivery notes during the period 1994-95. As per report (February 1997) of the area Inspector of Taxes, the dealer had closed (September 1995) his business and was not traceable. Thus, failure of the department to take timely action against the dealer resulted in loss of revenue of Rs.3.47 lakh on a turnover of Rs.81.88 lakh.

The case was reported to the department and the Government (August 1998), followed by reminders (January and July 1999); their replies have not been received (November 1999).

2.8 Short-levy of tax

Under the Assam General Sales Tax Act, 1993, 'Edible Oil' is taxable at the rate of 8 per cent at the point of first sale within the State to a person other than a registered dealer, and at 4 per cent to a registered dealer provided such sales are covered by declaration in Form A issued by the purchasing dealers. If a dealer furnishes inaccurate particulars or makes any incorrect claim for reduction in the tax payable by him, the Assessing Officer may direct that he shall pay, by way of penalty in addition to tax and interest payable by him, a sum not exceeding one and one half times of the tax sought to be evaded.

Test check of assessment records of the Superintendent of Taxes, Unit C, Guwahati, revealed (April-June 1998) that sales turnover of a registered dealer relating to the return period ending March 1994 was determined (May 1997) by the Assessing Officer at Rs.282.85 lakh on the ground that such sales were covered by sales tax declarations in Form A. However, scrutiny of the records revealed (May 1998) that transaction of Rs.262.85 lakh only was covered by declarations in Form A. Thus the balance turnover of Rs.20 lakh not covered by declarations in Form A was incorrectly assessed at the concessional rate of 4 per cent instead of 8 per cent, resulting in short levy of tax of Rs.0.80 lakh. In addition, interest of Rs.0.80 lakh (up to June 1998) and penalty not exceeding Rs.1.20 lakh were also leviable.

The case was reported to the department and the Government (August 1998), followed by reminders (January and July 1999); their replies have not been received (November 1999).

2.9 Incorrect allowance of concessional rate of tax and exemption under the Central Sales Tax Act

Under the Central Sales Tax Act, 1956 and the Rules made thereunder, inter-State sales of goods, other than declared goods, to registered dealers are taxable at the concessional rate of 4 per cent, if such sales are supported by prescribed declaration Form C furnished by the purchasing dealers. Further, where a dealer transfers any goods to any other place of his business or to his agent or principal in any other State, he is not liable to pay tax in respect of such goods, if such transfer is supported by Form F/Sale Notes to substantiate the claim. Otherwise, tax is payable at the rate of 10 per cent or the rate of tax applicable under the State Act, whichever is higher.

Test check of assessment records of two Sales Tax Unit Offices revealed that in case of two dealers, turnover of inter-State sales amounting to Rs.33.00 lakh were incorrectly assessed at the concessional rate of 4 per cent and also exemption was allowed though the sales were not supported by valid declarations in Form C and F, resulting in under-assessment of tax of Rs.2.27 lakh as tabulated below :

(Rupees.in lakh)

| Sl. No. | Name of unit offices | Assessment period (month of assessment) | Turn-over | Tax | Remarks |
|--------------|----------------------------------|---|--------------|-------------|---|
| 1. | Supdt. of Taxes, Unit-B Guwahati | 1996-97 (July 1997) | 9.31 | 0.90 | Assessment was revised and additional demand of Rs.0.90 lakh was raised. Report on realisation has not been received (November 1999). |
| 2. | Supdt. of Taxes, Tezpur | 1995-96 (February 1998) | 23.69 | 1.37 | The case was reported to the department (October 1998), reply has not been received (November 1999). |
| Total | | | 33.00 | 2.27 | |

The cases were reported to the Government (August and October 1998); their reply has not been received (November 1999).

2.10 Incorrect grant of exemption

Under the Assam General Sales Tax Act, 1993, the sales of goods not specified in any Schedule of the Act is taxable at the last point of sale in the State at the rate of 8 per cent.

Test check of assessment records of the Superintendent of Taxes, Tezpur, revealed (January and February 1997) that in respect of a dealer, sales turnover of 'Deoiled Rice Bran' valued at Rs.13.58 lakh, relating to the period from 1 July 1993 to 31 March 1994 was exempted (February 1995) from tax by the Assessing Officer erroneously treating the goods as non-taxable, even though the said goods were taxable under the Act. This resulted in non-levy of tax of Rs.1.08 lakh. In addition, interest of Rs.0.74 lakh was leviable.

On this being pointed out (April 1997) in audit the department stated (March 1999) that the assessment was revised and demand issued (August 1998) for Rs.1.80 lakh. Report on realisation has not been received (November 1999).

The case was reported to the Government (April 1997), followed by reminders (March and July 1999); their reply has not been received (November 1999).

2.11 Short-levy due to incorrect rate of tax

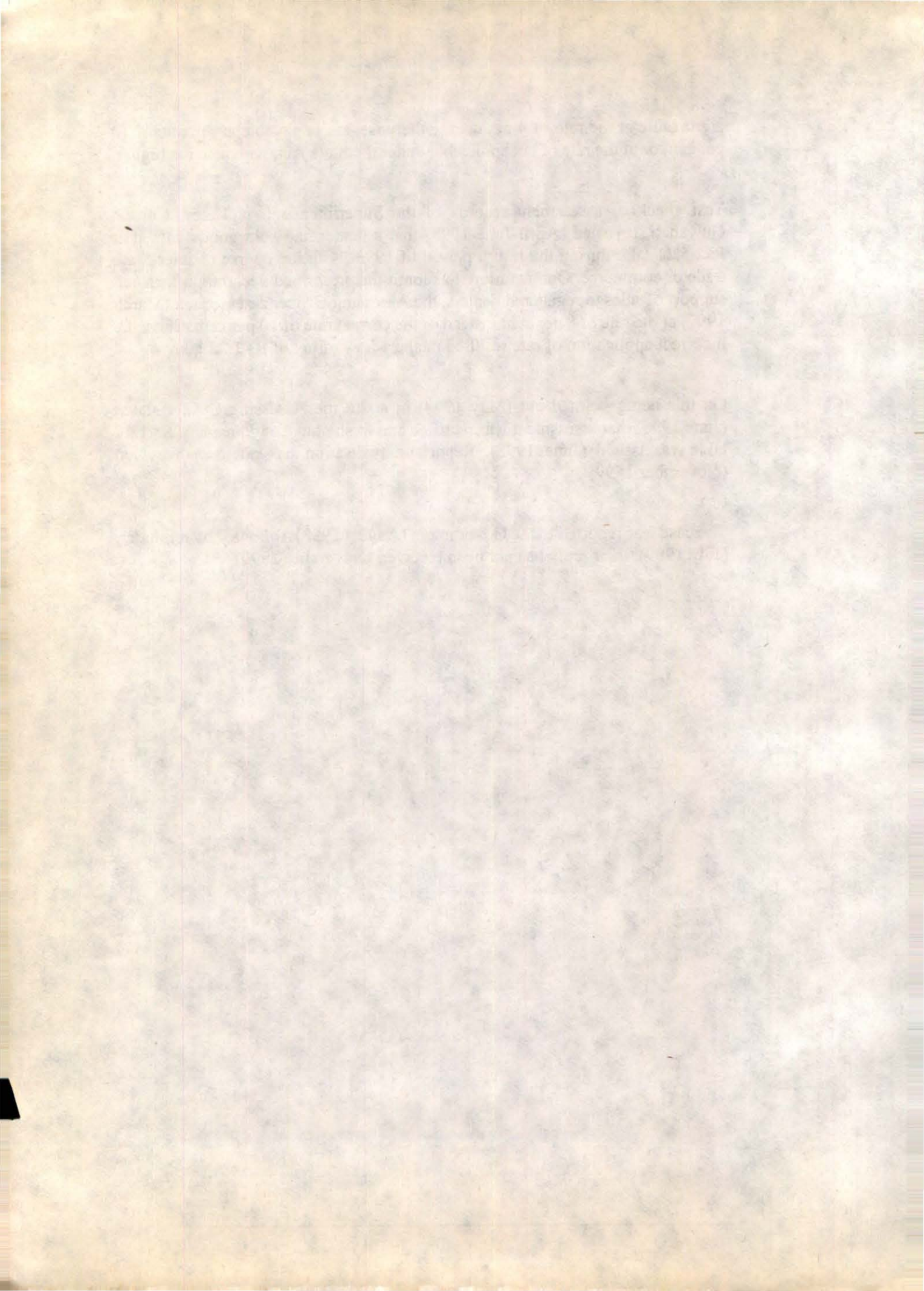
Under the Central Sales Tax Act, 1956, and the Rules made thereunder inter-State sales of goods, other than declared goods to registered dealers, if supported by prescribed declaration forms furnished by the purchasing dealer,

are taxable at the rate of 4 per cent. Otherwise, tax is payable at the rate of 10 per cent or at the rate of tax applicable under the State Act, whichever is higher.

Test check of assessment records of the Superintendent of Taxes, Unit-C, Guwahati, revealed (April-June 1998) that a dealer had sold goods valued at Rs.55.21 lakh during the return period of 1993-94 in the course of inter-State trade or commerce. On his failure to submit the prescribed declaration forms in support of sales to registered dealers, the Assessing Officer assessed tax (March 1997) at the rate of 8 per cent instead of the correct rate of 10 per cent. Thus, the incorrect application of rate resulted in short-levy of tax of Rs.1.22 lakh.

