Report of the
Comptroller and Auditor General of India
on
Revenue Sector

for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Andhra Pradesh

Report No. 1 of 2020

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PREFACE

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of Andhra Pradesh under Article 151 of the Constitution of India for being laid before the legislature of the State.

The Report contains significant findings of audit of Receipts and Expenditure of major revenue earning Departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

For the Revenue Receipt functions which are computerised, Audit must necessarily be given access to transaction data, otherwise Revenue Audit functions will be severely impacted.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2017-18 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

I GENERAL

This Report contains 20 paragraphs including three detailed Compliance Audits relating to under-assessment/ non-realisation/loss of revenue etc., of ₹ 213.17 crore. The Departments/ Government accepted audit observations of ₹ 109.33 crore, of which ₹ 0.26 crore was recovered. Some of the major findings are mentioned below:

- **Trend of revenue receipts**

  The total revenue receipts of the Government for the year 2017-18 amounted to ₹ 1,05,062 crore against ₹ 98,984 crore in the previous year. Of this, 51 *per cent* was raised by the State through tax revenue (₹ 49,486 crore) and non-tax revenue (₹ 3,814 crore).The balance 49 *per cent* was received from the Government of India in the form of State's share of divisible Union Taxes (₹ 29,001crore) and Grants-in-Aid (₹ 22,761crore).

  (Paragraph 1.1.1)

- **Position of local audit conducted during the year**

  Test check of the records of 324 units out of the 1,445 auditable units, under Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departments conducted during the year 2017-18 showed underassessment, short levy/ loss of revenue aggregating ₹ 222.19 crore in 1,245 cases.

  (Paragraph 1.9.1)

II VALUE ADDED TAX, CENTRAL SALES TAX AND GOODS AND SERVICES TAX

- Under declaration of turnover of ₹ 86.74 crore resulted in short levy of tax of ₹ 7.28 crore in eight offices.

  (Paragraph 2.4.1.1)

- Application of incorrect rates of tax resulted in under declaration of tax of ₹ 1.24 crore involving four dealers in one office.

  (Paragraph 2.4.1.2)

- In 10 offices involving 11 dealers, tax of ₹ 3.97 crore was short levied due to incorrect determination of taxable turnover.

  (Paragraph 2.4.2)

- Incorrect exemption of sales turnover of ₹ 26.21 crore of textiles and fabrics in six Offices had resulted in non-levy of tax of ₹ 1.31 crore.

(Paragraph 2.4.3)

- Assessing Authorities in nine offices did not levy interest and penalty on belated payments of tax in 26 cases that amounted to ₹ 2.48 crore.

(Paragraph 2.4.4)

- Non-conversion of TOT dealer as VAT dealer in nine offices resulted in short payment of tax and non-levy of penalty to the tune of ₹ 49.90 lakh in 21 cases.

(Paragraph 2.4.5)

- Tax of ₹ 8.61 crore was not/short levied due to incorrect determination of taxable turnover under Works Contracts in six offices involving seven cases.

(Paragraph 2.5.1)

- Tax of ₹ 67.02 lakh on works contracts was short levied due to determination of turnover on the basis of incorrect detailed accounts as well as incorrect application of works contract provisions.

(Paragraph 2.5.2)

- Assessing Authorities levied penalty equivalent to tax instead of at 200 *per cent* on ITC claims based on false invoices leading to short levy of penalty of ₹ 80.95 lakh.

(Paragraph 2.6.2)

- Non-restriction of Input Tax Credit (ITC) to works contractors, allowance of ITC on ineligible goods, led to excess/ incorrect allowance of ITC of ₹ 80.61 lakh in four offices involving nine cases.

(Paragraph 2.7.1)

Transition from VAT to GST

Detailed study on transition from VAT to GST was conducted and following deficiencies noticed in three out of five offices test checked.

- Excess claim of transitional credit of ₹ 14.57 crore was made by 113 dealers in five offices.

(Paragraph 2.10.8.4)

- Transitional claim of ₹ 1.41 crore was erroneously allowed to three dealers though CST assessments were not completed and declaration forms for claiming concession / exemptions were not filed.

  The department needs to verify claims against the actual ITC available and ensure compliance to the rules/ provisions by the dealers before allowing transitional credit claims

  (Paragraph 2.10.8.4)

- Department sanctioned the refund claim of ₹ 50.49 crore to a dealer without verifying ITC eligibility. Penalty of ₹ 50.49 crore equivalent to erroneous refund was not levied by the department.

  (Paragraph 2.10.8.7)

III STATE EXCISE DUTIES

- In two offices of Prohibition and Excise Superintendents, annual licence fee for seven liquor shops was fixed at lower rates without considering the merger of the villages into nearby Municipality/ Municipal Corporation. This resulted in short levy of licence fee of ₹ 2.01 crore.

  (Paragraph 3.4)

- Additional licence fee of ₹ 94.11 lakh was not levied on 13 bar licencees though plinth area of bar premises exceeded 300 Square Metres.

  (Paragraph 3.5)

IV STAMP DUTY AND REGISTRATION FEES

Detailed compliance Audit on "Functioning of Registration and Stamps Department" disclosed following deficiencies.

- Due to lack of coordination between Departments of Land Revenue and Registration, agricultural rate was adopted in respect of lands which had already been converted to non-agricultural use in nine offices of District Registrars/ Sub-Registrars. This had led to undervaluation of properties by ₹ 32.38 crore resulting in short levy of stamp duty and registration fees of ₹ 2.11 crore.

  (Paragraph 4.4.6.1)

- Audit noticed that conveyance of immovable property valuing ₹ 15.99 crore transferred to another company through merger orders was not registered though compulsorily registerable. Stamp Duty and Registration fee leviable worked out to ₹ 71.95 lakh. Lack of coordination/ inbuilt mechanism to transfer merger/ amalgamation cases to Registration Department by Registrar of Companies led to non-levy of stamp duty on transfer of ownership.

  (Paragraph 4.4.6.2)

- Total number of 9,23,830 vehicles were hypothecated to private banks and other financial institutions during the period from April 2015 to January 2017. Lack of coordinated efforts between departments of Transport and Registration & Stamps led to non-levy of stamp duty of ₹ 86.82 crore.

(Paragraph 4.4.6.3)

- Loans secured from various banks by creating charge on instruments on *Pari Passu* basis are required to be registered by charging 0.5 *per cent* on the loan amount. Registering authorities collected ₹ 10,000 on each document instead of charging 0.5 *per cent* on the amount of loan secured resulting in short levy of registration fee of ₹ 12.62 crore.

(Paragraph 4.4.7)

- The sale transactions of 192 apartments were intentionally split into sale of undivided share of land and construction agreement after the approval for construction of Apartments resulting in short levy of duties amounting to ₹ 2.14 crore in seven offices.

(Paragraph 4.4.8.1.)

- In 25 offices of District Registrars/ Sub-Registrars, properties involved in 160 documents were undervalued by ₹ 102.39 crore, due to application of incorrect market values, adoption of agricultural rates for non-agricultural properties, mention of incorrect location of properties, non-valuation of existing structures, misrepresentation of facts like correct door numbers, boundaries etc. This had resulted in short levy of duties and fees of ₹ 5.09 crore.

(Paragraph 4.4.9.1)

- Non-adoption of higher rates applicable to the lands mentioned in boundaries resulted in undervaluation of the properties by ₹ 31.42 crore. Undervaluation had consequently led to short levy of duties of ₹ 2.28 crore in 11 offices of District Registrars /Sub-Registrars.

(Paragraph 4.4.9.2)

- In 13 offices of District Registrars/ Sub-Registrars, the total extent of the property involved was not taken into consideration for levy of duties. This had resulted in short levy of duties of ₹ 62.20 lakh.

(Paragraph 4.4.9.3)

- In 10 offices of District Registrars/ Sub-Registrars, recitals of the documents and the conditions of leases were not properly interpreted by the registering officers for levy of duties. This had resulted in short levy of duties of ₹ 1.90 crore.

(Paragraph 4.4.10)

- Misclassification of documents in 17 offices of District Registrars/ Sub-Registrars resulted in short levy of stamp duty, registration fee and transfer duty of ₹ 80.38 lakh.

(Paragraph 4.4.12)

V TAXES ON VEHICLES

Detailed Compliance Audit on "Operation of check posts of Transport Department" revealed the following deficiencies:

- 71,011 transport vehicles registered outside Andhra Pradesh, entered into the State. Of this, a total number of 57,047 were moving in the State through alternative routes without a valid interstate permit. Due to establishmemt of check post at 120 km away from border, these vehicles escaped prescribed checks besides loss of revenue of at least ₹ 1.60 crore.

(Paragraph 5.4.5.3)

- 1,39,315 (78 *per cent*) offences out of 1,79,278 related to repetition of offence. Levy of ₹ 1000 instead of ₹ 2000 on second and subsequent offences resulted in short collection of compounding fee of ₹ 10.45 crore.

(Paragraph 5.4.6.1)

- The transactions at Chinturu check post were done manually and revenue registers prescribed were not maintained properly. Deficiency in collection and remittance of Government revenue to Treasury were noticed. On cross verification of revenue collected at Chinturu check post with contiguous State (Telangana) check post at Paloncha for the period 2015-18, (both check posts are located on same and only highway between Chhattisgarh and AP) discrepancies of ₹ 3.09 crore in revenue collected at Chinturu check post were found.

(Paragraph 5.4.7)

- In three check posts, the revenue collected was not reconciled during the period between April 2016 and March 2018. Verification of remittances by the Audit with the treasuries revealed that an amount of ₹ 1.49 crore was not traced.

(Paragraph 5.4.7.1)

Other Audit findings:

- Quarterly road tax of ₹ 69.10 lakh and penalty of ₹ 34.55 lakh were not realised from owners of 500 transport vehicles in seven offices.

(Paragraph 5.5)

- Non-renewal of Fitness Certificates (FC) in respect of 48,472 transport vehicles resulted in non-realisation of FC fee of ₹ 91.78 lakh in seven offices.

(Paragraph 5.6)

VI LAND REVENUE

- Advance possession (March, 2015) of 15 acres of land was given to Andhra Pradesh Dairy Development Cooperative Federation Limited. The alienation proposals were not finalised even after three years of handing over possession of the land. Non-finalisation of alienation proposals resulted in non-realisation of ₹ three crore towards cost of land.

(Paragraph 6.4)

VII OTHER TAX AND NON-TAX RECEIPTS

Detailed Compliance Audit on "Functioning of Endowments Department in management of temples and temple lands":

- Scrutiny of Demand, Collection and Balance registers in the office of Commissioner of Endowment revealed that an amount of ₹ 298.21 crore was pending realisation from the temples as on 31 March 2018. In six test checked institutions alone, the arrear contributions accumulated to ₹ 72.39 crore.

(Paragraph 7.2.6.2(a))

- Contributions amounting to ₹ 470.98 crore were in arrears from a temple specified under Section 65 (2) of The Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act 1987 (Endowment Act), towards Endowment Administration Fund (EAF) and Common Good Fund (CGF).

(Paragraph 7.2.6.2(b))

- Incorrect assessment of assessable income had resulted in underassessment of ₹ 285.83 crore and consequent short payment of statutory contributions amounting to ₹ 61.45 crore in five temples.

(Paragraph 7.2.6.3.)

- The Government of AP created (October 2015)[1] Trust to propagate and preserve Hindu Dharma. For this purpose, Government directed that two *per cent* of CGF contributions be allocated for Hindu Dharmik activities. An amount of ₹ 10.60 crore was released to Trust during the period from 2015-16 to 2017-18 without issuing any guidelines for utilisation of the funds. Expenditure details were not maintained by the Trust and thus, proper fund utilisation could not be monitored.

(Paragraph 7.2.7.1)

[1] G.O.RT.No. 927 Revenue (Endowments-1) Department dated 01 October 2015.

- An amount of ₹ 12.41 crore was diverted from CGF for construction of office building, during the period from April 2014 to March 2018 in violation of the provisions of the Act.

(Paragraph 7.2.7.2)

- In eight Institutions categorised under Section 6(a) of the Endowment Act, temple funds amounting to ₹ 34.07 crore were utilised for other than intended purposes i.e. establishment of schools / colleges /grant to the private hospitals, fuel expenses of Government Officials etc.

(Paragraph 7.2.10.1)

- An amount of ₹ 2.57 crore was given to other temples on loan basis against the promissory note (between the years 1970 and 2016) by five temples. No efforts were made by these temples to realise the money from the borrowing institutions, resulting in blocking up of funds by way of interest amounting to ₹ 4.09 crore.

(Paragraph 7.2.10.2)

- Arrears of ₹ 18.48 crore was pending from lease holders of shops licenses and land in 12 temples since 2013-14.

(Paragraph 7.2.12.1)

- Temple land measuring 44.57 acres of a temple categorised under Section 6(a) of the Endowment Act, was allotted and possession was given (between 1973 and 1995) to various Central Government offices without fixing any land compensation. The compensation payable worked out to ₹ 18.58 crore as of March 2016. No amount, however, was realised upto February 2019.

(Paragraph 7.2.13.2)

CHAPTER I

GENERAL

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GENERAL

1.1 Trend of Revenue Receipts

1.1.1 The revenue receipts of the State for the year 2017-18 comprised of:

- Tax and non-tax revenue raised by the Government of Andhra Pradesh
- State's share of net proceeds of divisible Union taxes
- Duties assigned to the State
- Grants-in-Aid received from the Government of India

The details along with the corresponding figures for the preceding four years have been depicted in **Table 1.1.**

Table 1.1.
Trend of revenue receipts

(₹ in crore)

Sl. No.	Particulars	2013-14*	2014-15**	2015-16	2016-17	2017-18[2]
1.	**Revenue raised by the State Government**					
	• Tax revenue	64,123.53	42,618.02	39,907	44,181	49,486
	• Non-tax revenue	15,472.86	10,975.97	4,920	5,193	3,814
	Total	**79,596.39**	**53,593.99**	**44,827**	**49,374**	**53,300**
2.	**Receipts from the Government of India**					
	• Share of Net Proceeds of Divisible Union Taxes and Duties	22,131.89	15,299.25	21,894	26,264	29,001
	• Grants-in-Aid	8,990.55	21,779.21	21,927	23,346	22,761
	Total	**31,122.44**	**37,078.46**	**43,821**	**49,610**	**51,762**
3.	**Total revenue receipts of the State Government (1 and 2)**	**1,10,718.83**	**90,672.45**	**88,648**	**98,984**	**1,05,062**
4.	**Percentage of 1 to 3**	**72**	**59**	**51**	**50**	**51**

Source: Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014 to 31 March 2015.

[2] For details please see Statement No.14- Detailed accounts of revenue by Minor Heads in the Finance Accounts of Government of Andhra Pradesh for the year 2017-18. Figures under the Minor Head 901-share of net proceeds assigned to the States under the Major Heads 0005-Central Goods and Service Tax, 0008-Integrated Goods and Service Tax, 0020-Corporation Tax, 0021-Taxes on Income other than Corporation Tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax and 0045-Other Taxes and Duties on Commodities and Services booked in the Finance Accounts under A-Tax Revenue have been excluded from the revenue raised by the State and exhibited as State's share of divisible Union taxes.

In the year 2017-18 revenue raised by the State Government (₹ 53,300 crore) was 51 *per cent* of total revenue receipts. The balance (₹ 51,762 crore) 49 *per cent* of the receipts was from the Government of India.

1.1.2 The details of the Tax Revenue raised during the period 2013-14 to 2017-18 are given in **Table 1.2.**

Table 1.2
Details of tax revenue raised

(₹ in crore)

Sl. No.	Head of Revenue	2013-14*	2014-15**	2015-16	2016-17	2017-18		Percentage of increase (+)/decrease (-) in 2017-18 over 2016-17
						BE	Actuals	
1	Taxes on Sales, Trade etc. and SGST^	48,737	30,524	29,104	32,484	39,321	36,155#	(+) 11
2	State Excise	6,250	4,352	4,386	4,645	5,886	5,460	(+) 18
3	Stamp Duty and Registration Fee	4,393	3,250	3,527	3,476	4,000	4,271	(+) 23
4	Taxes on Vehicles	3,335	3,687	2,082	2,467	2,950	3,039	(+) 23
5	Others	1,409	805	808	1,109	1,560	561	(-) 49
	Total	**64,124**	**42,618**	**39,907**	**44,181**	**53,717**	**49,486**	**(+) 12**

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.

** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014.

^ State Goods and Services Tax introduced with effect from 1 July 2017.

\# includes SGST of ₹ 10,820 crore.

There has been a net increase of 12 *per cent* of tax revenue during the year 2017-18 over the previous year. The revenue under the heads – State Excise, Stamp Duty and Registration Fee and Taxes on Vehicles had increased.

The drastic reduction in tax revenue under the "others" category was mainly on account of decline in revenue under the head 0043 "Taxes and duties on electricity" which was due to non-payment of dues of ₹ 429.75 crore by Andhra Pradesh power distribution companies from May 2016 to March 2018.

1.1.3 The details of the non-tax revenue raised during the period 2017-18 are indicated in **Table 1.3.**

Table 1.3
Details of non-tax revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2013-14*	2014-15**	2015-16	2016-17	2017-18		Percentage of increase (+) or decrease (-) in 2017-18 over 2016-17
						BE	Actuals	
1.	Interest Receipts	8,646	4,795	133	113	131	96	(-) 15
2.	Mines and Minerals	2,731	1,219	1,523	1,628	2,200	2,156	(+) 32
3.	Education, Sports, Art and Culture	1,676	1,429	856	577	105	104	(-) 82
4.	Others	2,420	3,533	2,408	2,875	2656	1,458	(-) 49
	Total	**15,473**	**10,976**	**4,920**	**5,193**	**5,092**	**3,814**	**(-) 27**

Source: Budget Estimates, Finance Accounts for the year 2017-18 of Government of Andhra Pradesh.

* Data pertains to composite State of Andhra Pradesh for 23 districts.
** Data pertains to composite State of Andhra Pradesh for 23 districts up to 01 June 2014 and the Successor State of Andhra Pradesh with 13 districts from 02 June 2014.

There had been decrease of non-tax revenue by 27 *per cent* during the year 2017-18 over the previous year.

Increase under the Head Mines and Minerals by 32 *per cent* was on account of payment of arrears of ₹ 286 crore by M/s Oil and Natural Gas Corporation and ₹ 199.65 crore by M/s Ultra Tech cements.

1.2 Analysis of Arrears of Revenue

The arrears of revenue as on 31 March 2018 on some principal heads of revenue amounted to ₹ 12,933.54 crore as detailed in the **Table -1.4.**

Table 1.4
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department
A – Tax Revenue				
	0040 - Taxes on Sales, Trade, etc.			
1.	Taxes /VAT on Sales, Trade etc.	5,746.24	2,137.66	Department did not furnish the reasons for pendency in arrears outstanding for more than five years.
	0039 – State Excise			
2.	State Excise	18.34	17.98	
	0030 – Stamp Duty and Registration Fees			
3.	Stamp Duty and Registration Fees	59.35	42.04	

(₹ in crore)

Sl. No.	Head of revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Replies of Department	
	0041-Taxes on Vehicles				
4.	Taxes on vehicles	2,418.05	--	Department stated (December 2018) that APSRTC did not pay taxes since 2012-13.	
	0029-Land Revenue				
5.	Land Revenue	302.66	262.89	Chief Commissioner of Land Administration stated (May2018) that due to drought and unseasonal conditions, pending amount could not be realised.	
	0043-Taxes and Duties on Electricity				
6.	Taxes and Duties on Electricity	4,388.90	3,775.93	Department stated reasons of arrears as under:	
				• Recovery due from A.P. Gas Power Corporation Ltd. (covered by AP RR Act).	138.31
				• Amount due from Rural Electric Supply Co-operative Societies	2.69
				• Amount due from licencees and generating companies (covered by AP RR Act).	1159.41
				• Amount due from APGENCO (Government had been addressed for waiver of the duty).	3,028.04
				• Duties due from A.P. Southern/Eastern/Central Power Distribution Corporations.	60.46
Total		**12,933.54**	**6,236.50**		

Source: Information furnished by the Departments concerned.

It would be seen from the above that 48.22 *per cent* of the total outstanding amount was due for more than five years. Out of total arrear amount of ₹ 12,933.54 crore, an amount of ₹ 1,297.72 crore (10.03 *per cent*) was blocked up in disputes and referred to collector for recovery under A.P. Revenue Recovery Act. Government may take necessary measures to recover arrears amounting to ₹ 11,635.82 crore constituting nearly 90 *per cent* of revenue due for recovery.

There was inconsistency in the information furnished by the Director of Mines and Geology. The matter has therefore been taken up with the Department (November 2018).

Recommendation

The department needs to review the status of recovery of arrears of revenue periodically and monitor the progress of collection.

1.3 Arrears in Assessments

As per the provisions of the AP VAT Act, annual assessments are not mandatory for the VAT dealers. Assessments under the CST Act are to be completed within four years. The information furnished by Commercial Taxes Department is indicated in the **Table 1.5**.

Table 1.5
Arrears in Assessments

(No. of cases)

Name of tax	Opening balance^	New cases due for assessment during 2017-18	Total assessments due	Cases disposed off during 2017-18	Balances at the end of March, 2018	Percentage of cases disposed off
CST	37,214	43,036	80,250	43,837	36,413	55
VAT	3,203	4,103	7,306	2,912	4,394	40
Luxury Tax	352	447	799	445	354	56
Total	**40,769**	**47,586**	**88,355**	**47,194**	**41,161**	**53**

Source: Information furnished by the Commercial Taxes Department.

It would be seen from above that 47 *per cent* of assessments due for clearance needs to be disposed off to avoid blockage of revenue. It could be seen that despite clearance of 47,194 cases, the balances outstanding were 41,161 which means that large number of cases are getting added every year. The department needs to ensure speedy disposal so as to ensure smooth transition to GST as these taxes have been subsumed into GST.

1.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Departments, cases finalised, the demands of additional tax raised and cases pending finalisation as on 31 March 2018 are given in **Table 1.6.**

Table 1.6
Evasion of tax

Sl. No.	Name of Tax/Duty	Cases pending as on 31 March 2017	Cases detected during 2017-18	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised (₹ in crore)		No. of cases pending finalisation as on 31 March 2018
					No. of Cases	Amount of demand	
1.	VAT	5,185^	5,193	10,378	5,395	300.33	4,983

Source: Information furnished by Department of Commercial Taxes.

It would be seen from above that only 52 *per cent* of assessments/ investigations were completed by the Commercial Taxes Department (VAT). Of 4,983 cases pending, about 50 *per cent* (2,506 cases) pertain to 2017-18. Pendency of cases ranging between one to three years constitutes 49 *per cent* (2,444 cases). Cases more than three year old are 27 in number and cases more than four year old are six in number. There is a need for speedy finalisation of the pending cases.

Departments of Transport, Prohibition and Excise, Land Revenue and Energy did not furnish the information though called for (May and August 2018), Department of Industries & Commerce furnished the information but was not

^ The reasons for discrepancy between closing balance for the year ended 31 March 2017 and opening balance as on 1 April 2017 was stated by department to be on account of compilation error.

adopted due to arithmetical inaccuracy. Matter has been taken up with the Department (November 2018).

1.5 Pendency of Refund Cases

The claims outstanding at the beginning of the year as on 1 April 2017, claims received during the period till 31 March 2018, refunds made during the period and the cases pending as on 31 March 2018, as reported by the Departments are given in **Table 1.7**.

Table 1.7
Details of pendency of refund cases

(₹ in crore)

Sl. No.	Particulars	State Excise		Registration & Stamps		Commercial Taxes[3]		Transport	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1.	Claims outstanding at the beginning of the year as on 1 April 2017	0	0	69	0.15	494	108.88	0	0
2.	Claims received during the year	11	1.94	207	1.31	451	143.09	15	0.72
3.	Refunds made during the year	11	1.94	191	1.27	415	138.76	3	0.14
4.	Cases pending as on 31 March 2018	0	0	85	0.19	530	113.21	12	0.58

Source: Information furnished by the Departments concerned.

It would be seen from the above that refunds processed during the year were not commensurate with the claims received. Pendency had increased in terms of amount and number of cases in respect of Commercial Taxes Department. Hence, suitable steps need to be taken for speedy disposal of refund claims as claims not processed within the prescribed time of 90 days carry interest at one *per cent* per month.

Departments of Mines and Geology, Land Revenue, Energy did not furnish the information though called for (May and August 2018).

1.6 Response to Audit

Timely response to audit findings is one of the essential attributes of good governance as it provides assurance that the Government takes its supervisory role seriously.

1.6.1 Response to Recommendations of the Public Accounts Committee (PAC)

PAC Reports / Recommendations are the principal medium by which Legislature ensures financial accountability of the Executive.

[3] Number of cases and amount as furnished by the department to the end of 31 March 2017 do not tally with the claims outstanding as on 1 April 2017. The discrepancy was stated to be on account of compilation error.

Government instructed[4] that all the departments should furnish Action Taken Notes (ATNs) on PAC recommendations to the PAC and to Principal Accountant General (PAG) within six months from date of its receipt. All such ATNs had to be routed through the Finance Department and copies thereof to the Accountant General.

Action Taken Notes on 120 recommendations relating to Audit Reports (Revenue Sector) were due as of March 2018. Of these, 18 recommendations pertain to Andhra Pradesh state and 102 pertain to combined state of Andhra Pradesh and Telangana.

1.6.2 Follow up action on earlier Audit Reports (ARs)

Serious irregularities observed in Audit are included in the Reports of the Comptroller and Auditor General that are presented to State legislature. The internal working system of the Public Accounts Committee laid down that the departments shall submit the explanatory notes on audit paragraphs within three months of tabling the Report. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports are delayed inordinately.

Reports of the Comptroller and Auditor General of India on Revenue Sector of the Government of Andhra Pradesh contained 162 paragraphs (including five Performance Audits and one Stand Alone Report) for the years from 2012-13 to 2016-17. These Audit Reports were placed before the State Legislative Assembly between September 2014 and April 2018. Of these, 110 paragraphs pertain exclusively to Andhra Pradesh and 52 paragraphs (including two Performance Audits and one Stand Alone Report) were common to both Andhra Pradesh and Telangana States. Explanatory notes in respect of 147[5] paragraphs from seven Departments[6] have not been received.

1.6.3 Response to Inspection Reports

A review of IRs issued upto December 2017 pertaining to eight departments showed that 20,495 paragraphs relating to 5,177 IRs valuing ₹ 3,512 crore were outstanding at the end of June 2018 (**Appendix 1.1**). Of these, 2,074 IRs containing 4,085 paragraphs are outstanding for more than 10 years. Even first replies from the Heads of offices which was to be furnished within one month has not been received in respect of 196 IRs issued during 2017-18.

Recommendation

The Government should ensure prompt and appropriate response to audit observations as well as take action against those failing to send replies to the IRs/ paragraphs as per the prescribed time schedules.

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[4] Government of Andhra Pradesh U.O.Note No. 1576-A/32/PAC/95 dated 17 May 1995.

[5] Explanatory notes (EN in respect of one para of Energy Department of Audit report 2016-17 AP) was received by due date in July 2017. ENs for commercial taxes department for 14 paras of ARs 2016-17 (AP) were received in January 2019 with delay of five months.

[6] Commercial Taxes, Endowment, Industries and Commerce, Prohibition and Excise, Land Revenue, Registration & Stamps and Transport, Roads & Buildings.

1.6.4 Departmental Audit Committee Meetings

The Government has set up audit Committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. During the year 2017-18, no Audit Committee Meetings were held by departments.

Recommendation

As the pendency of IRs and paragraphs are accumulating, Government may instruct all the Departments to regularly conduct Audit Committee Meetings to expedite settlement of IRs/ Paragraphs.

1.6.5 Constraints in Audit

The programme of local audit of Tax Revenue/ Non-tax Revenue offices is drawn up sufficiently in advance. Intimations are issued, usually one month before the commencement of audit, to the Departments to enable them to keep the relevant records ready for Audit scrutiny.

During the year (2017-18) 70 offices pertaining to seven departments[7] did not produce crucial documents like Annual Accounts of dealers, Assessment files, Refund files, Cash Book, Demand Collection and Balance Register, Challan Remittance Register and Reconciliation statements etc.

Non-production of records causes hindrance not only in discharging audit functions effectively by not being able to verify accuracy of revenue collection and expenditure etc., but also may deprive the Government of recoveries effected at the instance of audit.

Recommendation

Government may issue suitable instructions to the heads of Departments concerned for timely production of all the relevant records for audit scrutiny.

1.6.6 Response of the Departments to the draft audit paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India were forwarded by the Principal Accountant General to the Principal Secretaries of the Departments. They were requested to send their response to audit findings within six weeks.