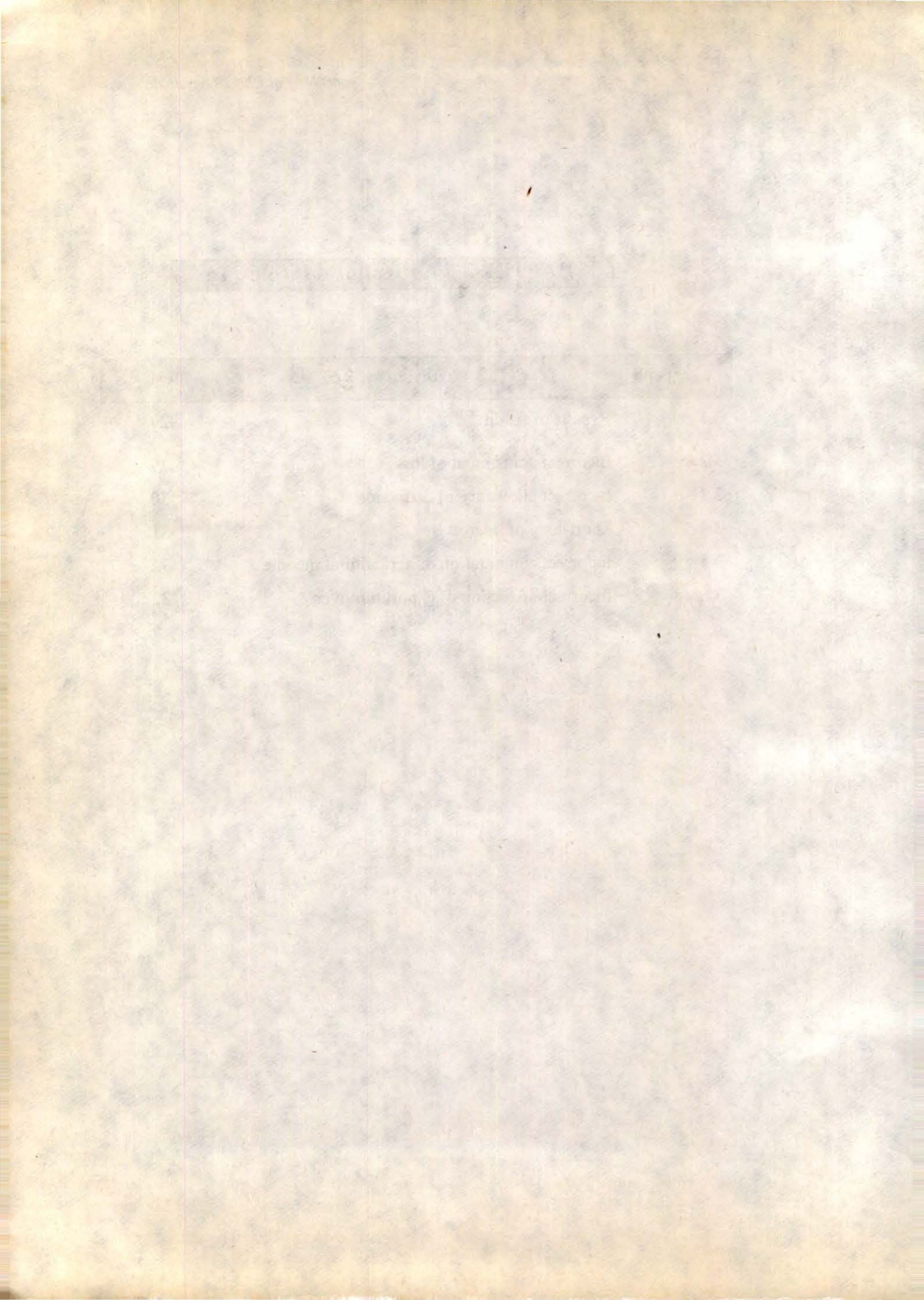
On this being pointed out (May 1998) in audit, the Assessing Officer stated (June 1998) that assessment was rectified and fresh notice of demand of Rs.1.22 lakh was issued (June 1998). Report on realisation has not been received (November 1999).

The case was reported to the Government (August 1998), followed by reminder, (July 1999); their reply has not been received (November 1999).



CHAPTER 3 : Agricultural Income Tax

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CHAPTER 3 : Agricultural Income Tax

3.1 Results of Audit

Test check of assessment records of the Agricultural Income Tax Officers, Assam, conducted during the year 1998-99, revealed under-assessment of tax, short/non-levy of interest and incorrect allowance of deduction amounting to Rs.88.44 lakh in 15 cases which broadly fall under the following categories :

| (Rupees in lakh) | | | |
|------------------|--|--------------|--------------|
| Sl. No. | Particulars | No. of cases | Amount |
| 1. | Incorrect computation of Agricultural Income | 5 | 39.50 |
| 2. | Short levy / non-levy of interest | 8 | 16.64 |
| 3. | Incorrect allowance of deduction | 2 | 32.30 |
| TOTAL | | 15 | 88.44 |

Five draft audit paragraphs involving financial effect of Rs.15.63 lakh and bringing out major points noticed during 1998-99 were issued to the department / Government for their comments; replies from the Government have not been received. The important audit observations made in those cases are mentioned in the following paragraphs :

3.2 Incorrect adjustment of loss

Under the Assam Agricultural Income Tax Act, 1939, if an assessee sustains loss in any year, he can set off the loss against his income, profit or gains under any other item in the same year. If the loss cannot be set off in the same year, it may be carried forward and set off against the profits or gains from his agricultural income of the subsequent year(s), subject to a maximum period of six years. The Act further provides that if the assessee fails to pay the tax in the prescribed manner, he is liable to pay interest at the rate of twelve per cent per annum for the period of default.

Test check of the records of the Agricultural Income Tax Officer, Guwahati, revealed (February 1998) that while assessing (between July 1993 and June 1996) a tea company for the assessment years from 1990-91 to 1992-93, the Assessing Officer adjusted Rs.25.64 lakh as loss against loss of Rs.17.51 lakh brought forward from the assessment years 1988-89 and 1989-90. This resulted

in excess set-off of loss of agricultural income of Rs.8.13 lakh with consequential undercharge of tax of Rs.5.98 lakh and interest of Rs.2.23 lakh.

On this being pointed out (May 1998), the department stated (July 1998) that the case was reassessed (July and September 1998) and after adjustment of unabsorbed loss of Rs.5.21 lakh for the assessment year 1987-88 which escaped the notice of Assessing Officer earlier, an additional demand of Rs.1.86 lakh including interest (Rs.0.76 lakh) was raised, of which an amount of Rs.1.10 lakh has been recovered (November 1998).

The case was reported to the Government (May 1998); their reply has not been received (November 1999).

3.3 Incorrect allowance of deduction

Under the Assam Agricultural Income Tax Act, 1939, the agricultural income shall be assessed on the net amount of such income as determined in the prescribed manner. Further, in determining the net agricultural income, such percentage of total agricultural income as may be notified by the State Government from time to time and deposited with the Assam Financial Corporation (AFC) in the previous year in the Plantation Development Account shall be allowed as deduction to the assessee from the agricultural income in succeeding assessment year. Under the amended Act, 1995, such deduction shall not exceed twenty per cent of the total agricultural income of the depositor.

Test check of assessment records of the Agricultural Income Tax Officer (AITO), Guwahati, revealed (January and February 1998) that a tea company had deposited (December 1996) Rs.1.95 lakh with the AFC and the AITO incorrectly allowed the deduction of the aforesaid amount from the agricultural income of the assessee for the assessment year 1996-97 whereas he was eligible for deduction in the assessing year 1997-98. This resulted in under-charge of tax of Rs.1.17 lakh.

On this being pointed out in audit (May 1998), the department raised (July 1998) an additional demand of Rs.1.17 lakh.

The case was reported to the Government (May 1998); their reply has not been received (November 1999).

3.4 Short-levy of interest

(a) Under the provision of the Assam Agricultural Income (Amendment) Tax Act, 1984, if the amount of tax paid by an assessee in respect of any financial year on or before 31 December of the said financial year falls short of the seventy five per cent of the amount of tax as finally assessed, for that year, he shall be liable to pay simple interest at the rate of 12 percent per annum from the first day of January of the said financial year up to the date of full payment of seventy five per cent of assessed tax or the date of assessment whichever is earlier.

Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed (January/February 1998) that in three cases the Assessing Officer while finalising (between May 1996 and August 1997) assessments for the assessment years 1989-90, 1992-93 and 1993-94 incorrectly computed interest as Rs.41.69 lakh instead of Rs.42.75 lakh for delayed payment of assessed tax. This resulted in short-levy of interest of Rs.1.06 lakh.

On this being pointed out in audit (May 1998), the department stated (July and December 1998) that an additional demand of Rs.1.06 lakh was raised (between July and December 1998) of which an amount of Rs.0.09 lakh has been recovered.

The case was reported to the Government (May 1998); their reply has not been received (November 1999).

(b) The Assam Agricultural Income (Amendment) Tax Act, 1984, provides that where an assessee fails to pay the amount of tax due within the date specified in the notice of demand, he shall be liable to pay simple interest at the rate of sixteen per cent per annum from the first day of the month next following the due date until the tax is paid.

Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed (January/February 1998) that an assessee had paid the assessed tax of Rs.4.82 lakh and Rs.84.84 lakh for the assessment years 1988-89 and 1989-90 after a lapse of 136 days and 69 days of the prescribed dates respectively. However, interest of Rs.1.62 lakh for delay in payment of tax due was not levied.

On this being pointed out (May 1998), the department stated (July 1998) that an additional demand of Rs.0.29 lakh for the assessment year 1988-89 had been raised (June 1998). As regards assessment year 1989-90 it was stated that action would be taken after payment of balance amount of tax of Rs.13.65 lakh. Further progress is awaited (November 1999).

The case was reported to the department and the Government (May 1998); their replies have not been received (November 1999).