Audit forwarded 43 draft paragraphs including three detailed Compliance Audits to the Principal Secretaries/ Secretaries of the respective Departments (between August 2018 and January 2019). Special Chief Secretary (Revenue) furnished replies to 22 draft paragraphs in respect of Commercial Taxes and Endowment Departments. Replies to two detailed compliance Audits on "functioning of Registration and Stamps Department", on "operation of Check posts" and four compliance audit paragraphs of Transport department were

[7] Commercial Taxes, Prohibition and Excise, Registration and Stamps, Transport, Land Revenue, Endowments, and Mines and Minerals.

received from Heads of the Department. Replies for the remaining 15[8] draft paragraphs have not been received (February 2020).

1.7 Analysis of the mechanism for dealing with the issues raised by Audit

The system of addressing the issues highlighted in the Inspection Reports/ Performance Audits by the Department/ Government in respect of "Mines and Geology Department under revenue head 0853-Mines & Minerals" Department was evaluated.

The observations relate to 13 Districts of successor State of Andhra Pradesh.

1.7.1 Position of Inspection Reports

The summarised position of the Inspection Reports relating to the Mines and Geology Department, issued during the last 10 years in 13 Districts of successor state of Andhra Pradesh, paragraphs included in these reports and their status as on 31 March 2018 are detailed in **Appendix 1.2.**

The overall performance of the Department in clearance of Inspection Reports and Paragraphs was not encouraging. The earliest IR paragraphs pertain to year 1994-95. There was an increase of IRs by 93 and Paragraphs by 203. However, the clearance during this period was three and seven respectively.

1.7.2 Action taken on the recommendations by the Department/ Government

A Stand-alone report on "Functioning of the Directorate of Mines & Geology" relating to Mines and Geology Department for the year 2013 (Report No. 2 of 2014) contained six recommendations. The Public Accounts Committee completed discussion of the Report in 2016. Recommendations of the committee were tabled[9] in State Legislature in March 2016. Action Taken Notes on these recommendations have not been received (February 2020).

1.8 Audit Planning

During the year 2017-18, audit of 389 units, out of the 1,445 auditable units was planned based on risk analysis that included critical issues in Government Revenue and Tax Administration. Of 389 units planned, 324 units were audited which constituted 83 *per cent* of the planned audit units.

[8] Commercial Taxes (1), State Excise Duties (3), Land Revenue (6), Mines and Minerals (1) and Registration & Stamps (4).

[9] APLA IV Report 2014-2015.

1.9 Results of Audit

1.9.1 Position of local audit conducted during the year

Test check of the records of 324 units (out of 1445 units) of Commercial Taxes, Prohibition and Excise, Transport, Land Revenue, Registration and Stamps and other departmental offices conducted during the year 2017-18 showed underassessments, short levy/ loss of revenue aggregating to ₹ 222.19 crore in 1,245 cases. During the year, the Departments accepted underassessments and other deficiencies of ₹ 125.12 crore in 464 cases, of which 241 cases involving ₹ 7.57 crore were pointed out in earlier years. An amount of ₹ 1.93 crore was realised in 152 cases during the year 2017-18. Of this, recovery of ₹ 0.98 crore in 110 cases relate to previous years.

1.9.2 Coverage of this Report

The financial effect of 20 paragraphs included in this report is ₹ 213.17 crore. The Departments/ Government have accepted audit observations involving ₹ 109.33 crore out of which ₹ 0.26 crore had been recovered. Replies to paragraphs involving ₹ 63.99 crore have not been received (February 2020). The audit observations are discussed in succeeding chapters.

Most of the audit observations are of a nature that may reflect similar errors/ omissions in other units of the State Government departments, but not covered in the test check. The Departments/ Government may therefore like to internally examine all other units with a view to ensure that they are functioning as per requirement and rules.

CHAPTER II

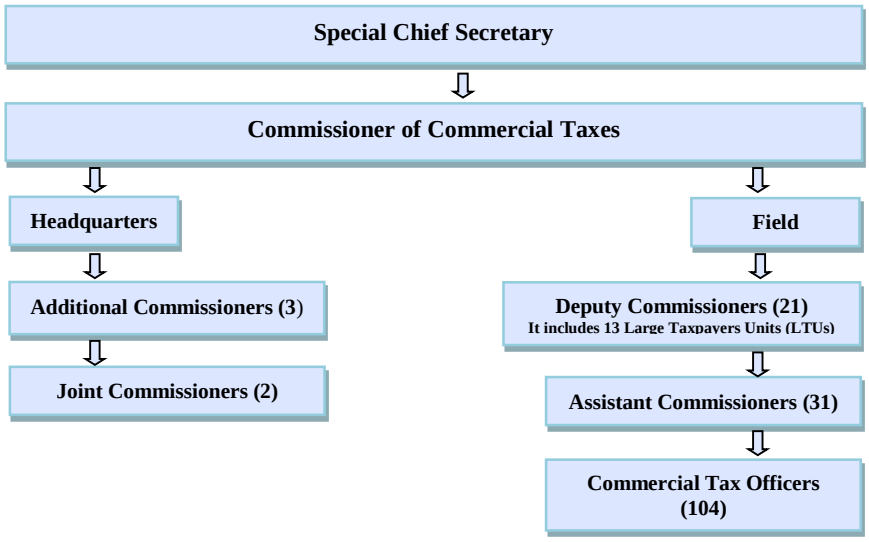
VALUE ADDED TAX CENTRAL SALES TAX AND GOODS AND SERVICES TAX

CHAPTER II
VALUE ADDED TAX, CENTRAL SALES TAX AND GOODS AND SERVICES TAX

2.1 Tax Administration

Value Added Tax and Central Sales Tax Act and Rules framed thereunder are administered at the Government level by the Special Chief Secretary, Revenue Department of Andhra Pradesh. The organisational hierarchy of the Department is depicted below.

Organogram



2.2 Internal Audit

Department conducts internal Audit which is organised at Divisional Level under the supervision of Assistant Commissioner. Divisional Head (DC) authorises officials of one circle to conduct internal audit of another circle within the same Division. Internal audit team consists of five members headed either by CTOs or Deputy CTOs. Internal Audit report is submitted within 15 days from the date of audit to the DCs concerned, who would supervise rectification work giving effect to findings in such report of internal audit.

Commissioner intimated (August 2018) that 310 audit observations were included in Internal Audit Report during the year 2017-18. A total of 950 audit observations were outstanding at the end of March 2018.

2.3 Results of Audit

In 2017-18, test check of the records in 45 Audited Units (Out of 117) showed underassessment of VAT, CST and other irregularities involving ₹ 56.98 crore in 466 cases as shown in **Table 2.1**.

Table 2.1: Results of Audit

(₹ in crore)

S1. No.	Categories	No. of cases	Amount
1	Non-levy of interest on belated payment of deferred tax/non-recovery of deferred tax	13	15.72
2	Non-levy/Short levy of VAT	168	14.00
3	Non-levy/Short levy of Interest and Penalty	72	7.63
4	Non-levy/Short levy of tax on works contracts	10	6.35
5	Excess/Incorrect claim of Input Tax Credit	60	4.34
6	Non-levy/Short levy of tax under CST Act	48	3.94
7	Non-collection of Turn Over Tax	51	1.69
8	Excess authorisation of Refund	2	0.61
9	Other irregularities	42	2.70
	Total	**466**	**56.98**

During the year, the Department accepted underassessment and other deficiencies in 368 cases involving ₹ 27.84 crore. Of these, ₹ 20.86 crore involving 195 cases were pointed out by Audit during the year 2017-18 and the rest in earlier years. An amount of ₹ 1.48 crore in 87 cases was realised during the year 2017-18.

A few illustrative cases involving ₹ 81.56 crore are discussed in the succeeding paragraphs.

Audit Observations

During scrutiny of records of the offices of the Commercial Taxes Department relating to assessment and collection of VAT and CST, several cases of non-observance of provisions of Acts/ Rules were observed, which resulted in non-levy/ short levy of tax/ penalty and other cases, as discussed in the succeeding paragraphs in this Chapter. These cases are illustrative and are based on test checks carried out by Audit. Such omissions are pointed out in audit every year, but not only do the irregularities persist; these also remain undetected until an audit is conducted again. There is a need for improvement of internal controls so that repetitions of such omissions can be avoided or detected and rectified.

2.4 Value Added Tax

2.4.1.1 Under declaration of tax due to application of incorrect rate of tax

The dealers declared tax at the rate of four/ five *per cent* on the commodities taxable at the rate of 14.5 *per cent* resulting in under declaration of tax leading to short levy of VAT of ₹ 7.28 crore.

As per Section 4 (1) of APVAT Act, 2005 (VAT Act), VAT is leviable at the rates prescribed in Schedules II to IV and VI to the Act. The rate of tax for goods falling under Schedule-IV to the Act, was enhanced from four to five *per cent* from 14 September 2011. Commodities not specified in any of the Schedules fall under Schedule V and are liable to VAT at 14.5 *per cent* from 15 January 2010. As per Section 20 (3) (a) of the VAT Act, every monthly return submitted by a dealer shall be subjected to scrutiny by AC/ CTO to verify the correctness of calculation, rate of tax, Input Tax Credit (ITC) claimed and full payment of tax payable for such tax period.

The commodities, 'Chemical Storage Tanks', 'Ammonium Nitrate', 'Physical Fitness Equipment', 'Colour Coated Sheets', 'Paints & Colours', 'Explosives', 'Thermoplast' and 'Pet Preforms' are not specified in any of the Schedules to the Act and are, therefore, taxable at the rate of 14.5 *per cent* under Schedule V to the Act. Further, the commodity 'Bone Meal' is taxable at the rate of five *per cent* under Schedule IV to the VAT Act.

During the test check of VAT records of eight circles[10], it was observed[11] that 12 dealers, dealing in 'Chemical Storage Tanks', 'Ammonium Nitrate', 'Physical Fitness Equipment', 'Paints & Colours', 'Explosives', 'Thermoplast' etc., had declared tax at the rate of four/ five *per cent* instead of 14.5 *per cent*. Entire turnover of bone meal was erroneously exempted (in one case pertaining to Ibrahimpatnam) instead of levying tax at five *per cent*. This had resulted in short levy of tax of ₹ 7.28 crore on the under declared turnover of ₹ 86.74 crore in 12 cases.

Government replied (October 2018) that assessments were being revised in three cases[12]. In one case Government contended that goods sold were 'meat meal' but not 'bone meal'. It was, however, noticed that Assessment Order clearly stated that the goods sold were 'bone meal' and thus, were taxable at five *per cent*.

Assessing Authorities (AAs) replied in two cases[13] (July/ August 2018) that assessments were being revised. CTO Ananthapuramu-II stated (October 2018) that notices were issued in two cases. In remaining four cases, the AAs[14] stated that the matter would be examined and report submitted in due course.

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[10] Ananthapuramu-II (2), Aryapuram (1), Autonagar (2), Bhimavaram (1), Brodipet (1), Chinawaltair (2), Ibrahimpatnam (2) and Nandigama (1).

[11] Between March 2017 and March 2018 for the assessment period from 2011-12 to 2016-17.

[12] Brodipet, Chinawaltair and Ibrahimpatnam.

[13] Autonagar and Bhimavaram.

[14] CTOs: Aryapuram, Autonagar, Chinawaltair and Nandigama (between October 2017 and March 2018).

2.4.1.2 Under declaration of tax on food sales

Dealers declared tax at the rate of five *per cent* instead of at the rate of 14.5 *per cent* though turnover of food sales crossed ₹ 1.50 crore resulting in under declaration of tax of ₹ 1.24 crore.

Under Section 4 (9) (c) of the VAT Act, every dealer, whose annual total turnover is ₹ 1.50 crore and above, shall pay tax at the rate of 14.5 *per cent* on the taxable turnover representing sale or supply of food or drink served in restaurants, sweet stalls, clubs or any other eating houses.

During the test check of VAT records of CTO Autonagar Circle, it was seen (March 2018) that for the assessment period 2015-16 and 2016-17, four dealers involved in food sales declared tax at the rate of five *per cent* even when their annual total turnover exceeded ₹ 1.50 crore and thus, tax was payable at 14.5 *per cent*. This had resulted in under declaration of tax of ₹ 1.24 crore on the turnover of ₹ 13.03 crore.

After this was pointed out by Audit, CTO replied (March 2018) that matter would be examined and further action taken intimated to Audit.

The matter was referred to the Government (September 2018) and their reply has not been received (February 2020).

2.4.2 Short levy of VAT due to incorrect determination of taxable turnover

Sales turnover of dealers reported in annual accounts was more than the turnover declared in VAT returns. Incorrect determination of taxable turnover by Assessing Authorities resulted in short levy of tax of ₹ 3.97 crore.

As per Section 21(3) of VAT Act, read with Rule 25 (5) of AP VAT Rules, 2005 (VAT Rules), if the Assessing Authority (AA) considers the return filed by a VAT dealer as incorrect or incomplete or not satisfactory, the AA shall assess the tax payable to the best of his judgment on form VAT 305 within four years from the due date or date of filing of the return, whichever is later. As per Section 21(4) of the Act, the authority prescribed may conduct a detailed scrutiny of the accounts of any VAT dealer based on the available information and where any assessment becomes necessary after such scrutiny, such assessment shall be made within a period of four years from the end of the period for which the assessment is to be made. As per Rule 25(10) of the VAT Rules, all the VAT dealers have to furnish the statements of manufacturing/ trading, profit and loss accounts, balance sheet and annual report for every financial year, duly certified by a Chartered Accountant, on or before 31st day of December subsequent to the financial year to which the statements relate to. As per Para 5.12 of VAT Audit Manual 2012, the audit officer is required to verify the details declared by the dealer in VAT returns and to reconcile with those reported in certified annual accounts for that period.

During the test check of the VAT audit records, it was noticed[15] in 11 cases in three divisions[16] and seven circles[17], that sales made by the dealers as per their annual accounts were more than those declared in VAT returns. The incorrect determination of taxable turnover by the AAs resulted in short levy of tax of ₹ 3.97 crore**.**

Commissioner replied (between July 2018 and October 2018) that revision had been taken up in six cases[18]. DC Visakhapatnam replied[19] that audit observation would be considered. DC Kurnool in one case contended that there was no variation in turnover. It was, however, evident from the records that there was variation. In remaining two cases AAs[20] stated that matter would be examined and reply furnished in due course.

Government replied (October 2018) that revision had been taken up in one case pertaining to DC Ananthapuramu.

2.4.3 Non-levy of tax due to incorrect exemption of taxable turnover

Assessing Authorities had incorrectly exempted sales of 'textiles and fabrics', instead levying tax at the rate of five *per cent,* resulting in short levy of tax of ₹ 1.31 crore.

Under Section 4 (3) of the VAT Act, every VAT dealer shall pay tax on sale of taxable goods at the rates specified in the Schedules to the Act. As per the Government order[21] dated 08 July 2011, the commodity 'textiles and fabrics' was added to Schedule-IV and made taxable at five *per cent*[22]. Government issued orders in Memo[23] dated 14 November 2012 waiving the VAT dues of textile and fabric dealers, as they had not collected the same from their customers during the period from 11 July 2011 to 31 March 2012. As per Ordinance No. 9 of 2012 dated 05 November 2012, however, with effect from 1 April 2012 the dealers of 'textiles and fabrics' may opt to pay tax at the rate of one *per cent* under composition[24]. Later, the Government by another order[25] included the said commodity in Schedule-I from 07 June 2013 and exempted sales thereof. Hence, the commodity was liable to tax at the rate of five *per cent* from 01 April 2012 to 06 June 2013, if the dealers had not opted for composition.

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15 Between March 2017 and February 2018 for the period from 2012-13 to 2016-17.
16 DCs: Ananthapuramu, Kurnool and Visakhapatnam.
17 CTOs: Anakapalle, Bhimavaram, Brodipet, Chinawaltair, Kakinada, Ongole-I, and Suryabagh.
18 DCs: Visakhapatnam; CTOs: Bhimavaram, Brodipet, Kakinada, Ongole-I and Suryabagh.
19 January 2018 in one case.
20 Anakapalle and Chinawaltair (between October 2017 and January 2018).
21 G.O.Ms.No.932, Revenue (CT-II) Department dated 08 July 2011.
22 four *per cent* up to 13 September 2011.
23 Government Memo No.16460/CT-II(1)/2012-5 dated 14 November 2012.
24 Option form in VAT 250 to be filed by the dealer for paying tax at one *per cent* instead of at five *per cent*.
25 G.O.Ms.No.308, Revenue (CT-II) Department dated 07 June 2013.

During the test check of records of six circles[26], it was observed[27] from VAT audit files of eight cases that the Assessing Authorities (AAs) had incorrectly exempted the sales turnover of ₹ 26.21 crore of 'textiles and fabrics'. Tax on this commodity should have been levied at the rate of five *per cent*, as none of the dealers had opted for composition. The incorrect exemption had resulted in non-levy of tax of ₹ 1.31 crore.

After Audit pointed out these cases, Assessing Authority/ Commissioner replied (December 2017 and August 2018) that in two cases[28] show cause notices were issued and in remaining six cases[29] assessment files were submitted for revision.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.4.4 Non-levy of interest and penalty for belated payment of tax

Assessing Authorities did not levy interest and penalty of ₹ 2.48 crore on belated payments of tax.

As per Section 22 (2) of VAT Act, if any dealer fails to pay the tax due within prescribed time, interest at the rate of 1.25 *per cent* per month for the period of delay was liable to be paid in addition to such tax or penalty. Under Section 51(1) of the Act, if a dealer fails to pay tax due by the last day of the month in which it was due, penalty at the rate of 10 *per cent* of the amount of tax due is to be paid, in addition to such tax.

During the test check of the VAT returns and payment records of two divisions[30] and seven circles[31], it was observed[32] that in 26 cases, the dealers paid tax after the due dates with delays ranging from 1 to 692 days. The Assessing Authorities (AAs), however, did not levy any interest and penalty for belated payment of tax. This resulted in non-levy of interest of ₹ 0.77 crore and penalty of ₹ 1.71 crore totaling to ₹ 2.48 crore.

Government replied (October 2018) that Interest/ Penalty orders were issued in seven cases[33] and ₹ 26.49 lakh was collected[34]. Penalty aspect was contested by CTO Peddapuram on the ground that the dealer had paid excess tax and refund claim was pending. It was, however observed that the penalty was liable to be paid as the payments were not adjusted against refund claim. In another case (DC Visakhapatnam) notice was issued.

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[26] Anakapalle, Aryapuram, Brodipet, Dwarakanagar, Lalapet and Steelplant.
[27] Between October 2017 and February 2018 for the period from April 2012 to May 2013.
[28] Dwarakanagar and Lalapet (Guntur).
[29] Anakapalle (2), Aryapuram (2), Brodipet and Steelplant.
[30] DCs: Ananthapuramu, and Visakhapatnam.
[31] CTOs: Anakapalle, Ananthapuramu-II, Chinawaltair, Gajuwaka, Patamata, Peddapuram and Steelplant.
[32] Between February 2015 and March 2018 for the period from 2012-13 to 2016-17.
[33] DC Ananthapuramu (1), CTOs: Chinawaltair (1), Gajuwaka (1), Peddapuram (1), Steelplant (1) and Visakhapatnam (2).
[34] DCs: Ananthapuramu, Gajuwaka, Peddapuram and Steelplant.

Commissioner replied (September 2018) that notices were issued in 10 cases[35]. CTO Anakapalle replied (February 2018 in one case) that notice would be issued. DC Visakhapatnam stated (March 2017 in two cases) that monthly taxes for April 2012 was paid in May 2012, hence there was no delay. The reply is not correct as the delay of 28 days/ 692 days was clear from payment status report. In remaining five cases[36], AAs replied (October 2017) that matter would be examined and report submitted in due course.

2.4.5 Short payment of tax and non-levy of penalty due to non-conversion of Turnover Tax (TOT) dealer as VAT dealer

Failure of Assessing Authorities to register the TOT dealers as VAT dealers after crossing the threshold limit resulted in short payment of tax.

As per Section 17(3) of the VAT Act, every dealer, whose taxable turnover in the twelve preceding months exceeds ₹ 50 lakh, shall be registered as a VAT dealer and pay tax at applicable VAT rates from thereon, under Section 4(1) of the Act. As per Section 17(5)(h) of the Act, every dealer engaged in sale of food items including sweets etc., whose total annual turnover is more than ₹ 7.50 lakh, is liable for VAT registration and has to pay tax at the rate of five *per cent* under the provisions of Section 4 (9)(d) of the Act. As per Rule 11(1) of the AP VAT Rules, 2005 the prescribed authority may *suomotu* register a dealer, who is liable to apply for registration as VAT dealer but has failed to do so. As per Section 49 (2) of the VAT Act, any dealer who fails to apply for registration, as required under Section 17, shall be liable to pay a penalty of 25 *per cent* of the tax due prior to the date of registration.

During the test check of TOT records of nine circles[37], it was observed[38] in twenty one cases that the taxable turnover of the dealers had crossed the threshold limit, making them liable for VAT registration. The subsequent turnover liable for levy of VAT after the dealers had crossed the threshold limit amounted to ₹ 7.00 crore, on which VAT of ₹ 52.61 lakh was to be levied. The dealers, however, had paid tax of only ₹ 6.68 lakh. These TOT dealers had neither applied for VAT registration nor had Assessing Authorities (AAs) registered them as VAT dealers. This resulted in short payment of tax of ₹ 45.93 lakh and non-levy of penalty of ₹ 3.97 lakh.

Government replied (October 2018) that notices were issued in four cases[39] and in six cases[40] assessments were finalised. Commissioner replied (August 2018) that in nine cases[41] notices were issued. In remaining two cases[42], CTOs replied that matter would be examined and reply furnished in due course.

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35 CTO Patamata.
36 DC Visakhapatnam (1); CTOs: Ananthapuramu-II (1) and Chinawaltair (3).
37 Anakapalle, Ananthapuramu-II, Autonagar, Benz Circle, Dwarakanagar, Kakinada, Lalapet, Nandyal-II and Steelplant.
38 during September 2017 and March 2018 for the period from April 2014 to March 2017.
39 Anakapalle (4).
40 Dwarakanagar (1), Nandayal-II (1), Lalapet (1), Benz Circle (1) and Autonagar (2).
41 Anakapalle (2), Ananthapuramu-II (2), Dwarakanagar (1) and Kakinada (4).
42 Autonagar (1) and Steelplant (1).

2.5 Works Contracts

2.5.1 Non/ short levy of tax due to incorrect determination of taxable turnover under Works Contract

Taxable turnover was incorrectly determined on account of inadmissible deductions such as loading, unloading charges and incorrect computation of profit relatable to labour. Incorrect determination of taxable turnover resulted in non/ short levy of tax of ₹ 8.61 crore.

Under Section 4 (7) (a) of the VAT Act, tax on works contract receipts is to be paid on the value of goods at the time of their incorporation in the work, at the rates applicable under Act. To arrive at the value of goods at the time of incorporation, the deductions prescribed under Rule 17 (1) (e) of AP VAT Rules, 2005, such as expenditure towards labour charges, hire charges etc., incurred by the contractor, are to be allowed from the total consideration and on the balance turnover, tax is levied at the same rates at which purchase of goods were made and in the same proportions. As per Rule 17 (1)(d) of VAT Rules, the value of the goods at the time of incorporation, as arrived at, shall not be less than their purchase value and shall include seigniorage charges, transportation charges etc.

During test check of the VAT assessment files of seven dealers in the office of AC Visakhapatnam and five circles[43], it was observed[44] that, in seven cases, the Assessing Authorities (AAs), while finalising the assessments[45], had incorrectly determined the taxable turnover due to allowing certain inadmissible deductions such as 'establishment charges', 'loading unloading charges' etc., from the gross turnover. Besides this, expenditure and profit relatable to labour were incorrectly computed. In one case, CTO Peddapuram exempted labour charges in excess of that were reported in Profit and Loss Account. This resulted in non-levy/ short levy of tax of ₹ 8.61 crore.

After Audit pointed out, the AAs[46] stated (between September 2017 and October 2017) that show cause notice for revision was issued in three cases. In two cases, the AAs[47] stated (October 2018) that assessment files have been submitted to DC for revision. In one case pertaining to AC Visakhapatnam, it was contended (March 2017) that payments made towards technical, engineering services rendered by officials exclusively to ships were in the nature of technical labour and reported as establishment charges, hence exempted from tax payment. The fact, however, remained that the details of establishment expenses were not kept on record to prove that those expenses relate to payments made towards technical and engineering services. CTO Patamata stated (March 2018) in the remaining case that the matter would be examined and report submitted in due course.

[43] CTOs: Anakapalle, Dabagardens, Dwarakanagar, Patamata and Peddapuram.
[44] Between March 2017 and March 2018.
[45] For the period from 2011-12 to 2015-16.
[46] Dwarakanagar (2) and Peddapuram (1).
[47] Anakapalle and Dabagardens.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.5.2 Short levy of tax on Works Contracts who did not maintain detailed accounts

Determination of turnover on the basis of incorrect detailed accounts, allowing deductions on incorrect turnover, simultaneous application of two provisions of works contract i.e., allowing deduction at prescribed percentage on turnover as well as allowing lower tax rate under composition scheme resulted in short levy of tax of ₹ 67.02 lakh.

As per Rule 17 (1) (g) of VAT Rules, if any works contractor did not maintain the detailed accounts to determine the correct value of the goods at the time of their incorporation, tax shall be levied at the rate of 14.5 *per cent* on the total consideration received, after allowing permissible deductions on percentage basis on the category of work executed. In such cases, the works contractor shall not be eligible to claim Input Tax Credit (ITC). However, Section 4 (7) (b) of the Act read with Rule 17 (2) (b) of VAT Rules permits the dealers to opt to pay tax at the rate of four *per cent*[48] on the gross receipts by way of composition on filing form VAT-250 before commencing the work.

During the test check of records of three circles[49], some irregularities were observed[50] in three assessments relating to works contracts. In Patamata Circle, a works contract dealer also undertook trading and job works. He should have maintained work wise detailed accounts and separate accounts for trading and job works. Assessing Authority should allow the permissible deductions on percentage basis (under Rule 17 (1) (g)) in the absence of detailed accounts. CTO Bhimavaram (in one case) assessed the turnover under composition though option for composition was filed (August 2014) after commencement (March 2014) of the work. In Anakapalle Circle (one case), works contract receipts pertaining to road works were not considered for levy of tax under Rule 17 (1) (g). Exclusion of the turnover reported in the monthly returns for assessment as well as allowing the benefit of lower rate under composition scheme was irregular. This had resulted in short levy of tax of ₹ 67.02 lakh on the works contract turnover of ₹ 5.56 crore.

CTO Anakapalle stated (September 2018 in one case) that assessment file was submitted to DC for revision. In remaining two cases, AAs[51] stated that the matter would be examined and report submitted in due course.

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48 Five *per cent* from 14 September 2011.

49 Anakapalle, Bhimavaram and Patamata (Vijayawada).

50 Between December 2017 and March 2018 for the period from 2010-11 to 2015-16.

51 CTOs: Bhimavaram (1) and Patamata (Vijayawada) (1) (between February 2018 and March 2018).

2.6 Levy of Penalty

2.6.1 Non-levy/ short levy of Penalty for under declaration of tax

Assessing Authorities did not levy penalty or levied penalty at lower rate on account of underdeclaration of tax, excess claim of Input Tax Credit (ITC) by the dealers for reasons of both willful or other than willful neglect. Non-levy/ short levy of penalty amounted to ₹ 45.38 lakh.

As per Rule 25 (8) (a) and (b) of VAT Rules, the tax underdeclared means the excess of Input Tax Credit (ITC) claimed over and above the amount entitled or the difference between output tax actually chargeable and the output tax declared in the returns. Further, as per Section 53 (1) of VAT Act, where any dealer has underdeclared tax and where it has not been established that fraud or willful neglect has been committed and where the underdeclared tax is less than 10 *per cent* of the tax, a penalty shall be imposed at 10 *per cent* of such underdeclared tax and at 25 *per cent*, if the underdeclared tax is more than 10 *per cent* of the tax due. Under Section 53 (3) of VAT Act, any dealer who has underdeclared tax and where it is established that fraud or wilful neglect has been committed, such dealer shall be liable to pay penalty equal to the tax underdeclared.

During the test check of records of Visakhapatnam Division and five circles[52], Audit observed[53] from the VAT assessment files of eight dealers[54] that the assessing authorities identified cases of underdeclaration of output tax and excess claim of ITC for reasons both willful and other than fraud or willful neglect, and passed assessment orders levying tax. However, the AAs either short levied penalty or did not levy any penalty. This resulted in non-levy/ short levy of penalty of ₹ 45.38 lakh over the under declared tax of ₹ 3.04 crore.