3.5 Incorrect computation of agricultural income

Test check of assessment records of the Agricultural Income Tax Officer, Guwahati, revealed (January/February 1998) that the Assessing Officer while finalising (May 1996) the assessment of a tea company for the assessment year 1991-92 had incorrectly computed and adjusted the set-off of loss of Rs.12.05 lakh against the admissible loss of Rs.10.35 lakh carried forward for the assessment years 1986-87, 1988-89 and 1989-90. This resulted in under charge of tax of Rs.1.95 lakh including interest.

On this being pointed out (May 1998), the department revised (July 1998) the assessment. However, report on realisation is awaited (November 1999).

The matter was reported to the Government (May 1998); their reply has not been received (November 1999).

3.6 Incorrect deduction of export turnover

Under the Assam Agricultural Income Tax Act, 1939, there is no provision for allowing deduction on account of export turnover. The Central Board of Direct Taxes clarified (May 1991) that deduction on account of export turnover is to be allowed only from the business income of the assessee.

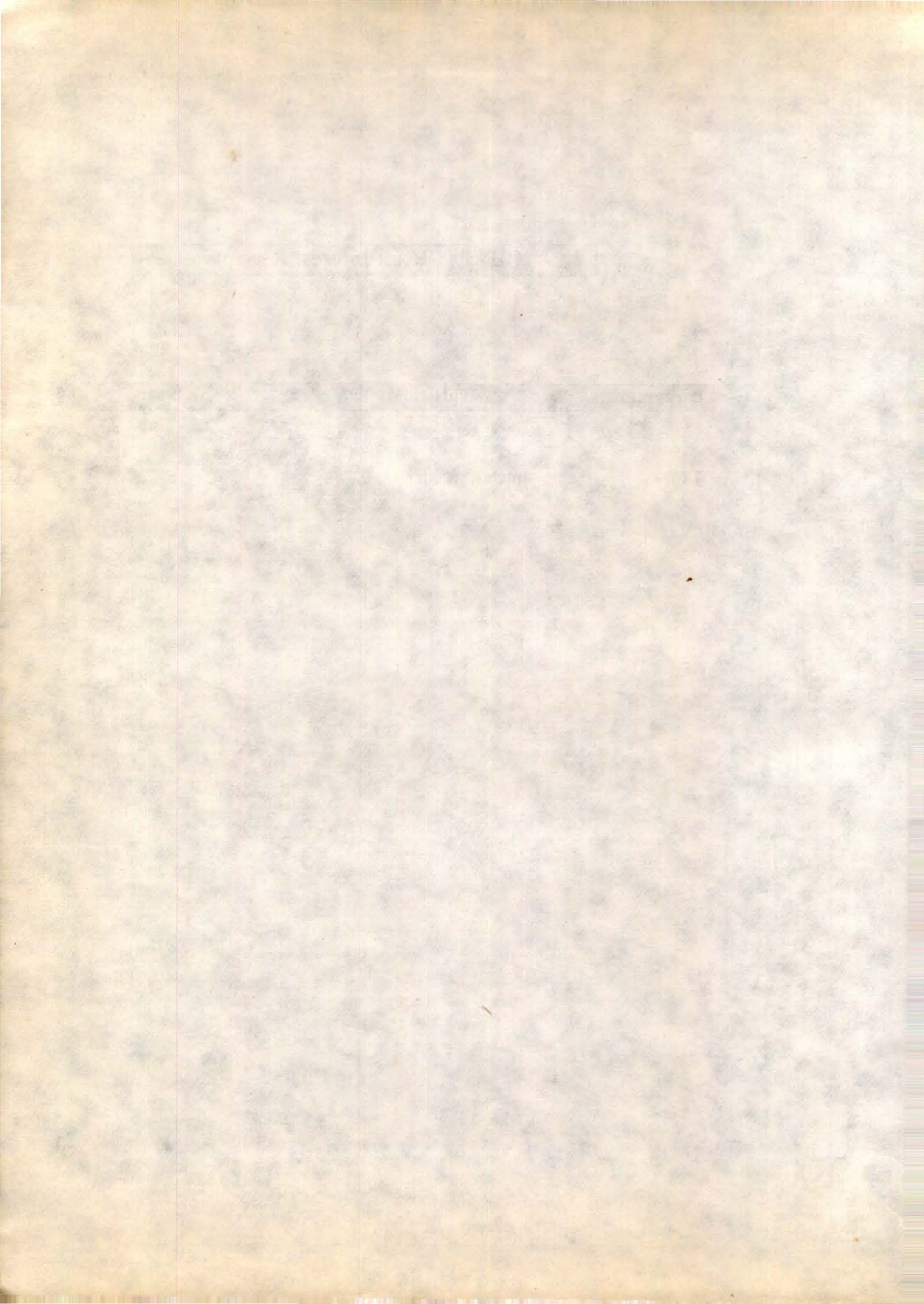
Test check of assessment records of the Agricultural Income Tax Officer, Guwahati revealed (February 1998) that the Assessing Officer, while finalising (between July 1994 and January 1995) the assessment of two tea companies for the assessment years 1990-91 and 1992-93, had incorrectly allowed deduction of Rs.2.98 lakh and Rs.0.30 lakh respectively on account of export turnover without any provision in the Act. This resulted in short-levy of tax of Rs.1.62 lakh.

On this being pointed out (May 1998) in audit, the department stated (July 1998) that an additional demand of Rs.0.73 lakh had been raised after adjustment of the tax paid in excess.

The case was reported to the Government (May 1998); their reply has not been received (November 1999).

CHAPTER 4 : Interest Receipts

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| 4.1 | Interest receipts | 35 |



CHAPTER 4 : Interest Receipts

4.1 INTEREST RECEIPTS

4.1.1 Introduction

Interest is realised on loans and advances granted by different departments of Government to commercial undertakings, public sector undertakings, local bodies, autonomous bodies, co-operative societies, government servants, etc.

The rates of interest to be charged on various kinds of loans sanctioned for different purposes varied from 12 to 19.5 per cent per annum as prescribed by the Finance Department from time to time during the period from April 1993 to March 1998. In the event of default in repayment of instalment of principal or interest, penal interest at the rate of 2.75 per cent per annum was also leviable over and above the normal rate of interest at which loan was sanctioned.

4.1.2 Organisational set-up

Proposals for sanction of loans and advances are made by Heads of Departments and recommended to administrative departments which issue sanction with the concurrence of Finance Department. Recoveries of loans and advances along with interest are watched by the departments sanctioning such loans.

4.1.3 Scope of Audit

A review on interest receipts on loans for the period from 1993-94 to 1997-98 was conducted during November 1998 to April 1999 in respect of loans sanctioned by five government departments viz. Industries, Power, Co-operation, Town and Country Planning as well as Municipal Administration with a view to ascertaining the effectiveness of recovery of interests on loans. Records relating to outstanding cases for the period prior to the year 1993-94 were also examined.

4.1.4 Highlights

Detailed accounts on interest recovery were not maintained by the departments. Arrears of interest and penal interest in respect of five departments were assessed to be Rs.1644.87 crore.

(Paragraph 4.1.6)

Loans amounting to Rs.220.51 crore sanctioned at lower rates of interest during the years 1993-94 and 1994-95 resulted in short-levy of interest of Rs.4.22 crore.

(Paragraph 4.1.7)

In the absence of specific terms and conditions for repayment of loans, interest and penal interest aggregating Rs.2.43 crore were neither assessed nor demanded.

(Paragraph 4.1.8)

There was non-payment of interest and penal interest of Rs.2.82 crore due to delay in deciding conversion of loan into grant.

(Paragraph 4.1.9)

Penal interest of Rs.0.48 crore was neither assessed nor demanded from one private company though they failed to repay fully the loan given to them.

(Paragraph 4.1.10)

4.1.5 Trend of interest receipts

The budget estimates of interest receipt, actual receipt of interests and its percentage to total non-tax revenue during the years from 1993-94 to 1997-98 are given below :-

(Rupees in crore)

| Year | Budget estimate | Actual Receipts | Variations Excess (+) Shortfall (-) | Percentage of variation Excess (+) Shortfall (-) | Loan sanctioned to five departments* | Interest due against loan in column 6 |
|--------------|-----------------|-----------------|-------------------------------------|--|--------------------------------------|---------------------------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1993-94 | 2.25 | 2.38 | (+)0.13 | (+)6 | 225.48 | 8.63 |
| 1994-95 | 2.40 | 2.15 | (-)0.25 | (-)10 | 152.10 | 34.32 |
| 1995-96 | 2.62 | 2.44 | (-)0.18 | (-)7 | 104.77 | 49.83 |
| 1996-97 | 2.75 | 2.15 | (-)0.60 | (-)22 | 130.06 | 59.52 |
| 1997-98 | 2.89 | 2.14 | (-)0.75 | (-)26 | 122.68 | 68.18 |
| Total | 12.91 | 11.26 | (-)1.65 | (-)13 | 735.09 | 220.48 |

Reason for shortfall in actuals during the years from 1994-95 to 1997-98, though called for, has not been furnished by the departments (November 1999). However, as would be seen from the above table, that for the last five years ended 1997-98 the total budget estimate pertaining to all departments was only Rs.12.91 crore against accrued interest of Rs.220.48 crore in respect of five departments only covered by this review. This indicates that the budget estimates were prepared without taking into account the outstanding interest dues. Had the Finance Department kept in view the outstanding revenue on account of interest receipts even in respect of 5 departments only, the budget estimates would have been substantially higher against that estimated by the department during the years 1994-95 to 1997-98.