Government replied (October 2018 in one case of Anakapalle) that penalty show cause notice was issued. DC Visakhapatnam, contended (January 2018 in one case) levy of interest and penalty based on STAT Judgment[55]. STAT in its judgment held that the under declaration of tax within the meaning of Section 53 (1) (i) & (ii) of the Act meant under declaration of tax payable which caused prejudice to revenue interest of the state. The audit, however, is of the view that the case law quoted was not applicable to the observation as there was no further tax liability than the one declared in the returns. While delivering the said judgment, the Honorable STAT had categorically stated that wherever tax beyond the one declared in returns was payable, interest could be levied and if there was no voluntary declaration of the same before detection by any authority, penalty shall also be payable. Hence, the audit observation holds good. In remaining six cases, the AAs[56] stated (between February 2015 and

[52] Anakapalle, Gajuwaka, Nuzividu, Ongole-I and Patamata (Vijayawada).
[53] Between June 2017 and March 2018 for the period from 2011-12 to 2016-17.
[54] DC Visakhapatnam (2); CTOs: Anakapalle (1), Gajuwaka (1), Nuzividu (1), Ongole-I (1) and Patamata (Vijayawada) (2).
[55] Ray Constructions Limited, Visakhapatnam and State of AP in TA No.285 of 2008 dated 16 March 2009.
[56] DC Visakhapatnam (1), CTOs: Gajuwaka (1), Nuzividu (1), Ongole-I (1) and Patamata (2).

March 2018) that the matter would be examined and report submitted in due course.

2.6.2 Short levy of penalty for incorrect claim of ITC on false invoices

Assessing Authorities levied penalty equivalent to tax instead of at 200 *per cent* on claims of ITC based on false invoices leading to short levy of penalty of ₹ 80.95 lakh.

As per Section 16 (2) of VAT Act, where a dealer issues or produces a false bill, voucher, declaration, certificate or other document with a view to support or make any claim that a transaction of sale or purchase effected by him or any other dealer is not liable to tax or liable to be taxed at a reduced rate, or eligible for ITC, is guilty of an offence under Section 55 of the Act. As per Section 55 (2) of the Act, any VAT dealer who issues a false tax invoice or receives and uses a tax invoice, knowing it to be false, shall be liable to pay a penalty of 200 *per cent* of tax shown on the false invoice.

During the test check of records of Ibrahimpatnam circle, it was observed (March 2017) that the Assessing Authority while finalising the VAT assessment had disallowed ITC of ₹ 80.95 lakh on the ground that the purchase invoices/ vouchers submitted by the dealers were not genuine. However, AA levied penalty of ₹ 80.95 lakh instead of ₹ 1.62 crore in violation of the provisions of the Act. This resulted in short levy of penalty of ₹ 80.95 lakh.

After Audit pointed this out, AA stated (March 2017) that the matter would be examined and report submitted in due course.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.7 Input Tax Credit

2.7.1 Excess/ Incorrect allowance of Input Tax Credit

Allowance of ITC on ineligible goods/ incorrectly to works contractors/ invalid invoices resulted in excess/incorrect allowance of ITC of ₹ 80.61 lakh.

Under Section 13 (1) of the VAT Act, ITC shall be allowed to the VAT dealer for the tax charged in respect of all purchases of taxable goods, made by that dealer during the tax period, if such goods are for use in the business of the VAT dealer. ITC is admissible only on purchases made from the VAT dealers within the State. As per Section 13(4) of the VAT Act, read with Rule 20(2) (b), (d), (i) and (q) of VAT Rules, a VAT dealer is not entitled for input tax credit (ITC) on the purchases of LPG, Furnace Oil, on any goods purchased and used for personal consumption and goods used in construction or maintenance of any building. Further under Section 13(7) of the Act, ITC shall be limited to 90 *per cent* up to 14 September 2011 and at 75 *per cent* thereafter in case of works contractors who pay tax under non-composition method. As per Section 4(7) (a) of the AP VAT Act, read with Rule 17(1) (g) of AP VAT Rules, if any works

contractor has not maintained detailed accounts to determine the correct value of the goods at the time of their incorporation, tax shall be levied at the rate of 14.5 *per cent* on the total consideration received, after allowing permissible deductions on percentage basis on the category of work executed. In such cases, the works contractor/ VAT dealer shall not be eligible to claim ITC.

During the test check of VAT records of Visakhapatnam Division and three circles[57] Audit noticed[58] that in three cases[59]ITC was not restricted to 90/ 75 *per cent* for works contractors paying tax under non-composition method. In three cases pertaining to Visakhapatnam, ITC was allowed on the purchases of LPG, Furnace Oil and on other items which were not used in trading. In two other cases (Visakhapatnam and Gajuwaka), ITC was allowed to works contractors though detailed Accounts were not maintained by them and assessment was made under Rule 17 (1) (g) of AP VAT Rules. In Dwaranakanagar Circle (one case), ITC was allowed on Inter State purchases. Total excess/ incorrect allowance of ITC in all nine cases amounted to ₹ 80.61 lakh.

The Commissioner stated (June and July 2018) in two cases that demands were raised and in three cases, rectification report would be submitted after verification of the records. CTO Dwarakanagar stated (December 2017) that revision show cause notice was issued (December 2017) to the dealer. In remaining three cases, AAs[60] stated (between November 2017 and March 2018) that the matter would be examined.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.7.2 Excess claim of Input Tax Credit due to non/ incorrect restriction

ITC was not restricted/restricted incorrectly by the Assessing Authorities on sale of exempt goods and exempt transactions resulting in excess allowance of ITC of ₹ 59.01 lakh.

As per Section 13 (5) of the VAT Act, no ITC shall be allowed to any VAT dealer on sale of exempted goods (except in the course of export) and exempt sales. As per Section 13 (6) of VAT Act, ITC for transfer of taxable goods outside the State (otherwise than by way of sale) shall be allowed for the amount of tax in excess of four/ five[61] *per cent*. Further, as per sub rules (7) and (8) of Rule 20 of VAT Rules, a VAT dealer making taxable sales, exempt sales and exempt transactions of taxable goods shall restrict his ITC as per the prescribed formula[62]. As per Rule 20 (10) of VAT Rules, where a dealer also makes sale of exempt goods, (9.5 *per cent*/ 10.5 *per cent* portion of 14.5 *per cent*) ITC of

[57] CTOs: Autonagar, Dwarakanagar and Gajuwaka.
[58] Between February 2015 and April 2018 for the assessment period from 2010-11 to 2015-16.
[59] Visakhapatnam (2) and Autonagar (1).
[60] DC: Visakhapatnam, CTOs: Autonagar and Gajuwaka.
[61] four *per cent* up to 13 September 2011 and five *per cent* from 14 September 2011.
[62] A x B/C, where A is the ITC for common inputs for each tax rate, B is the taxable turnover and C is the total turnover.

which was fully claimed initially, shall be restricted at the end of March by applying prescribed formula. Exempt transactions shall be included in taxable turnover during such restriction.

During the test check of records of Visakhapatnam Division and five[63] Circles, Audit observed (between March 2017 and January 2018) from the VAT assessment files of eight dealers for the assessment period from 2011-12 to 2016-17, that the dealers had effected sale of exempted goods/ exempt transactions of taxable goods along with sale of taxable goods by utilising common inputs. However, the ITC was not restricted correctly in few cases on account of adoption of incorrect turnovers. In few other cases restriction was not made by the Assessing Authorities (AAs) as per the relevant provisions, resulting in excess claim of ITC of ₹ 59.01 lakh.

The AAs[64] replied (December 2017 and September 2018) that assessment files were submitted to DC for revision in five cases. CTO Ongole-I stated (September 2018 in one case) that effectual order was passed based on the revision order passed by the DC. In remaining three cases, AAs[65] stated (March 2017 and January 2018) that the matter would be examined and detailed report furnished in due course.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.8 Tax on Interstate Sales

2.8.1 Short levy of tax due to application of incorrect rate of tax under Central Sales Tax Act

Incorrect allowance of concessional/ incorrect rates of tax on inter-state sales resulted in short levy of tax of ₹ 44.21 lakh.

As per Section 8 (2) of the Central Sales Tax (CST) Act, 1956 read with Rule 12 (1) of CST Registration and Turnover (R&T) Rules, 1957, interstate sales not supported by 'C' declaration forms are liable to tax at the rate applicable to sale of such goods inside the appropriate State. Taxes on interstate sales supported by 'C' declaration forms are liable to tax at the rate of two *per cent* as per Section 8 (1) of the Act. Under Section 4 (3) of the VAT Act, every VAT dealer shall pay tax on sale of taxable goods at the rates specified in the Schedules to the Act.

'Thermoplastics' (Road Speed Breakers) and 'Fabricated steel structure' are not specified in any of the Schedules to the VAT Act and therefore fall under Schedule-V and liable for tax at the rate of 14.5 *per cent*. 'Bone Meal' is liable to tax at the rate of four *per cent* up to 13 September 2011 and at five *per cent* from 14 September 2011 onwards under Schedule IV to the VAT Act. 'Fruit Pulp' was classifiable under Schedule IV of VAT Act from 29 January 2013 as

[63] CTOs: Brodipet, Dwarakanagar, Ibrahimpatnam, Ongole-I and Tanuku-I.
[64] Visakhapatnam Division (2); CTOs: Brodipet (1), Dwarakanagar (1) and Ongole-I (1).
[65] Ibrahimpatnam (2) and Tanuku-I (1).

per Government Order[66] dated 29 January 2013 and was liable to tax at the rate of 14.5 *per cent* for the period prior to the date of this order.

During the test check of CST records of four circles[67], it was observed[68] in six cases, that AAs either exempted or levied tax at the incorrect rate of four/ five *per cent* instead of 14.5 *per cent* under Schedule V to the Act on interstate sales turnover of ₹ 7.01 crore not supported by 'C' forms. The application of incorrect rate of tax resulted in short levy of tax of ₹ 44.21 lakh.

Government replied (November 2018 in three cases pertaining to Chittoor-I Circle) that the phrase "Fruit Juices" available in the entry 107 of Schedule IV to the Act is wide enough to include the Mango Pulp, therefore attracted tax at five per cent. It was, however seen in audit that the commodity "fruit pulp" was inserted under entry 107 (b) of Schedule IV to the Act through Government order[69] in January 2013. Hence, the tax was leviable at 14.5 *per cent* prior to 29 January 2013 and at 5 *per cent* from 29 January 2013 onwards. In remaining three cases, the AAs[70] stated (between November 2016 and March 2018) that the matter would be examined and report submitted to Audit in due course.

2.8.2 Non/ Short levy of tax due to incorrect determination of taxable turnover under CST Act

Assessing Authorities incorrectly determined taxable turnover of interstate sales resulting in short levy of tax.

As per Section 9 (2) of CST Act, the authorities empowered to assess tax under the general sales tax law of the State, shall also assess tax under the CST Act. As per Para 5.12 of VAT Audit Manual 2012, the audit officer is required to verify the details given by the dealer in VAT/ CST returns and to reconcile with those reported in certified annual accounts for that period. According to Sub Rules (8), (9) and (10) of Rule 14-A of CST (AP) Rules 1957, if the whole or any part of the turnover of business of a dealer has escaped assessment or has been under-assessed in any year, the Assessing Authority (AA) may to the best of his judgment, assess the correct tax payable by the dealer, within the prescribed time period. As per Sections 5, 6, 6A and 8 of the CST Act read with Rule 12 of CST (R&T) Rules, if any dealer fails to submit necessary statutory forms in support of exports, branch transfers, transit sales etc., the relevant transactions have to be treated as interstate sales not covered by 'C' forms and tax shall be levied at the rates applicable to the sale of goods inside the appropriate State.

The commodities listed under Schedule-IV to the VAT Act are taxable at the rate of five *per cent*[71] and those which are not listed in Schedules-II to IV and VI, fall under Schedule-V and are taxable at the rate of 14.5 *per cent*.

66 G.O.Ms.No.43 Revenue (CT) II Department, dated 29 January 2013.
67 Autonagar, Chittoor-II (3), Ibrahimpatnam and Patamata.
68 Between November 2016 and March 2018 for the period 2011-12 and 2012-13.
69 G.O.Ms.No.43 dated 29 January 2013 with effect from 31 January 2013.
70 Autonagar, Ibrahimpatnam and Patamata.
71 Four *per cent* up to 13 September 2011.

During the test check of CST assessment files and VAT records of four circles[72], it was observed[73] that in four cases, the taxable turnover under the CST Act was not determined correctly due to non-reconciliation with the VAT and CST returns, ledgers, VAT and CST assessment orders, CST way bill utilisation reports and Profit & Loss accounts. This resulted in non/ short levy of tax of ₹ 18.76 lakh on the under-assessed turnover of ₹ 2.57 crore.

The CTO Kurnool-III stated (June 2018 in one case) that assessment file was submitted to DC for revision. CTO Ananthapuramu-II stated (September 2018) that the turnover assessed under CST was more than the turnover reported in Annual Report. It was, however seen in audit that the turnover as per CST sales register was more than the turnover reported both in Annual report as well as turnover assessed under CST Assessment. Hence the variation in the turnover needs to be taxed. In remaining two cases, the AAs[74] stated that the matter would be examined and report submitted in due course.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.8.3 Non-levy of interest and penalty for belated payment of tax under CST Act

Interest and penalty was not levied on belated tax payments of inter-state sales.

As per Section 9 (2) of CST Act, the authorities empowered to assess tax under the general sales tax law of the State, shall also assess tax and levy interest and penalty under the CST Act. As per Rule 24 (1) of VAT Rules, the tax declared as due on Form VAT- 200, shall be paid not later than fifteen days after the end of the tax period if the payment is by way of cheque and not later than twenty days after the end of the tax period if the payment is by way of demand draft or banker's cheque or by way of remittance into the Treasury. In terms of Section 22 (2) of VAT Act, if any dealer fails to pay the tax due under the Act within the time prescribed, interest is liable to be paid in addition to such tax or penalty or any other amount, calculated at the rate of 1.25 *per cent* per month for the period of delay. Under Section 51 (1) of the Act, if a dealer fails to pay tax due by him by the last day of the month in which it was due, he shall be liable to pay a penalty of 10 *per cent* of the amount of tax due, in addition to such tax.

During the test check of the CST assessments, returns and payment records of Ananthapuramu-II Circle, it was observed (October 2017) in four cases (for the period 2013-14 and 2014-15) that the dealers had paid tax after the due dates with delays ranging from 1 to 449 days. However, the Assessing Authority (AA) did not levy any interest and penalty for belated payment of tax. This had resulted in non-levy of interest of ₹ 1.75 lakh and penalty of ₹ 4.90 lakh totaling to ₹ 6.65 lakh.

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[72] Ananthapuramu-II, Autonagar, Dwarakanagar and Kurnool-III.
[73] Between October 2017 and March 2018 for the period from 2011-12 to 2014-15.
[74] CTOs: Autonagar and Dwarakanagar (October 2017 and March 2018).