4.1.6 Arrears of loans and interest

As per Finance Accounts 1997-98, the total arrears of loan outstanding under different heads for the whole of the State stood at Rs. 2395.99 crore. Complete information regarding the position of overdue principal and interest accrued thereon was not available with the Finance Department which monitors the debt and loan position of the State. The statements showing details of arrears/recovery of loan instalment and interest required to be sent by the Controlling Officers to the Accountant General (A&E) by June every year had not been received from the departments during the last five years ended 1997-98. No detailed accounts indicating year-wise particulars on interest were being maintained by the 5 departments test checked.

However, with reference to the drawal statements and records maintained by loanee organisations, the amount of interest as worked out in audit is detailed below:-

* Co-operation, Industries, Municipal Administration, Power, and Town and Country Planning.

(Rupees in crore)

| Department | Principal | | Interest | | Total | |
|-----------------------------|-----------------|----------------------------------|-----------------|----------------------------------|----------------|----------------|
| | Upto 1992-93 | From 1993-94 to 1997-98 | Upto 1992-93 | From 1993-94 to 1997-98 | Principal | Interest |
| Industries | 12.68 | 13.19 | 13.65 | 6.23 | 25.87 | 19.88 |
| Co-operation | NA | 3.71 | NA | 1.35 | 3.71 | 1.35 |
| Power | 593.67 | 750.42 | 1335.99 | 268.21 | 1344.09 | 1604.20 |
| Town & Country Planning | NA | 2.76 | NA | 0.75 | 2.76 | 0.75 |
| Municipal Administration | 9.81 | 32.18 | 8.53 | 10.16 | 41.99 | 18.69 |
| Total | 616.16 | 802.26 | 1358.17 | 286.70 | 1418.42 | 1644.87 |

NA : *Not Available*

No demand for the payment of interest and repayment of loan was made by the departments.

4.1.7 *Short-levy of interest due to sanction of loan at lower rates*

The Finance Department fixed (August 1993) the rate of interest at 12 and 13 per cent per annum on loans to Assam State Electricity Board and Assam State Housing Board respectively during 1993-94 and 1994-95. Penal interest was also payable, in the event of default.

Test check of sanction orders revealed that 25 loans aggregating Rs.219.82 crore were sanctioned by the Power Department during the years 1993-94 and 1994-95 at an interest rate of 11.75 per cent per annum (with penal interest at 2.5 per cent per annum). Like wise, Town and Country Planning Department sanctioned Rs.44 lakh and Rs.25 lakh at the interest rates of 8.5 and 11.75 per cent per annum as also without stipulating penal interest. Reasons for prescribing the lower rates of interest were not indicated. This resulted in short-levy of interest Rs.4.22 crore (including penal interest of Rs.2.04 crore) at the differential rates prescribed by the Finance Department and the sanctioning department.

4.1.8 *Non-levy of interest due to non-settlement of terms and conditions*

Terms and conditions laying down the period of repayment of loan, rate of interest/penal interest for delayed payment are usually required to be prescribed in the sanction itself.

In 19 cases, loans aggregating Rs.5.11 crore were sanctioned by the Government to 10 organisations during 1993-94 to 1997-98 without specifying the terms and conditions of repayment of loans, rate of interest, etc., although these loans were not interest-free category loan. The details are given in Annexure – I. This resulted in non-levy of interest of Rs.2.07 crore and penal interest of Rs.0.36 crore worked out at the rates (between 13 and 17 per cent per annum) prescribed by Finance Department.

4.1.9 Non-realisation of interest due to conversion of loan into grant

Test check of records of the Industries Department revealed that a loan of Rs.2.44 crore was sanctioned (October 1990) to Assam Industrial Development Corporation (AIDC) on usual terms and conditions. Subsequently, AIDC approached (November 1990) the Government for conversion of loan into grant on the plea that the funds were to be utilised for infrastructure facility. However, neither the Government had decided the case so far nor the department initiated any action to recover the loan and interest due thereon. This resulted in non-realisation of interest of Rs.2.82 crore including penal interest for the period from April 1991 to March 1998.

4.1.10 Non-invoking of penal provision

A test check of records revealed that 3 (three) loans aggregating Rs.2.80 crore were granted by Government as interest-free loans to Assam Industrial Development Corporation Ltd. during the period from March 1991 to March 1995 for the purpose of lending to a private company on the condition that in case of default in repayment of instalment of the principal amount due from the loanee, interest at the rate of 16 per cent per annum would be charged. Though the loanee had failed to pay the eight instalments of principal amounting to Rs.0.93 crore between September 1992 to September 1997, the department has not initiated any action either to recover the principal amount or to invoke penal provision. The penal interest recoverable from the loanee worked out to Rs.0.48 crore upto March 1998.

4.1.11 Non-maintenance of basic records

The position of records maintained by the departments during the period covered by this review was as under:-

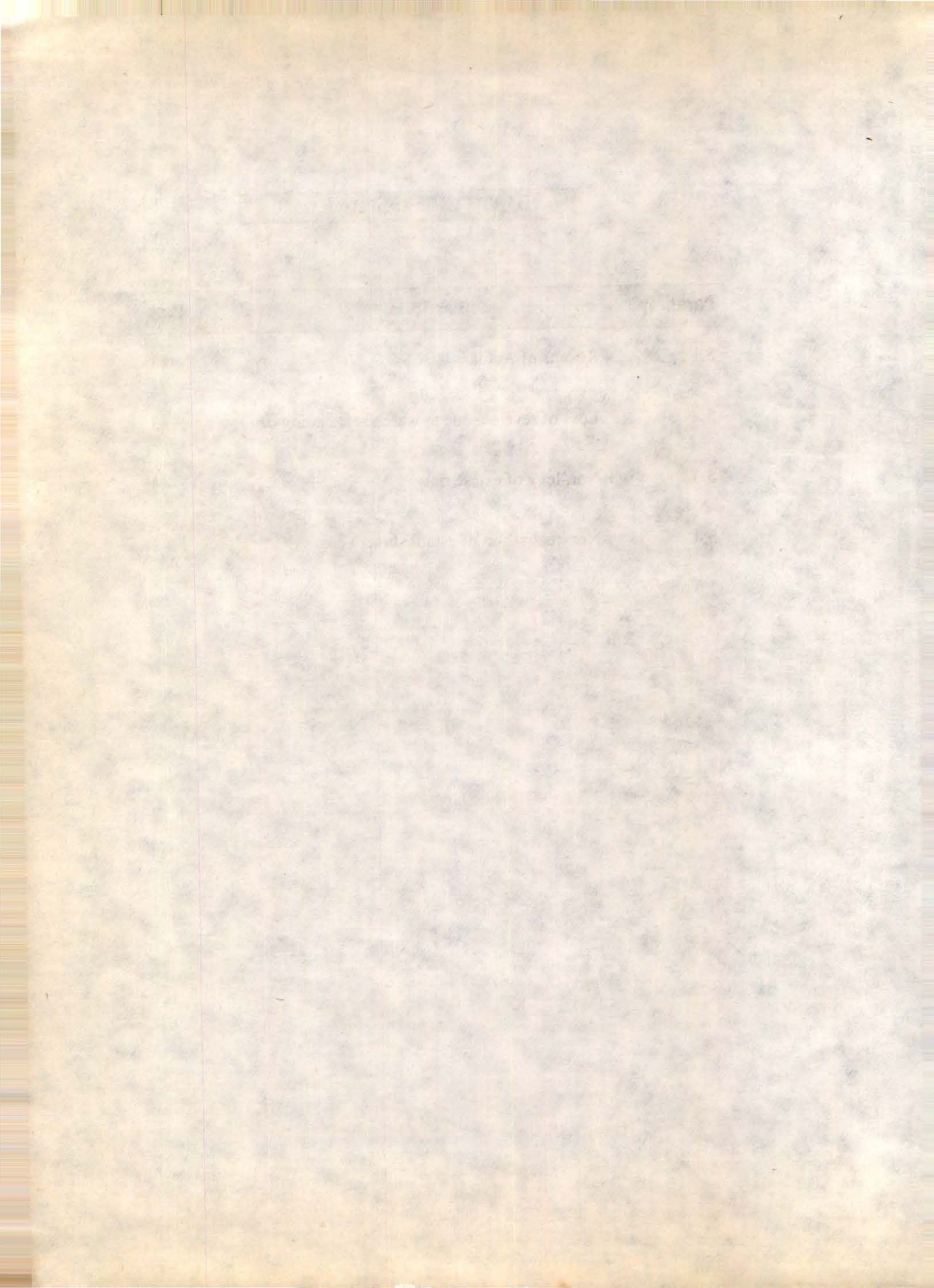
| Name of records and purpose | Industries Department | Co-operation Department | Power Department (Assam State Electricity Board) | Town and Country Planning Department (Assam State Housing Board) | Municipal Administration Department |
|---|-----------------------|-------------------------|--|--|-------------------------------------|
| (1) | (2) | (3) | (4) | (5) | (6) |
| (a) Sanction Register: This register is intended for noting each sanction and watching the drawal. | Not maintained | Not maintained | Maintained | Maintained | Not maintained |
| (b) Loan Ledger: The loan ledger is the basic record of loans sanctioned with information such as details of sanctions, date of drawal, amount, schedule of repayment, rate of interest and penal rate, particulars of repayment, etc. | Not maintained | Partially maintained | Maintained | Maintained | Not maintained |
| (c) Register of Remittances: This register is intended for watching remittances into Treasuries | Not maintained | Not maintained | Not maintained | Partially maintained | Not maintained |
| (d) Demand, Collection and Balance Register: This register is intended for watching recoveries of loans and interest thereon from time to time. | Not maintained | Not maintained | Not maintained | Partially maintained | Not maintained |

Non-maintenance/improper maintenance of basic records indicate failure of internal control and monitoring mechanism.

The matter was reported to the departments and the Government (July 1999), their replies have not been received (November 1999).

CHAPTER 5 : State Excise

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CHAPTER 5 : State Excise

5.1 Results of Audit

Test check of assessment records of the Commissioner of Excise and Superintendents of Excise, conducted in audit during the year 1998-99, revealed short-realisation of Excise Duty, non-realisation of annual licence fee, etc. amounting to Rs.622.53 lakh in 49 cases, which broadly fall under the following categories :

| (Rupees in lakh) | | | |
|------------------|---------------------------------------|--------------|---------------|
| Sl. No. | Particulars | No. of cases | Amount |
| 1. | Short/non-realisation of Excise Duty | 6 | 49.33 |
| 2. | Excess allowance of Godown losses | 1 | 4.94 |
| 3. | Non-realisation of annual licence fee | 3 | 2.60 |
| 4. | Miscellaneous | 39 | 565.66 |
| Total | | 49 | 622.53 |

During the year 1998-99, the department accepted short-realisation, etc. of Rs.16.86 lakh in 8 cases, which had been pointed out in audit prior to 1998-99. Out of Rs.16.86 lakh, Rs.9.10 lakh had been recovered. A few illustrative cases involving Rs.28.78 lakh highlighting important audit observations are mentioned in the following paragraph :

5.2 Loss of revenue due to warehouses going dry

Under the Assam Excise Rules, 1945, the contractor is required to maintain such minimum stock of spirit in warehouse as may be fixed by the Excise Commissioner from time to time. The contractor shall be liable to compensate for any loss to Government which may have been incurred owing to his failure to maintain the minimum prescribed stock.

During test check of records of the Commissioner of Excise, Assam, it was noticed (April and May 1998) that contractors of two warehouses at Tinsukia and Jorhat, not only failed to maintain the minimum prescribed stock of 1,20,000 and 1,00,000 London Proof Litre (LPL) but also kept the warehouses dry for 26 and 11 days respectively during the year 1997-98. However, the department had not initiated any action for getting compensation for the loss which works out to Rs.24.73 lakh calculated on the basis of average daily sales.

The cases were reported to the department and the Government (May 1998); their replies have not been received (November 1999).

5.3 Non-levy of excise duty

The Assam Bonded Warehouse Rules, 1965, provide for wastage not exceeding 1 per cent for loss in transit by leakage or evaporation or breakage of bottles containing liquor.

During test check of records of the Superintendent of Excise, Kamrup, Guwahati it was noticed (May 1998) that in the case of a bonded warehouse, 1887.03 London Proof Litre (LPL) were allowed as transit loss during September 1997 against the permissible limit of 37.125 LPL (being one per cent of 3712.5 LPL). This resulted in excess allowance of transit loss of 1849.905 LPL of IMFL and non-levy of excise duty of Rs.1.59 lakh due thereon.

On this being pointed out (May 1998) in audit, the department stated (September 1999) that the entire amount had been deposited (July 1998).

The case was reported to the Government (June 1998); their reply has not been received (November 1999).

5.4 Non-realisation of establishment cost

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

During test check of records of the Superintendent of Excise, Kamrup, Guwahati, it was noticed (May 1998) that there was no system to ensure prescribed realisation of establishment charges every month from the bonded warehouses. In case of 6 excise officials deployed in 2 bonded warehouses for various periods between January 1997 and March 1998, establishment charges amounting to Rs.2.46 lakh were not paid by the licensees .

On this being pointed out (May 1998) in audit, the department intimated (June/September 1999) that the entire establishment charges had since been deposited between July 1998 and April 1999 but produced the relevant challans for deposit of Rs.1.81 lakh only. Further progress has not been made known (November 1999).

The case was reported to the Government (June 1998); their reply has not been received (November 1999).

CHAPTER 6 : Other Tax Receipts

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CHAPTER 6 : Other Tax Receipts

6.1 Results of Audit

Test check of records in departmental offices, relating to revenues of Taxes on Motor Vehicles, Land Revenue and Taxes on Professions, Trades, Callings and Employments revealed under-assessment and loss of revenue amounting to Rs.687.32 lakh in 231 cases as detailed below :

| (Rupees in lakh) | | | |
|------------------|--|--------------|---------------|
| Sl. No. | Particulars | No. of cases | Amount |
| 1. | Taxes on Vehicles | 69 | 243.48 |
| 2. | Land Revenue | 156 | 441.34 |
| 3. | Taxes on Professions, Trades, Callings and Employments | 6 | 2.50 |
| Total | | 231 | 687.32 |

During the year 1998-99, the department accepted under-assessment, etc. of Rs.25.27 lakh involved in 17 cases, which had been pointed out in audit prior to 1998-99. A few illustrative cases involving Rs.5.07 lakh highlighting important audit observations and a review on Taxes on "Professions, Trades, Callings and Employments", involving revenue effect of Rs.46.43 lakh are given in the following paragraphs :

A. TAXES ON PROFESSIONS, TRADES, CALLINGS AND EMPLOYMENTS

6.2 Review on taxes on Professions, Trades, Callings and Employments

6.2.1 Introduction

The Assam Professions, Trades, Callings and Employments Taxation Act, 1947, as amended from time to time, was enacted for levy and collection of tax on professions, trades, callings and employments in the State. The Act provides that salaried employees and wage earners drawing salaries or wages in excess of prescribed limit are to pay tax monthly at the prescribed rates and other class of persons engaged in professions, trades and callings are to pay tax annually at the rates prescribed depending on nature, standing, income and volume of turnover of professions, trades or callings. In case of default, simple interest at the rate of two per cent per month is leviable for the period wherein tax remained unpaid. Every employer (other than an Officer of Government) shall get himself registered with assessing authority and every person liable to pay tax under the Act (other than earning salaries and wages) is required to obtain a certificate of enrolment from the Assessing Authority in the manner prescribed.

6.2.2 Organisational set up.

The overall control and administration of the Act is vested with the Commissioner of Taxes who functions as Head of Department. The State is divided into ten taxation zones each headed by a Deputy Commissioner of Taxes. There are thirty-six unit offices in the State each headed by a Senior Superintendent/Superintendent of Taxes entrusted with the duties of registration, enrolment and assessment relating to the tax. They are assisted by Inspectors of Taxes for survey, assessment and collection of professional tax.

6.2.3 Scope of Audit

Registration, enrolment, assessment and other relevant records relating to the tax under the Act for the years from 1993-94 to 1997-98 were reviewed in the office of the Commissioner of Taxes and in nine¹ unit offices during the period from November 1998 to February 1999 with a view to assessing the efficacy of the system for administration of the Act.

6.2.4 Highlights

Despite instruction to send demands pending for more than 3 months to the Bakijai Officers for realisation, outstanding demands of Rs. 22.84 lakh were not sent to them.

(Paragraph 6.2.6)

No survey of prospective tax payers was conducted till April 1998. Also, the quantum of survey to be conducted by Inspectors of Taxes has not been prescribed. Due to failure to conduct intensive Survey, non-realisation of tax was assessed to be of Rs.17.39 lakh in respect of 863 public carrier owners and 83 licensed foreign liquor vendors alone, in Guwahati and Tezpur districts.

(Paragraph 6.2.7)

Professional Tax amounting Rs.17.29 lakh, though deducted from the salaries of the employees, was not deposited into Government account.

(Paragraph 6.2.8)

Interest amounting to Rs.11.75 lakh was not levied for late payment/non-payment of tax in 206 cases.

(Paragraph 6.2.9)

There was no effective control and monitoring mechanism for the tax administration at the Commissionerate of taxes.

(Paragraph 6.2.10)

¹ Four at Guwahati and one each at Nagaon, Tezpur, Jorhat, Dibrugarh and Tinsukia

6.2.5 Trend of revenue

Revenue realised by the department from tax on professions, trades, callings and employments during the years from 1993-94 to 1997-98 *vis-a-vis* the budget estimates was as under :

| (Rupees in lakh) | | | | |
|------------------|------------------|-----------------|------------------------------|-------------------------|
| Year | Budget estimates | Actual receipts | Excess (+)/ Shortfall (-) | Percentage of variation |
| 1993-94 | 1710.00 | 2035.54 | (+) 325.54 | (+)19.03 |
| 1994-95 | 1872.00 | 2372.15 | (+) 500.15 | (+)26.72. |
| 1995-96 | 2462.00 | 2996.22 | (+) 534.22 | (+)21.70 |
| 1996-97 | 3049.00 | 3502.90 | (+) 453.90 | (+)14.89 |
| 1997-98 | 3919.00 | 3947.86 | (+) 28.86 | (+)0.73 |
| Total | 13012.00 | 14854.67 | (+)1842.67 | (+) 14.16 |

6.2.6 Unrealised demands

The Assam Professions, Trades, Callings and Employments Taxation Act, 1947, provides that all arrears of tax, penalty, interest and fee due from any person shall be recoverable as arrears of land revenue and the Assessing Authority shall proceed to realise it from the defaulters. The Commissioner of Taxes issued (July 1997) instructions that the demands which remained unrealised for a period of three months should be sent to Bakijai Officers* for realisation of demand through Bakijai process.

Records of five Unit Offices**, however, revealed that tax amounting to Rs.22.84 lakh in 5142 cases though remained unrealised at the end of March 1998 as detailed below, were not sent to Bakijai Officers till February 1999. The delay ranged from 8 months to 26 years.

| (Rupees in lakh) | | |
|------------------|--------------|--------------|
| Year | No. of cases | Amount |
| Up to 1992-93 | 3350 | 9.50 |
| 1993-94 | 253 | 1.19 |
| 1994-95 | 308 | 1.87 |
| 1995-96 | 390 | 3.65 |
| 1996-97 | 486 | 3.78 |
| 1997-98 | 355 | 2.85 |
| Total | 5142 | 22.84 |

* A Bakijai Officer is an Officer who is entrusted with the duty to recover the tax due as arrears of land revenue.