The Government replied (October 2018) that notices were issued for levy of penalty and interest.

2.9 Authorisation of Excess Refund

Assessing Authority authorised excess refund by overlooking bogus sales reported by CTOs at the other end.

As per Section 38 (1) (a) of VAT Act, a VAT dealer effecting sales under Section 5 (1) or 5 (3) and 8 (6) of the CST Act, in any tax period shall be eligible for refund of tax, if the ITC exceeds the amount of tax payable subject to the condition that the exports have been made outside the territory of India. The excess tax shall be refunded within a period of ninety days of making a claim on a VAT return to the prescribed authority. Further, as per Section 40 (1) of the Act, Commissioner or the authority prescribed shall have the power to adjust any amount due to be refunded against any amount outstanding against a VAT dealer.

During the test check of records of CTO, Peddapuram, it was observed[75] from the VAT refund file that the AA granted refund without considering the cross verification reports[76]. It was noticed from cross verification reports that purchase transactions of a dealer were not traced in the returns of the selling dealers. This resulted in excess authorisation of refund of ₹ 25.69 lakh.

CTO Peddapuram replied (September 2018) that as per the Commissioner's instructions, ITC could be allowed on receipt of 75 *per cent* of cross verification reports. Hence, the refund was processed. The reply is not relevant as in the verification reports received, the sale transactions were not accounted for. The refund should not have been authorised.

The matter was referred to the Government (September 2018); their reply has not been received (February 2020).

2.10 Transition from Value Added Tax to Goods and Services Tax

2.10.1 Introduction

Goods and Services Tax (GST) was implemented with effect from 1 July 2017. GST[77] is being levied on intra-State supply of goods or services *(except alcohol for human consumption and five specified petroleum products*[78]*)* separately but concurrently by the Union (CGST) and the States (SGST)/Union territories (UTGST). Further, Integrated GST (IGST) is being levied on inter-State supply of goods or services (including imports) and the Parliament has exclusive power to levy IGST. Prior to implementation of GST,

[75] September 2017 for the period 2013-14.

[76] Cross verification reports received from the other end CTOs in form VAT 311 after verifying the sales turnovers declared by the selling dealers.

[77] Central GST: CGST and State/Union Territory GST: SGST /UTGST.

[78] Petroleum products: crude oil, high speed diesel, petrol, aviation turbine fuel and natural gas.

VAT was leviable on intra-State sale of goods as per VAT Act and CST on sale of goods in the course of inter-State trade or commerce as per CST Act.

The State Government was empowered to regulate the provisions of VAT Act whereas provisions relating to GST were being regulated by Centre and State on the recommendation of Goods and Services Tax Council (GSTC) which was constituted with representation from Centre and all the States. The State Government notified (June 2017) the Andhra Pradesh State Goods and Services Tax (APSGST) Act, 2017 and the Andhra Pradesh State Goods and Services Tax (APSGST) Rules, 2017.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide IT services. It provides *Front-end IT services* to taxpayers namely registration, payment of tax and filing of returns. The State Government prepared its own platform for *Back-end IT services i.e.* registration approval, taxpayer detail viewer, refund processing, MIS reports *etc*., as the state has opted for Model-I[79].

2.10.2 Audit Objectives

A study was conducted to seek an assurance on

- the compliance with regard to migration of dealers from earlier tax laws and registration under GST;
- the effectiveness of the measures taken for verifying the tax credits carried forward from the earlier laws; and
- timely processing of refunds under GST.

2.10.3 Audit Criteria

The audit criteria were derived from the provisions of the following Acts, Rules and Notifications/ Circulars issued thereunder

- APSGST Act, 2017;
- APSGST Rules, 2017;
- GST (Compensation to States) Act, 2017.

2.10.4 Scope of Audit

The activities of the Chief Commissioner of State Taxes (CCST) Andhra Pradesh relating to implementation of GST were reviewed. Detailed information regarding 'Registration, Transitional Credit and Refunds' available in the database of GST was sought for from CCST for conducting audit. The required information was however not provided by the CCST. In the absence of the detailed database, the audit was conducted mainly on the basis of MIS reports as provided by the CCST, Andhra Pradesh and records related to Registration, Transitional Credits and Refunds of five Circle offices out of 104 available under the CCST.

Draft paragraphs were sent to the CCST and the Government in January 2019.

[79] Model-I States: only front-end services provided by GSTN.
Model -II States: both Front-end and Back-end services provided by GSTN.

2.10.5 Trend of Revenue

GST was implemented in July 2017 and total receipts under GST regime including non-subsumed[80]/ subsumed taxes from July 2017 to March 2018 were ₹ 27,326 crore (including IGST Advance of ₹ 589 crore) against ₹ 25,516 crore under pre-GST during the same period of previous year of 2016-17 i.e. an increase of 7.09 *per cent*. Actual receipts under pre-GST taxes and GST are given below:

Table 2.2
Trend of revenue

(₹ in crore)

Year	Budget Estimates	Receipts under pre GST taxes	Receipts under GST		Total receipts under pre GST taxes and GST	Increase/ decrease in percentage	Compen-sation received	Total receipts
			SGST	IGST Apportionment				
2014-15	28,749	30,524[81]	-		30,524	-	-	30,524
2015-16	32,840	29,104	-		29,104	(-) 5	-	29,104
2016-17	37,435	32,484	-		32,484	(+) 12	-	32,484
2017-18	39,321	8,890*	-		8,890	(+) 11	382	36,598
2017-18		2,121#	10,128	692	27,326			
		14,385$						

* Includes State VAT, Central Sales Tax, Purchase Tax, Entertainments Tax, Taxes on goods and passengers, Luxury Tax, Betting tax from April 2017 to June 2017.

\# Includes arrears of receipts from subsumed Taxes from July 2017 to March 2018.

$ Includes receipts from non-subsumed Taxes from July 2017 to March 2018.

Source: Budget Estimates and Finance Accounts of Government of Andhra Pradesh and Figures of Ministry of Finance (Office Memorandum No. S-31011/03/2014-SO (ST)-Pt-1

The above table indicates that there was an increasing trend in receipts during the last two years.

2.10.6 Legal/ statutory preparedness

APSGST Act and Rules were notified in June 2017. E-way bill system was implemented in the State with effect from 01 April 2018 on inter-State transactions and with effect from 15 April 2018 on intra-State transactions. Further, necessary notifications were issued by the State Government from time to time for facilitating implementation of GST in the State. The State Government/ Commercial Taxes Department had issued 203 notifications/ circulars/ orders regarding GST from June 2017 to December 2018.

[80] Non-subsumed goods: Alcohol for human consumption and five specified petroleum products i.e crude oil, high speed diesel, petrol, aviation turbine fuel and natural gas.

[81] Includes receipts of composite state of Andhra Pradesh from 01 April 2014 to 01 June 2017 and receipts of residuary state of Andhra Pradesh from 02 June 2014 to 31 March 2015.

2.10.7 IT preparedness

As Andhra Pradesh opted to be a Model-I State, GSTN only provides *Front-end* IT services of the GST IT eco-system to the taxpayers namely registration, payment of tax and filing of returns. The State has developed its own dedicated *Back-end* IT services for performance of statutory functions such as assessment, audit, enforcement, refunds, adjudication and appeals etc. by the departmental officers which are yet to be deployed. However, software tools were developed for generating various Analytical/ Business Intelligence/ MIS reports which are functional.

2.10.7.1 Status of Data sharing

With automation of the collection of GST having taken place, it is essential for Audit to have access to GST data to transition from sample checks to a comprehensive check of all transactions. Principal Accountant General (PAG) (Audit) has written to the Chief Commissioner of State Taxes and Principal Secretary (Revenue) to provide access to the GST data (January 2019, April 2019, May 2019, and November 2019). However, access to data is yet to be provided. A stand was taken by the State that a clarification had been sought from GST Council regarding guidelines and procedures to be followed in providing access to the data to maintain uniformity with other states.

The reply is not acceptable as Section 18 of the Comptroller and Auditor General's (CAG's) Duties Powers and Conditions of service (DPC) Act, 1971 provides CAG with the mandate to access any record, accounts and other documents that are relevant to his inquiry. Further, as per Section 16 of the Act, it shall be the duty of the CAG to audit all receipts which are payable into the Consolidated Fund of India and each State. Thus, not having access to the data pertaining to all GST transactions is violation of the provisions of CAG's DPC Act and has come in way of comprehensively auditing the GST receipts.

2.10.8 Implementation of GST

It was noticed that major issues faced by the department in implementation of GST were in registration, migration, filing of returns, transitional credit, refund etc. These issues have been analysed in Audit and are briefly discussed as follows.

2.10.8.1 Registration of Taxpayers

Every person registered under any of the pre-GST laws and having a valid Permanent Account Number (PAN) was issued a certificate of registration on provisional basis and final certificate of registration was to be granted on completion of prescribed conditions. Further, taxpayers with annual turnover of more than the threshold limit of ₹ 20 lakh were required to be registered under GST.

2.10.8.2 Migration of existing taxpayers of Commercial Taxes Department

As per Rule 24 of AP SGST Rules, 2017, every person registered under any existing law and having a PAN shall enroll on common portal by validating his e-mail address and mobile number and such person shall be granted registration on a provisional basis. Every person who has been granted a Provisional Registration (PR) shall submit an application along with the information and documents specified in the application on common portal. A certificate of registration shall be made available to the registered person electronically if the information and the particulars furnished in the application are found to be correct and complete. The position of provisional and final registration of registered dealers in the Commercial Taxes Department is in **Table 2.3.**

Table 2.3: Migration Status

Total no. of taxpayers as on 30 June 2017 under pre-GST laws	Provisional/ Final Registration	No. of dealers not enrolled / No. of dealers enrolled but not granted PR	Percentage of Migration
2,42,516	2,13,966*	28,419/131	88.23

Source: Information furnished by Department/web portal of Commercial Taxes Department.
* These taxpayers either belong to State or Centre.

It would be seen that 88.23 *per cent* of taxpayers have migrated to GST. In respect of dealers not enrolled, final action taken by the authorities concerned has not been furnished by the Department.

2.10.8.3 Allocation of taxpayers between Centre and State

(a) **Existing registered taxpayers of Commercial Taxes Department and Central Excise Department:** As per recommendation of GST Council, 90 *per cent* of existing registered taxpayers with turnover up to ₹ 1.5 crore and 50 *per cent* of existing registered taxpayers with turnover of more than ₹ 1.5 crore were allotted to the State. Accordingly, 2,08,982 registered taxpayers were allotted (November 2017) to the State (**Table 2.4**).

Table 2.4: Number of Registered Taxpayers

Existing registered taxpayers			
	Turnover above ₹ 1.5 crore	**Turnover below ₹ 1.5 crore**	**Total**
State	18,290	1,90,692	2,08,982
Centre	18,291	21,188	39,479
Total	36,581	2,11,880	2,48,461

Source: Information furnished by Commercial Taxes Department.

(b) **New taxpayers** - Jurisdiction of newly registered taxpayers is being allotted to the State and Centre by GST portal electronically during submission of application for registration by the taxpayers. Status of new registrations under the jurisdiction of State as on 27 December 2018 is given below:

Table 2.5: Status of New Registrations

Applications received upto 27 December 2018	Number of applications rejected	Number of applications approved	Number of applications pending
99,537	13,840	84,314	1,203

Source: Information furnished by the Commercial Taxes Department.

2.10.8.4 Transitional credit

Transitional credit of ₹ 1.41 crore was erroneously allowed to dealers though assessments were not finalised and statutory declaration forms were not filed for claiming concession / exemption.

As per Rule 117 of AP SGST Rules read with section 140 of AP SGST Act, the registered taxpayers were entitled to carry forward and claim unavailed amount of ITC of the pre-GST regime (as per VAT returns) in the GST regime. The taxpayers were also entitled to take credit of VAT in respect of inputs held in stocks and inputs contained in semi-finished or finished goods held in stock on which credit was not claimed earlier and is eligible for ITC on such inputs under AP SGST Act.

Section 140(1) prescribes that in order to claim the transitional credit, the following prerequisites should be met.

- Returns for six months prior to GST i.e. for January-June 2017 must be submitted.
- All declaration forms required to substantiate concessional rate of tax on the inter-state transactions under earlier tax law i.e.; CST Act, must be filed.
- The transitional credit to be claimed by the dealer in Form TRAN-1 should not be more than the closing balance of ITC available at the end of June 2017.

The transitional claims preferred were to be examined by the respective authorities (existing laws) irrespective of taxpayer being allotted to State or Centre under GST. The Department furnished (January 2019) information on 14,345 cases, involving transitional credit of ₹ 406.08 crore.

- In test check of five circles, it was noticed (January/ February 2019) that an excess claim of ₹ 14.57 crore was made by the dealers in 113 cases out of 546. The details are in **Table no: 2.6.**

Table 2.6: Tran-1 Data Analysis

TRAN-1 Data Analysis of five circles							
Sl. No	**Circle**	**Number of cases**	**Total TRAN-1 claim**	**Number of cases where TRAN-1 claim is more than VAT ITC**	**Total amount claimed in mismatch cases**	**ITC available in VAT as per June 2017 return**	**Excess claim**
1	Autonagar	87	3,76,03,951	14	7,41,488	4,44,911	2,96,577
2	Ibrahimpatnam	90	1,13,68,205	21	47,99,250	24,93,247	23,06,003
3	Patamata	115	16,14,11,319	28	14,24,71,925	17,21,470	14,07,50,455
4	Puttur	154	3,48,93,023	31	1,08,40,404	93,69,237	14,71,167
5	Seethaarampuram	100	1,46,80,312	19	37,56,539	29,01,024	8,55,515
	Total	**546**	**25,99,56,810**	**113**	**16,26,09,606**	**1,69,29,889**	**14,56,79,717**

When the excess claim was pointed out, ACs (ST)[82] replied (February 2019) that notices were issued. Reply is awaited from remaining two[83] offices.

- In three cases[84], CST assessments of the dealers were not completed from April 2014 to June 2017. The dealers also did not file Forms 'C', 'H' and 'F' for concessional claim/ exemption. The transitional credit, however, was claimed in full as per the closing balance of ITC as of June 2017. This resulted in erroneous claim of transitional credit of ₹ 1.41 crore.

  Reply from the Department has not been received (February 2020).

  The department needs to verify the claims against actual ITC available and ensure compliance to the rules/ provisions by the dealers before allowing transitional credit claims.

2.10.8.5 Refund under GST

As per Section 54(1) of the AP SGST Act 2017, a registered person may claim refund of any balance in the electronic cash ledger before the expiry of two years from the relevant date. Section 54(7) stipulated that refund claims shall be processed within sixty days from the date of receipt of application complete in all respects.

Refund module under GSTN is not yet operational. Hence, the refunds are being processed through manual system. Specific procedures were prescribed for refund of the balance amount in the electronic cash ledger or unutilised input tax credit at the end of particular tax period. Refund of unutilised Input Tax Credit was allowed in case of zero-rated supplies such as exports, SEZ sales which are made without payment of tax or when the credit has accumulated on account of rate of tax on inputs being higher than the rate of tax on output supplies.

[82] Ibrahimpatnam, Patamata and Puttur.
[83] Autonagar and Seetharampuram.
[84] AC(ST) Puttur.

2.10.8.6 Pendency in authorisation of refunds

As per the figures furnished by the department, 2,718 applications amounting to ₹ 492.81 crore were received claiming refunds by December 2018. Out of these, 2,679 cases amounting to ₹ 487.35 crore were processed within time by the Department.

Table-2.7: Authorisation of refunds

(₹ in crore)

Particulars	No. of cases	Amount
Refund claimed	2,718	492.81
LESS: Refunds processed	2,679	487.35
Refunds to be processed	39	5.46

Source: Information furnished by Department

2.10.8.7 Non-levy of penalty on refund claim

Department did not levy penalty of ₹ 50.49 crore equivalent to tax deliberately claimed by the dealer on refund claim which was irregular.

Scrutiny of 78 refund cases in two offices[85] revealed irregularities as detailed below.

In the office of AC (ST) Puttur, it was noticed (February 2019) in one case, that after adjusting output tax liability, balance ITC for the month of August 2017 was carried forward by the dealer to September 2017. This was adjusted against the output tax liability for the same month (September 2017). However, based on the refund guidelines, issued in May 2018, the dealer again claimed (May 2018) a refund of ₹ 50.49 crore for the month of August 2017 and the same was granted (June 2018) by the department without noticing the fact that no excess ITC was available with the dealer, as the same was adjusted against the output tax liability of September 2017. Subsequently, department noticed (November 2018) the double utilisation of ITC by the dealer (i.e. carrying forward of credit to September 2017 and claim of refund for August 2017) and adjusted the erroneously refunded amount of ₹ 50.49 crore. But, penalty of ₹ 50.49 crore equivalent to erroneous refund as prescribed under Section 74[86] read with Section 122 (vii and viii) of the Act was not levied.

The matter was referred to the Department.

Reply of the Department has not been received (February 2020).

[85] Ibrahimpatnam and Puttur.

[86] Determination of the tax not paid or short paid or erroneously refunded or input tax credit wrongly availed or utilised by the reason of fraud or any willful misstatement or suppression of facts.

2.10.9 Legacy issues

While these are initial years of GST, it is necessary that steps are taken to clear the pending issues of the legacy system. Prior to implementation of GST, dealers were registered under VAT Act, CST Act, Luxury Tax Act, Entertainments Tax Act etc. Assessments under AP VAT and CST Acts were to be completed within 4 years from the date of completion of a particular financial year.

- In respect of cases where assessments had been completed, tax to the extent of ₹ 5,746.24 crore was yet to be collected. Of this, ₹ 2,137.66 crore was outstanding for more than five years. (**Table 1.4** Sl. No. 1 of this report).
- Information furnished by the Department disclosed that only 53 *per cent* of the assessments could be completed. (**Table 1.5** of this report).
- VAT refund claims of ₹ 113.21 crore in 530 cases were pending to the end of March 2018 (**Table 1.7** of this report).

The Department did not furnish the reasons for pendency in arrears outstanding for more than five years.

2.10.10 Conclusion

The Department completed migration of 88.23 *per cent* of the existing tax payers into GST. Action on erroneous transitional claims was lacking. The Department needs to sort out the legacy issues expeditiously so as to have a smooth transition to GST. The information to be provided through Web service is yet to commence (February 2020).

The matter was referred to the Department and to the Government (January/ February 2019); their reply has not been received (February 2020).

CHAPTER III

STATE EXCISE DUTIES

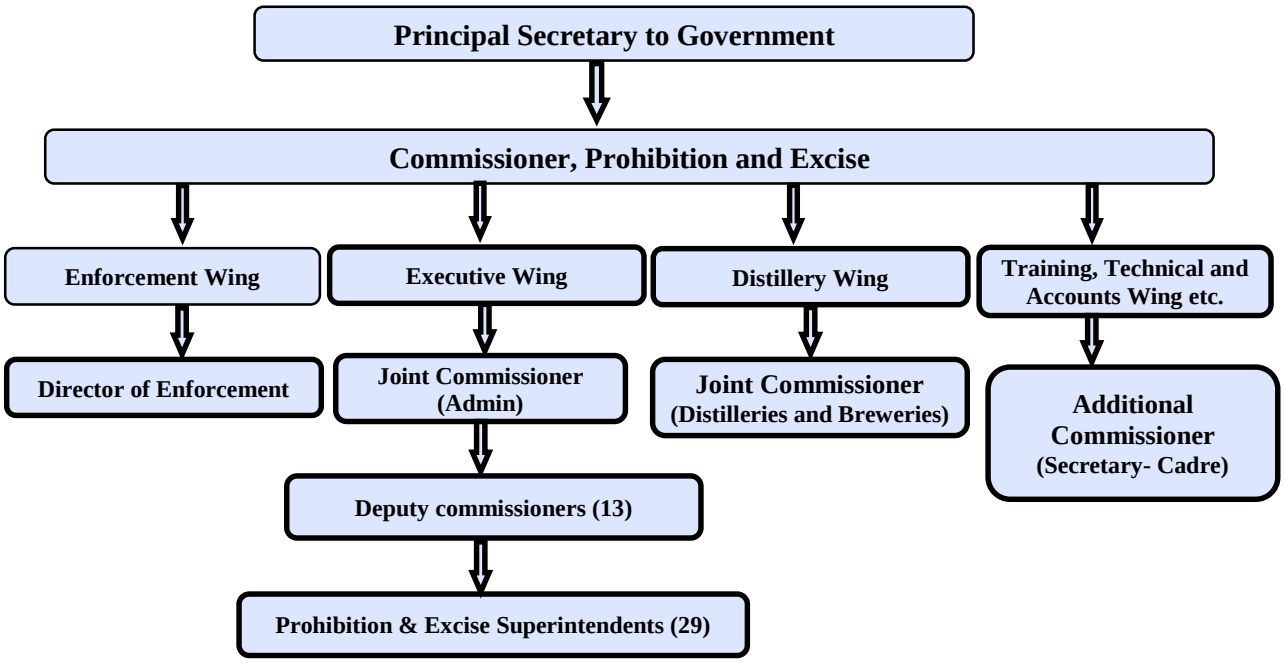
CHAPTER III
STATE EXCISE DUTIES

3.1 Tax Administration

Functioning of the Prohibition and Excise (P&E) Department is governed by the Andhra Pradesh Excise Act, 1968 (AP Excise Act), the Narcotic Drugs and Psychotropic Substances Act, 1985, the AP Prohibition Act, 1995, etc. The Principal Secretary to Government, Revenue Department is the controlling authority at Government level. The Commissioner, Prohibition and Excise is the head of the Department in all matters connected with administration of these Acts. Commissioner is assisted by Director of Enforcement for implementation of these Acts. The 13 Revenue Districts of the State are sub divided into 29 Excise Districts.

The organisational hierarchy of the department is as under

Organogram



3.2 Internal Audit

Internal audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions and this is a vital component of the internal control frame work. Government of A.P. issued orders[87] (2003) for constitution of committees on Internal Audit at State level, District level and creation of cell in the Finance Department to oversee the activities of internal audit. Despite lapse of 15 years, Internal audit wing has not been established.

Present status though called for (May 2018) has not been received.

3.3 Results of Audit

There are 103[88] auditable units in the Department. Of these, test check of records of 14 offices was conducted during the year 2017-18. The revenue realised by the State for the year 2016-17 was ₹ 4,645 crore and that of audited units was ₹ 1,814.69 crore. Test check revealed underassessments and other deficiencies involving monetary impact of ₹ 6.71crore in 41 cases. The nature of Audit observations are broadly categorised in **Table 3.1**.

Table 3.1: Results of Audit

(₹ in crore)

Sl.No.	Category	No. of cases	Amount
1.	Short levy of club licence fee	3	0.37
2	Non-levy/short levy of Annual/permit room licence fee	6	3.16
3	Short levy/Non-levy of toddy rentals	12	0.40
4	Non-levy of Additional Licence Fee(ALF)	4	2.25
5	Other irregularities	16	0.53
Total		**41**	**6.71**

During the year 2017-18, the Department accepted underassessment and other deficiencies of ₹ one crore in nine cases. Of these, ₹ 97.86 lakh involving eight cases were pointed out during the year 2017-18 and the rest in earlier years. An amount of ₹ 2.38 lakh was realised in one case during the year 2017-18. A few cases, involving ₹ 3.40 crore, are discussed in the succeeding paragraphs.

[87] G.O.Ms.No.478 & 479, Finance (Internal Audit) Department dated 10 November 2003.

[88] Commissioner (1), Dy. Commissioners (13), Assistant Commissioners (18), Prohibition and Excise Superintendents (29), Director of distillery and Breweries (1), Distilleries (40) & Director of Enforcement (1).

3.4 Short levy of Licence Fee

Merger of villages into nearby Municipal Corporation/ Municipality necessitated levying of higher licence fee. Failure to do so resulted in short levy of licence fee of ₹ 2.01 crore.

(i) As per Section 28 of the AP Excise Act, 1968 read with Rule 16 of the AP Excise (Grant of licence of selling by shop and conditions of licence) Rules 2012 and Government orders[89] dated 22 June 2015, the annual licence fee for retail shops shall be levied on the basis of population (census 2011) and at the rates notified by the Government from time to time.

Government in order dated 22 June 2015 notified the rates of licence fee for the years 2015-17. The licence fee payable for the population up to 5,000 was ₹ 30 lakh, and above 5,000 and up to 10,000 was ₹ 34 lakh and up to 25,000 ₹ 37 lakh, above 25,000 and up to 50,000 ₹ 40 lakh, above 50,000 and up to 3 lakh ₹ 45 lakh, above 3 lakh and up to 5 lakh ₹ 50 lakh and above 5 lakh ₹ 65 lakh per annum.

As per Government order (October 2012[90]) Unduru village was merged with Samalkot Municipality. Similarly three villages viz. Rajanagaram, Gadala and Burugupudi were merged with Rajamahendravaram Municipal Corporation (March 2014[91]). The population of Samalkot Municipality and Rajamahendravam Municipal Corporation as per census 2011 were 56,864 and 3,41,831 respectively. Due to merger of these villages, the licence fee applicable for Samalkot Municipality was to be applied for Unduru village (₹ 45 lakh per annum) and rates applicable to Rajamahendravam Municipal Corporation was to be applied to Burugupudi, Gadala and Rajanagaram villages (₹ 50 lakh per annum).

During scrutiny (between February and March 2018) of shop licence files of two[92] P&ESs offices, it was observed that the annual licence fee[93] for seven liquor shops was fixed at lower rates[94] without considering the merger of these villages into Samalkot Municipality and Rajamahendravaram Municipal Corporation. Annual licence fee of ₹ 4.72 crore was collected[95] from these shops during the period 2015-17 instead of ₹ 6.73 crore resulting in short levy of licence fee to the tune of ₹ 2.01 crore.

Government orders issued by Municipal Administration and Urban Development Department effecting merger of villages into Municipality and

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89 G.O.Ms.No.217, Revenue (Excise-II) Department, dated 22 June 2015.

90 G.O.Ms.No.394, Municipal Administration and Urban Development (Elec.I) Department, dated 17 October 2012.

91 G.O.Ms.No.44, Panchayat Raj and Rural Development (PTS.IV) Department, dated 04 March 2014.

92 Kakinada and Rajamahendravaram.

93 For the licence period 01 July 2015 to 30 June 2017.

94 Applied rates per annum at ₹ 30 lakh (Unduru and Gadala) against ₹ 45 lakh and ₹ 50 lakh respectively, ₹ 34 lakh (Burugupudi) against ₹ 50 lakh and ₹ 37 lakh (four shops at Rajanagaram) against ₹ 50 lakh.

95 For one shop licence was issued in November 2015, hence proportionate licence fee levied.

Municipal Corporation were not endorsed to Revenue Department. Lack of coordination between two departments led to short levy of licence fees.

(ii) As per Rule 4 (i) of AP Excise (Grant of Licence of selling by in-house and conditions of licence) Rules 2005, Andhra Pradesh Tourism Development Corporation Limited (APTDC) may be granted licence in Form TD-1 to sell Indian Made Foreign Liquor and Foreign Liquor in glasses or pegs for consumption within the licensed premises of guest house run by it. The annual licence fee for the licences issued in Form TD-1 was ₹ six lakh per annum in places where the population of revenue village and its hamlets / Municipality/ Municipal Corporation is above three lakh.

Government (July 2013[96]) had merged Vakalapudi village with Kakinada Municipal Corporation. As per census 2011, the population of Kakinada was 3,12,538. Hence, the licence fee of ₹ six lakh per annum applicable for Kakinada was to be levied in respect of Vakalapudi.

It was observed (February 2018) that TD-1 licence was granted (September 2015) to Divisional Manager, APTDC, Kakinada in their beach resort unit near Vakalapudi village. P&ES, Kakinada levied licence fee of ₹ three lakh per annum during the year 2015-16 instead of ₹ six lakh per annum without considering its merger with Kakinada Municipal Corporation. This had resulted in short levy of licence fee to the tune of ₹ three lakh.

P&ES, Kakinada accepted and replied (February 2018) that notices would be issued for payment of differential licence fee.

3.4.1 Non-levy of permit room[97] Licence Fee

Permit room licence was issued to three retail liquor shops without considering the upgradation of villages into Municipal Corporation/ Municipality resulting in non- levy of permit room licence fee amounting to ₹ 12.00 lakh.

As per Rule 25 of AP Excise (Grant of licence of selling by shop and conditions of licence) Rules 2012, the holder of licence for retail liquor shop in places with population of 5,000 and above, shall be licensed to have a permit room[98]. As per Rule 26, the licence fee for a permit room shall be ₹ four lakh for the licence period 2015-17 or part thereof and is payable in lumpsum at the time of issue of licence.

Government through orders (February 2012[99], October 2012 and March 2014) had merged three villages viz. Maredubaka with Mandapeta Municipality,

[96] G.O.Ms.No.367, Municipal Administration and Urban Development (Elec.II) Department, dated 29 July 2013.