** Guwahati 'A', Guwahati 'C', Guwahati 'D', Tezpur and Tinsukia

As the above cases had not been sent (February 1999) to Bakijai Officers, the prospects of recovery of the tax had become uncertain, apart from loss of interest.

Further, the position of recovery in 2487 cases amounting to Rs.7.89 lakh pending with the Bakijai Officers at the end of March 1998 could not be ascertained as no record of follow-up action was available in these units.

6.2.7 Non-observance of departmental instructions

The Commissioner of Taxes issued instructions (April 1995, March and July 1997) to conduct intensive survey to bring all prospective tax payers in the tax net. As per instructions (May 1995) of the Finance (Taxation) Department, the unit Offices are required to submit monthly reports on survey to the Commissioner of Taxes. However, the quantum of survey to be conducted by each Inspector of Taxes has not been prescribed.

It was noticed that no survey was conducted by the department upto April 1998. As a result, considerable number of assesseees remained outside the tax net. The loss of revenue due to non-enrolment of these persons could not be quantified for want of data. However, a test check of records of District Transport Officers and Superintendents of Excise in Guwahati and Tezpur, (November 1998 to January 1999) revealed that 863 public carrier vehicle owners and 83 licensed foreign liquor vendors remained outside the tax net resulting in non-realisation of Government revenue amounting to Rs.17.39 lakh during the period from 1993-94 to 1997-98 in these two districts alone.

6.2.8 Non-payment of tax

Test check of records of Guwahati Unit 'D' revealed that professional tax amounting to Rs.15.94 lakh was deducted from salaries of employees by M/s Assam Government Construction Corporation Limited during 1992-93 to 1997-98 but was not credited to Government account on the plea of financial crisis. Similarly, 10 tea estates under the jurisdiction of Jorhat Unit Office did not pay tax amounting to Rs.1.35 lakh during 1989-90 to 1997-98. The concerned Assessing Officers failed to realise the tax revenue of Rs.17.29 lakh.

6.2.9 Non-levy of interest

The Assam Professions, Trades, Callings and Employments Taxation Act, 1947, provides that if a non-government employer or an enrolled person fails to pay tax within due date, he shall be liable to pay simple interest at two percent of the

amount of tax due for each month or part thereof for the period for which the tax remained unpaid.

Test check of records of nine Unit Offices* revealed that in 206 cases interest of Rs.11.75 lakh for delay ranging from 4 months to 6 years in payment/non-payment of tax for the years 1992-93 to 1997-98, though leviable, was not levied.

6.2.10 Registration and enrolment

The Act provides for obtaining a certificate of registration by every employer and a certificate of enrolment by every assessee, from the Assessing Authority in the prescribed manner.

The office of the Commissioner of Taxes could not furnish (January 1999) the number of non-government employers registered and number of persons enrolled between 1993-94 and 1997-98. It was also stated (March 1999) that no records to ascertain category-wise number of persons liable to pay tax at the end of each year from 1993-94 to 1997-98 had so far been maintained. Out of the two prescribed returns, one on collection of revenue and the other on survey, the returns on surveys were neither submitted by the Unit Offices nor the matter was pursued by the Commissionerate. Thus there was no effective control mechanism for tax administration.

Test check of records of five offices of the Superintendent of Taxes⁺ revealed that 290 dealers registered under Sales Tax Act by the Superintendents of Taxes and availing sales tax exemption under various schemes were enrolled only as traders but no action was taken to register them as employers under the Act. Professional tax recoverable from their employees could not be quantified for want of details regarding number of employees and their salaries.

The matter was brought to the notice of the Government (May 1999); their reply has not been received (November 1999).

* Dibrugarh, Gurahati 'A', Guwahati 'B', Guwahati 'C', Guwahati 'D', Jorhat, Nagaon, Tezpur and Tinsukia.

⁺ Guwahati 'B', Guwahati 'C', Guwahati 'D', Tezpur and Tinsukia

B. TAXES ON VEHICLES

6.3 Short/Non-levy of fine

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

(i) A test check of the records of District Transport Officer, Nagaon, revealed (October 1997) that 46 goods vehicles carrying load in excess (169.51 MT) of the permitted load were detected by the department during the period between October 1996 and September 1997. However, the department levied fine of Rs.1.44 lakh against the fine leviable of Rs.2.65 lakh. This resulted in short levy of fine of Rs.1.21 lakh.

The case was reported to the department and the Government (March 1998); their replies have not been received (November 1999).

(ii) A test check of the records of the District Transport Officer, Barpeta revealed (March 1998) that 131 goods-vehicles carrying excess load were detected by the department during the period from May 1995 to September 1997. But in 117 cases, neither the actual quantity of excess load carried by each vehicle was recorded in relevant records nor the minimum fines were levied. Even an excess load of 1 tonne only per vehicle would result in non-levy of fine Rs.3.51 lakh. In respect of 3 other vehicles, the leviable fine of Rs.0.20 lakh was not imposed, even though these carried a total excess load of 14.6 M.T. In respect of the remaining 11 vehicles, the fine of Rs.0.15 lakh was short-realised. Thus there was short/non-levy of fine aggregating Rs.3.86 lakh in respect of 131 vehicles.

The matter was reported to the department and the Government (June 1998); their replies have not been received (November 1999).

THE EFFECT OF VITAMIN B₁₂ DEFICIENCY ON THE GROWTH OF THE RAT

By J. H. M. VAN SOEST, D. V. M., and J. H. M. VAN SOEST, D. V. M.

The present study was conducted in the laboratory of the Department of Pathology, University of Wisconsin, Madison, Wis., during the period from July 1956 to July 1957. The purpose of this study was to determine the effect of vitamin B₁₂ deficiency on the growth of the rat.

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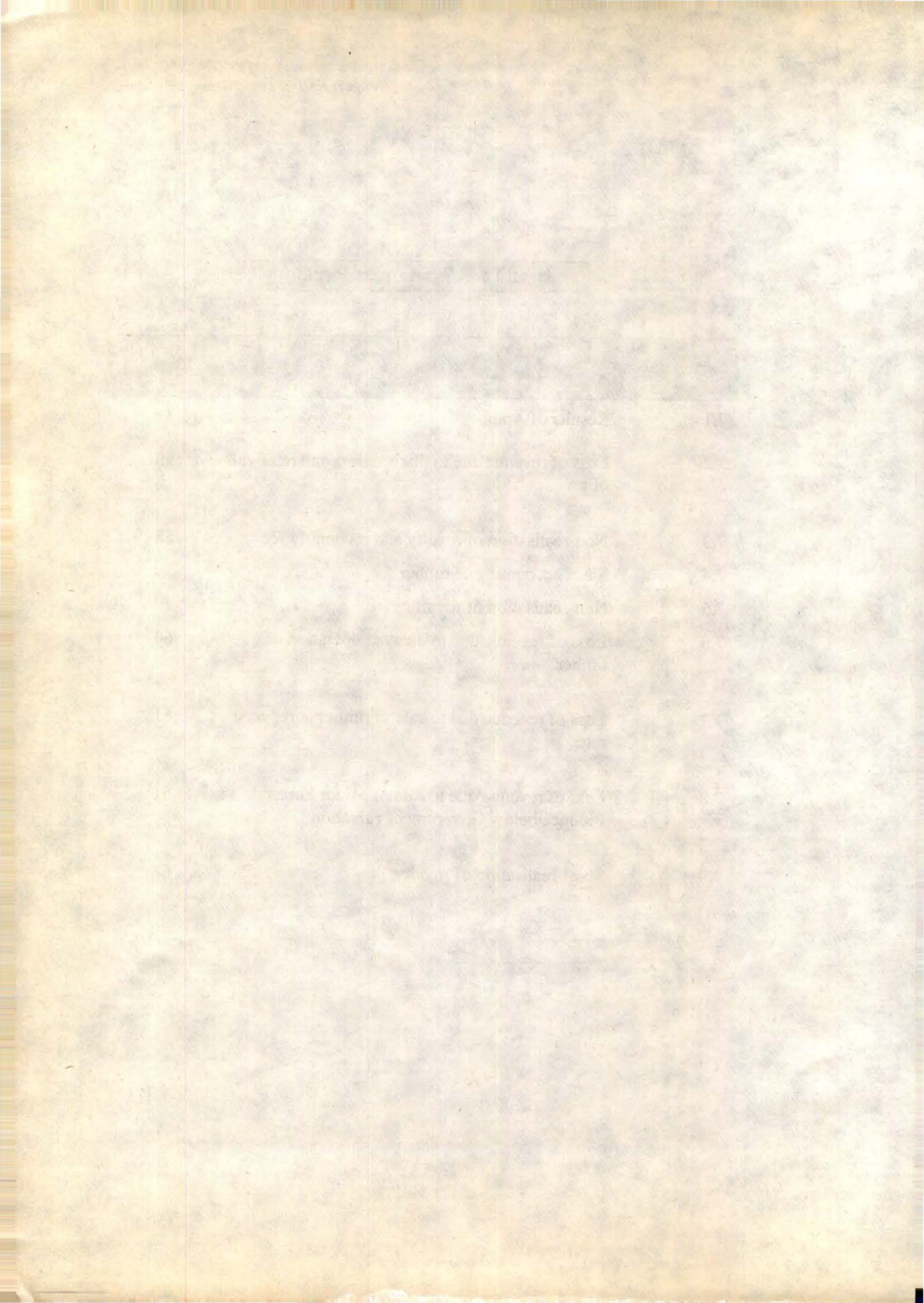
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CHAPTER 7 : Forest Receipts

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CHAPTER 7 : Forest Receipts

7.1 Results of Audit

Test check of records maintained in the offices of the Divisional Forest Officers, Assam, conducted in audit during 1998-99 revealed losses, locking up of revenue etc. amounting to Rs.1279.42 lakh in 104 cases, which fall into the following categories:

| (Rupees in lakh) | | | |
|------------------|--|--------------|----------------|
| Sl. No. | Particulars | No. of cases | Amount |
| 1. | Loss of revenue due to shortage/damage of timber | 16 | 246.41 |
| 2. | Loss of revenue due to non-settlement/delay in settlement of Mahal | 32 | 157.47 |
| 3. | Loss of revenue due to non-disposal/delay in disposal of timber | 5 | 15.41 |
| 4. | Locking of revenue due to non-disposal/delay in disposal of timber | 3 | 148.24 |
| 5. | Loss due to illegal felling | 4 | 443.07 |
| 6. | Miscellaneous | 44 | 268.82 |
| | Total | 104 | 1279.42 |

A few illustrative cases involving Rs.350.12 lakh highlighting important audit observations are mentioned in the following paragraphs:

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

Under the Assam Forest Regulations, 1891, and the Rules framed thereunder felling/removal of forest produce from forest areas without valid authorisation constitutes an offence punishable with fine. Forest produce removed illegally is also liable to be seized by forest officials. To prevent such illegal felling/removal of forest produce, the department has Forest Protection Squads and Forest Protection Force deployed in the forest areas.

Test check of records of the Divisional Forest Officer, Digboi Division (June 1998) and Darrang Division (March 1999) revealed that a total of 6485.2539 cu.m. of timber had been illegally felled by miscreants in reserve forests of Nunoi, Mazbat and Saraipung Range during the period from 1993-94 to 1997-98 out of which 971.708 cu.m. of timber was recovered but the remaining 5513.5459 cu.m. valued at Rs.140.42 lakh could not be recovered. Failure of the department to protect reserve forests from illegal felling and to prevent removal of timber resulted in loss of revenue of Rs.140.42 lakh. The Divisions stated (August 1999) that the depletion of forest is due to insufficient deployment of Forest Protection Force and also other factors such as inadequate fund, shortage of vehicles and lack of sophisticated weapons.

The matter was reported to the department and the Government (September 1998 and April 1999); their replies have not been received (November 1999).

7.3 Non-realisation of royalty and monopoly fee

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

Test check of records of Kamrup East Division revealed (March 1999) that 10 contractors of Northeast Frontier Railway collected 2,90,950 cu.m. of earth and 21,285 cu.m. of ballast (stone materials) unauthorisedly in excess of permitted quota for construction of railway line, for which a bill amounting to Rs.38.18 lakh on account of royalty was submitted (August 1998) to the Railway Authority by the Divisional Forest Officer, Kamrup East Division. However, the monopoly fee of Rs.76.36 lakh was not imposed by the department. Details of realisation of royalty has not been received (November 1999).

The matter was reported to the Government (May 1999); their reply has not been received (November 1999).

7.4 Short accounting of timber

The departmentally operated as well as seized timber/logs are deposited in the nearest depot after their operation/seizure. Logs are then graded according to size and quantity and put to sale in lots through tender. Protection of the timber from the vagaries of weather, damage or theft is the primary responsibility of the department. To help the department to protect the forest produce from damage or pilferage, the Government has deployed Forest Protection Force in the forest areas.

During the course of audit of records of the Divisional Forest Officer, Kachugaon, it was noticed (April-May 1998) that 2435.193 cu.m. of sal timber was departmentally operated during 1992-93. Out of these, only 417.937 cu.m. was accounted for in the timber lot register and the remaining 2017.256 cu.m. of timber (83 per cent) valued at Rs.52.62 lakh was not accounted for. The Range Officer stated (May 1998) that whereabouts of 2017.256 cu.m. of timber was not on record and the same was lost/missing. This resulted in loss of revenue of Rs.52.62 lakh.

The matter was reported to the department and the Government (August 1998); their replies have not been received (November 1999).

7.5 Non-realisation of royalty

The Government of Assam, Forest Department, in their notification of December 1993, had specified that the departmental contractors registered with the Government, engaged in the execution of works of departments such as Public Works, Flood Control, Irrigation and Public Health Engineering, may be allowed to collect forest produce on payment of 25 per cent of royalty in

advance and the balance 75 per cent to be deducted at source at the time of payment of running or final bill by the department concerned in one instalment.

Test check of records of the Divisional Forest Officer, Nagaon and Darrang Divisions (September 1998 and March 1999) revealed that permits for sand/gravel/stone etc., were issued to 207 authorised contractors of various Public Works Divisions of the State Government during the period from 1993-94 to 1996-97 for extraction of 52,944.550 cu.m. of sand/ stone/gravel on payment of Rs.7.95 lakh (25 per cent royalty) against total amount of royalty of Rs.31.79 lakh. Out of the balance amount of royalty of Rs.23.84 lakh (75 per cent), only Rs.2.88 lakh had been realised till October 1997. Neither any action have been initiated nor any guidelines issued by the Forest Department for recovery of remaining amount of royalty. This resulted in non-realisation of royalty of Rs.20.96 lakh.

The mater was reported to the department and the Government (November 1998 and April 1999); their replies have not been received (November 1999).

7.6 Loss of revenue due to delayed operation of timber

The scheme of departmental operation of timber envisages expeditious disposal of soft wood species such as Hollong, etc., which lose their commercial value after three months from felling due to infections and vagaries of weather. Operation of timber includes sectioning, logging and dragging/transporting of timber to a forest depot.

Test check of records of Divisional Forest Officer, Doom Dooma revealed (July 1998) that 62 timber lots measuring 480.772 cu.m. of softwood (Hollong) species were formed, out of uprooted trees of May 1995. These were departmentally operated in January and February 1996 and were put to sale on 10 September 1996. The sale could not be effected due to non-receipt of bids as the timber had deteriorated and lost commercial value due to exposure to the elements of nature as the department had failed to dispose of the timber within stipulated period of three months. The re-assessment report (May 1998) worked out the quantity of deteriorated volume as 385.082 cu.m.(80 per cent) valued at Rs.11.17 lakh. This resulted in loss of revenue of Rs.11.17 lakh.

The matter was reported to the department and the Government (August 1998); their replies have not been received (November 1999).

7.7 Loss of revenue due to sale of timber at reduced rates

According to the provisions of the Assam Sale of Forest Produce, Coupes and Mahal Rules, 1977, forest produce is disposed of by tender system or auction at competitive rates. The Rules also empower the Government to sell forest produce by private negotiation, but there is no provision to allow concessional rate in such sale. As per normal practice, the rates in such a sale are fixed at the average of prices received in the three competitive sales immediately preceding or in the competitive sales during the current financial year.

Audit of the records of the Divisional Forest Officer, Kamrup West Division, revealed (September 1996) that the average sale price of teak timber obtained through last three sales during 1994-95 was Rs.8681 per cu.m. But the Government through direct negotiation with selected individuals sold (from November 1995 to April 1996) 114,401 cu.m of teak timber at Rs.5.99 lakh at the rate of Rs.5240 per cu.m., instead of at Rs.9.93 lakh. Thus the sale of timber through limited direct negotiation was 40 per cent lower than the average sale price fixed by the department during 1994-95 which resulted in loss of revenue of Rs.3.94 lakh. There were no recorded reasons for allowing such lower rate.

The matter was reported to the department and the Government (November 1996), followed by reminders (May and July 1999); but their replies have not been received (November 1999).

7.8 Loss of revenue due to sale of Minor Forest Produce below Government valuation

Government valuation assigned to a forest produce serves as reserve price below which it is not to be sold. As per the provisions of the Assam Sale of Forest Produce, Coupes and Mahals Rules, 1977, sand/stone etc., are to be sold by tender system. The Government fixed (June 1992) the royalty rate of sand and gravel at the rate of Rs.50 and Rs.70 per cu.m. respectively.

During the course of audit of two Divisional Forest Officers, Karimganj and Darrang Forest Divisions, (June 1998 and March 1999) it was noticed that at Karimganj 9600 cu.m. of sand was sold to 11 contractors on settlement by tender during 1995-96 to 1997-98 on realisation of value of Rs.2.58 lakh against the reserved price of Rs.4.80 lakh. At Darrang, 2700 cu.m. of sand and 1600 cu.m. of stone was disposed of without any tender during March and April 1997 on realisation of Rs.1.11 lakh against the reserve price of Rs.2.47 lakh.

This resulted in aggregate loss of Rs.3.58 lakh. In both the cases reasons for selling of forest produce below reserve price were not on records.

The matter was reported to the department and the Government (September 1998 and April 1999); their replies have not been received (November 1999).

7.9 Short realisation of royalty

The Government of Assam Forest Department revised the royalty rates of stone to Rs.70 per cu.m. from Rs.16 per cu.m. with effect from 1 July 1992.

During the course of audit of the Divisional Forest Officer, North Kamrup Division, it was noticed (October 1995) that 25 permits to lift 5354 cu.m. of stone were issued to contractors engaged by different departments of the State Government between 3rd and 30th July 1992 at the pre-revised rates of royalty of Rs.16 per cu.m. instead of revised rate of Rs.70 per cu.m. This resulted in short realisation of royalty amounting to Rs.2.89 lakh.

On this being pointed out (February 1996), the department issued (December 1996) demand notices after 4 years followed by reminder (November 1998) to the respective departments. Report on realisation has not been received (November 1999).

The matter was reported to the Government (February 1996); their reply has not been received (November 1999).

K. Manjithingh

(K. MANJIT SINGH)
Accountant General (Audit), Assam

GUWAHATI

The

13 JAN 2000

Countersigned

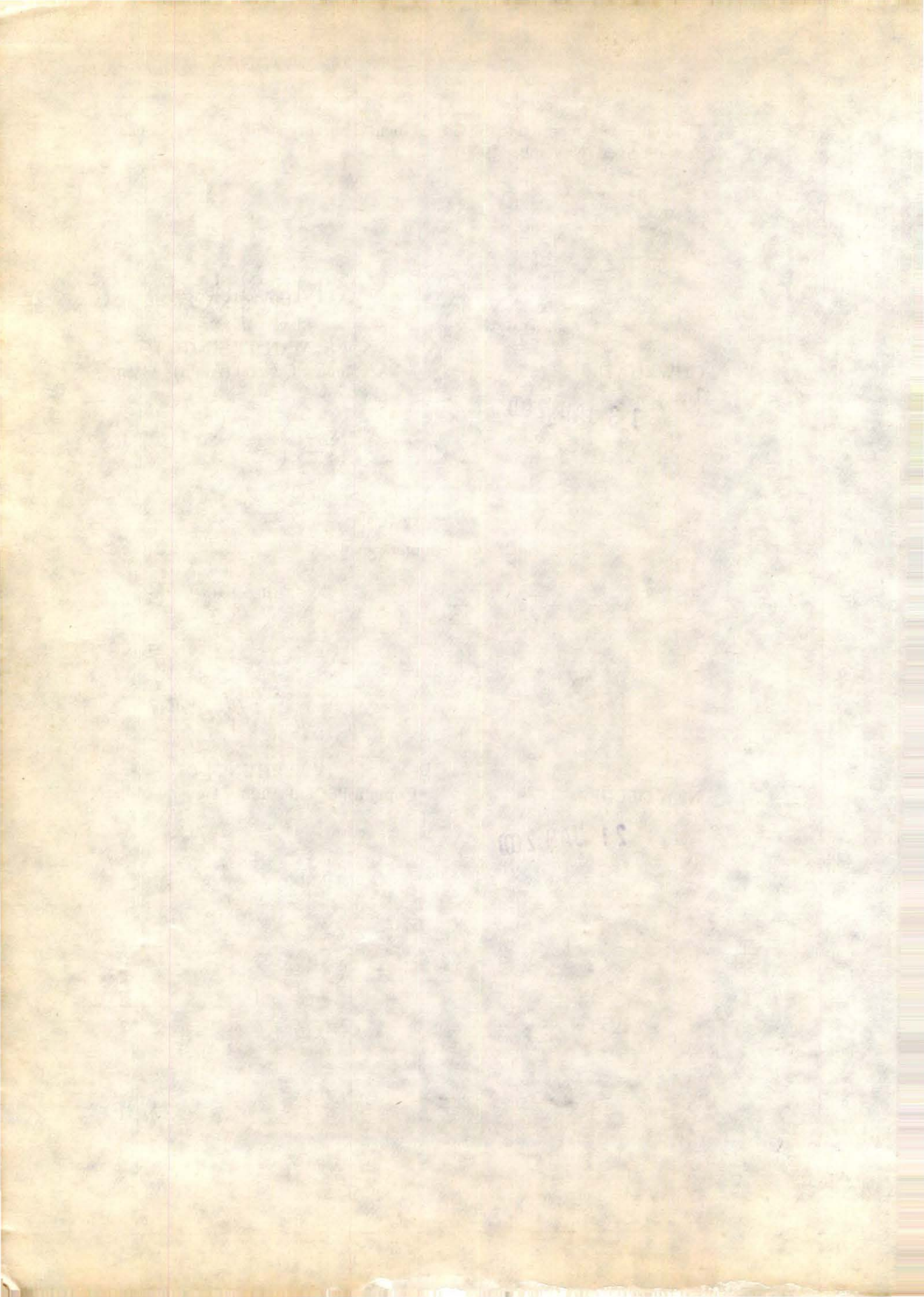
V. K. Shunglu

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

NEW DELHI

The

21 JAN 2000



Annexure - I
Statement of Loans without specifying terms and conditions
(Reference : Paragraph 4.1.8)

| Sl. No. | Sanctioning Department | Loanee | Year of sanction | Amount Rs. in crore | Purpose |
|---------|--------------------------------------|---|------------------|---------------------|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1. | Industries Department | AIDC Ltd. | 1993-94 | 0.45 | For Cachar Sugar Mills Ltd. to meet the expenditure on salary, repairing and maintenance. |
| 2. | -do- | -do- | 1993-94 | 0.60 | For settlement of dues of erstwhile chemical units of M/s. Associated Industries. |
| 3. | -do- | Ashok Paper Mills (Assam) Ltd. | 1993-94 | 0.04 | For payment of electricity bills to Assam State Electricity Board by Ashok Paper Mills. |
| 4. | -do- | AIDC Ltd. | 1994-95 | 0.26 | For payment of arrear salaries to the employees of Assam Syntex Ltd. |
| 5. | -do- | Assam Polytex Ltd. | 1994-95 | 0.22 | For payment of arrear salaries with effect from 13.06.94 to 31.07.94 to the employees of Assam Polytex Ltd. |
| 6. | Town and Country Planning Department | Assam State Housing Board | 1993-94 | 0.09 | For implementation of Land Acquisition and Development Scheme in Hill Areas. |
| 7. | -do- | -do- | 1993-94 | 0.08 | For implementation of Janata Housing Scheme for Hill Areas during 1993-94. |
| 8. | -do- | -do- | 1996-97 | 0.59 | For implementation of Janata Housing Scheme for General categories during 1996-97. |
| 9. | -do- | -do- | 1996-97 | 0.14 | For implementation of Janata Housing Scheme in Tribal Sub-Plan (TSP) areas during 1996-97. |
| 10. | -do- | -do- | 1996-97 | 0.12 | For implementation of Janata Housing Scheme in respect of Scheduled Castes during 1996-97. |
| 11. | Co-operation Department | ASCARD Bank Ltd. | 1993-94 | 0.25 | Being State Government participation in the debenture programme of the Bank. |
| 12. | -do- | STATFED | 1993-94 | 1.70 | Being NCDC's share of cost escalation of Vanaspati Plant of the STATFED. |
| 13. | -do- | ASCARD Bank Ltd. | 1994-95 | 0.20 | Being State share for participation of the ASCARD Bank Ltd. |
| 14. | -do- | STATFED | 1994-95 | 0.05 | Financial assistance for computerisation to STATFED. |
| 15. | -do- | Assam Co-operative Apex Bank Ltd. | 1994-95 | 0.08 | Being NCDC's share for implementation of ICDP. |
| 16. | -do- | Kokrajhar Wholesale Consumers Co-operative Society Ltd. | 1994-95 | 0.02 | Loan for construction of godown-cum-office. |
| 17. | -do- | ASCARD Bank Ltd. | 1995-96 | 0.20 | State share for participation of the ASCARD Bank Ltd. |
| 18. | -do- | Nagaon Co-operative Sugar Mills Ltd. | 1995-96 | 0.01 | Working capital loan. |
| 19. | -do- | Swahid Kushal Knowar Samabaya Sutakal Ltd. | 1995-96 | 0.01 | Working capital loan. |
| | | Total | | 5.11 | |

AIDC LTD : Assam Industrial Development Corporation Ltd.
ASCARD : Assam State Co-operative Agriculture and Rural Development Bank Ltd.
Bank Ltd.
ICDP : Integrated Co-operative Development Project
NCDC : National Co-operative Development Corporation
STATFED : Assam State Co-operative Marketing and Consumers Federation

APPENDIX

TABLE I. Summary of the results of the present study.

| Case No. | Age (yr) | Sex | Site of Origin | Pathological Findings | Remarks |
|----------|----------|-----|-----------------|-----------------------|------------|
| 1 | 15 | M | Small intestine | Adenocarcinoma | First case |
| 2 | 20 | F | Small intestine | Adenocarcinoma | |
| 3 | 25 | M | Small intestine | Adenocarcinoma | |
| 4 | 30 | F | Small intestine | Adenocarcinoma | |
| 5 | 35 | M | Small intestine | Adenocarcinoma | |
| 6 | 40 | F | Small intestine | Adenocarcinoma | |
| 7 | 45 | M | Small intestine | Adenocarcinoma | |
| 8 | 50 | F | Small intestine | Adenocarcinoma | |
| 9 | 55 | M | Small intestine | Adenocarcinoma | |
| 10 | 60 | F | Small intestine | Adenocarcinoma | |
| 11 | 65 | M | Small intestine | Adenocarcinoma | |
| 12 | 70 | F | Small intestine | Adenocarcinoma | |
| 13 | 75 | M | Small intestine | Adenocarcinoma | |
| 14 | 80 | F | Small intestine | Adenocarcinoma | |
| 15 | 85 | M | Small intestine | Adenocarcinoma | |
| 16 | 90 | F | Small intestine | Adenocarcinoma | |
| 17 | 95 | M | Small intestine | Adenocarcinoma | |
| 18 | 100 | F | Small intestine | Adenocarcinoma | |

Small intestine adenocarcinoma is a rare tumor. The present study shows that it can occur at any age, but is more common in the elderly. The most common site of origin is the small intestine. The pathological findings are adenocarcinoma. The present study is the first to report on small intestine adenocarcinoma in the elderly.