[97] Consumption area adjacent to the liquor shop.

[98] The permit room should be located adjacent to shop premises and it must have a minimum plinth area of 15 sq.mtrs (and a maximum of 50 sq.mtrs) for consumption of liquor with additional facilities of sanitation.

[99] G.O.Ms.No.58, Municipal Administration and Urban Development (Elec.I) Department, dated 04 February 2012.

Unduru with Samalkot Municipality and Gadala with Rajamahendravaram Municipal Corporation. The population of Mandapet, Samalkot and Rajamahendravam exceeded 5,000 (census 2011). Since population of these villages exceeded 5,000 due to merger of these villages with nearby Municipalities and Municipal Corporation, it is mandatory to have permit room for these areas.

Scrutiny (between February and March 2018) of shop licence files of two[100] P&ESs offices, disclosed that in three shops located in these three villages, department did not levy permit room licence fee for the year 2015-17. Department did not levy permit licence fee inspite of the fact that population of these villages exceeded 5,000 due to upgradation of these villages into Municipality/ Municipal Corporation. This resulted in non-levy of permit room licence fee amounting to ₹ 12 lakh[101].

P&ES, Kakinada replied (February 2018) that notices would be issued to the licencees for payment of differential licence fee and credit particulars intimated to Audit. P&ES, Rajamahendravaram replied (March 2018) that merger of the villages had not taken place due to directions of Hon'ble High Court of Andhra Pradesh on the issue and short levy of licence fee did not arise. However, Government had amended (March 2014) the earlier orders (March 2013) by merging these villages with Rajamahendravaram Municipal Corporation after fulfilling the conditions specified by Hon'ble High Court of Andhra Pradesh (October 2013).

The matter was referred to Department (August 2018) and to the Government (September 2018); their reply has not been received (February 2020).

3.5 Non-levy of Additional Licence Fee

Additional Licence Fee of ₹ 94.11 lakh was not levied on 13 bar licence holders though plinth area of bar premises exceeded 300 square meters.

As per Section 28 of Andhra Pradesh Excise Act, 1968 read with Rule 6 (1) (i) (a) of AP Excise (Grant of licence of selling by bar and conditions of licence) Rules 2005, licence should be granted to a bar with minimum plinth area of 200 square metres. In terms of proviso to this Rule, if the plinth area exceeds 300 square metres Additional Licence Fee (ALF) at 10 *per cent* of Annual Licence Fee should be paid for every 100 square metres or part thereof. These Rules came into force through Government Order[102] dated 11 December 2015 from 1 January 2016 and was effective up to 31 July 2016.

[100] Kakinada and Rajamahendravaram.
[101] ₹ 2 lakh per annum for two years in respect of three shops.
[102] G.O.MS. No. 468 Revenue (Excise-II) department dated 11 December 2015.

During scrutiny (between October 2017 and March 2018) of bar licence files[103] in three offices[104] of P&ESs, it was seen from the approved blue prints of 13 bars that the plinth area of these bar premises exceeded 300 square metres, however, the additional licence fee of ₹ 94.11 lakh was not levied.

P&ES Kakinada replied (February 2018 with respect to five bars) that notices would be issued to bar licences for payment of ALF. P&ES, Rajamahendravaram replied (March 2018 with respect to two bars) that short levy would be collected in one case. In another case, it was contended that consumption plinth area of 220.10 square meters was to be excluded from total plinth area as that was being shared with another hotel. Since the plinth area of bar did not exceed 300 square meters after excluding common consumption plinth area, it was argued that ALF was not leviable. The ALF becomes payable as total plinth area as per approved plan exceeded 300 square metres. P&ES, Ongole replied (October 2017 with respect to six bars) that matter would be examined and detailed reply would be furnished in due course.

The matter was referred to Department (August 2018) and to the Government (September 2018); their reply has not been received (February 2020).

3.6 Short levy of Toddy Rentals

Toddy rentals applicable to rural areas were applied instead of rates applicable to urban areas resulting in short levy of toddy rentals amounting to ₹ 28.89 lakh.

Rule 5 (5) of the AP Excise (Grant of licence to sell Toddy, conditions of licence and Tapping of Excise trees) Rules, 2007 read with Government order dated 13 November 2007[105], prescribes the rate of rent per tree per annum to be ₹ 25 in rural areas and ` 50 in urban areas with effect from 01 October 2007. Any change in the status is notified by the Government, whenever Gram Panchayats are upgraded as Nagar Panchayat or merged with Municipalities/ Municipal Corporations. As per 2011 Census, certain villages were classified as Census Towns[106] (CT) and Out Growths[107] (OG) under urban category. Accordingly, toddy rentals in these areas were to be collected as per rates applicable to urban areas.

Scrutiny (between December 2017 and March 2018) of toddy rental collection registers and related files in four offices[108] of the P&ESs, disclosed that the rentals in 37 Toddy Cooperative Societies were levied at rates applicable in rural areas, instead of urban areas. This had resulted in short levy of toddy rentals amounting to ₹ 28.89 lakh during the period from 2014-15 to 2016-17.

[103] For the period from 1 January 2016 to 31 July 2016.
[104] Kakinada, Ongole and Rajamahendravaram.
[105] G.O.Ms.No.1433, Revenue (Ex-III), dated 13 November 2007.
[106] Census Town is one which is not statutorily notified and administered as a Town, but nevertheless whose population has attained urban characteristics.
[107] Out Growth is an urban settlement strictly contiguous to another urban area i.e., Town or a City.
[108] Kakinada, Eluru, Rajamahendravaram and Vizianagaram.

P&ES, Kakinada and Vizianagaram replied[109] that notices would be issued to the TCSs for collecting the balance toddy rentals. P&ES, Rajamahendravaram contended (March 2018) that merger of the villages had not taken place. However, Government had issued orders (March 2014) regarding merger of villages with Rajamahendravaram Municipal Corporation. P&ES, Eluru replied that the matter would be examined and a detailed reply furnished to audit in due course.

The matter was referred to Department (August 2018) and to the Government (September 2018); their reply has not been received (February 2020).

[109] Between December 2017 and March 2018.

CHAPTER IV

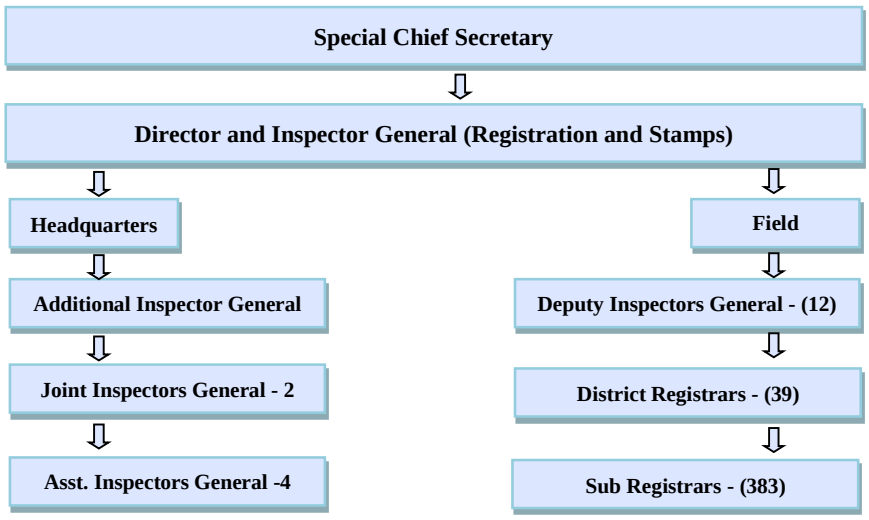
STAMP DUTY AND REGISTRATION FEES

CHAPTER IV
STAMP DUTY AND REGISTRATION FEES

4.1 Tax Administration

Receipts from Stamp Duty and Registration Fee are regulated under the Indian Stamp Act 1899, (IS Act), Registration Act, 1908 and the rules framed there under as applicable in Andhra Pradesh State. These are administered at the Government level by the Special Chief Secretary, Revenue (Registration & Stamps). The Director and Inspector General of Registration and Stamps (DIGRS) is the head of the Department, who is empowered with the task of superintendence and administration of registration work in the State. The organisational chart of the department is as detailed below

Organogram



4.2 Internal Audit

There is a separate Internal Audit wing in the Department. The team is headed by DR (Market Value and Audit) to conduct audit of SR offices periodically. DIGRS intimated (January 2019) that 4,574 paras were pending as on 1 April 2017. During the year 2017-18, 1,529 observations were made. Of the total 6,103 paras, 1,787 were cleared during the year and 4,316 were pending at the end of March 2018. The monetary impact of the observations was not furnished by the department.

4.3 Audit Methodology and Results of Audit

The Stamps & Registration Department of Andhra Pradesh uses an IT application, 'Computer Aided Administration in Registration Department (CARD)', developed by NIC for providing online services to the public. The core functions of the department, i.e., registration of immovable properties,

marriages, firms, societies, chits have been computerized in CARD. CARD has service-oriented architecture with a central server located at the Commissionerate and all the Sub Registrars accessing it with web enabled application. Functions like generation of check slips, creation and updating of Encumbrance Certificates (ECs) and link documents, valuation of the properties mentioned in the documents for levy of stamp duties are performed by all Sub Registrars through CARD. Documents registered by the Sub-Registrars are scanned and uploaded to the central server at the end of the day.

The district offices are connected with central server through Andhra Pradesh State Wide Area Network (APSWAN). Citizens have access to the services of the department through its website.

Audit teams were provided access, through login credentials, to various reports viz., number of registrations done, type of documents registered, value of the documents, ECs etc., of all the Registrar offices. Based on the type of documents and the value of properties involved, the audit teams select the documents with higher duty leviable for audit scrutiny. The documents selected are downloaded from the website for scrutiny.

Records of 167 units out of 321 auditable units of Registration and Stamps Department were test checked during 2017-18[110]. The revenue realised by the State for the year 2016-17 was ₹ 3,476 crore and that of audited units was ₹ 2,672.98 crore. Test check revealed underassessments and other deficiencies involving monetary impact of ₹ 129 crore in 540 cases. The results of Audit are detailed in **Table 4.1.**

Table 4.1: Results of Audit

(₹ in crore)

Sl.No.	Category	No. of cases	Amount
1.	Detailed compliance audit on "Functioning of Registration and Stamps Department"	1	116.51
2.	Short levy of duties and fees due to conversion of agricultural land to non-agricultural purposes	37	1.48
3.	Short levy of duties and fees due to undervaluation of properties	128	2.02
4.	Short levy of duties and fees due to adoption of incorrect rates	150	4.60
5.	Short levy of duties and fees due to misclassification of documents	40	0.42
6	Non-levy of duties and fees due to non-registration of agreements of sale / partition deeds	85	0.59
7	Non-levy of fees on instruments creating *pari-passu*	02	2.51
8	Short levy of duties on distinct matters	32	0.47
9	Other irregularities	65	0.40
Total		**540**	**129.00**

[110] Audit of 21 offices sampled for Detailed compliance audit was conducted between April and July 2018.

The Department accepted underassessment and other deficiencies of ₹ 93.55 crore in 54 cases. Of these, seven cases involving ₹ 93.43 lakh were pointed out during the year 2017-18 and the rest in earlier years. An amount of ₹ 13.67 lakh in 48 cases was realised during the year 2017-18.

Detailed compliance audit of the "Functioning of Registration and Stamps Department" involving monetary impact of ₹ 116.51 crore has been discussed in the succeeding paragraphs.

4.4 Detailed compliance audit on "Functioning of Registration and Stamps Department"

4.4.1 Introduction

'Stamp duty' is payable on certain documents specified by statute to make them legally effective. 'Registration fee' refers to the fee levied and collected by the State Government for registration of documents.

Stamp duty on Bills of Exchange, promissory notes, bills of lading, letters of credit, policies of insurance, transfer of shares, debentures, proxies and receipts are levied by the Central Government as per Entry 91 of the Union List and are collected by the State Government in which they are levied. Stamp duties on documents other than those mentioned above are levied and collected by the States by virtue of the legislative entry 63[111] in the State List in the seventh Schedule of the Constitution of India.

4.4.2 Trend of Revenue

The total revenue of the Registration and Stamps department during the period from 2013-14 to 2017-18 was ₹ 18,916 crore. The trend of revenue is as indicated below:

Table 4.2: Trend of Revenue

(₹ in crore)

Financial Year	Receipts under Stamps and Registration Fees	Total tax receipts of the State	Percentage of Stamps and Registration receipts vis-a-vis total tax receipts
2013-14	4,393*	64,124*	6.85
2014-15	689*	12,761*	7.63
2014-15	2,561	29,857	
2015-16	3,527	39,987	8.80
2016-17	3,476	44,181	7.87
2017-18	4,270	49,486	8.63

* these receipts pertain to the composite State of Andhra Pradesh for 23 districts The figures in the rest of columns relate to the successor state of Andhra Pradesh with 13 Districts.

[111] Entry 63 in the State List empowers the State Government to prescribe the rates of stamp duty in respect of documents other than those specified in List 1.

The department attributed reasons for decrease in the share of Registration revenue in the State's tax revenue to separate State agitations in the combined State during the year 2013-14 and to lack of real estate boom for the year 2016-17. The increase in revenue during the year 2014-15 was due to increase in stamp duties on sale deeds, gifts and settlements. However, increase in number of registered documents and increased developmental activities in the new Capital region of the State are the reasons for the increase in revenue during the year 2017-18. Contribution of revenue from Stamp Duty and Registration Fee to the total tax receipts of the State ranged between 6.85 *per cent* and 8.80 *per cent* during the period from 2013-14 to 2017-18.

4.4.3 Audit Objective

Detailed compliance audit was conducted with a view to verify the compliance with the Acts, Rules, GOs and procedures relating to assessment, levy and collection of Stamp duty, Registration fee etc.

4.4.4 Audit Criteria

The Audit criteria were derived from the following sources:

- Indian Stamp Act, 1899 and Rules framed thereunder;
- Registration Act, 1908;
- AP Revision of Market Value Guidelines Rules, 1998;
- The Transfer of Property Act,1882;
- AP Stamps (Inspection) Rules,1998;
- Indian Stamp (Andhra Pradesh Amendment) Act, 2002 (Act No 16 of 2002);
- AP Apartments (Promotion of construction and ownership) Act, 1987;
- Indian Partnership Act, 1932;
- Union and State legislations from time to time;
- Circular instructions issued by the DIGR (R&S), Government Orders and amendments issued from time to time.

4.4.5 Scope of Audit

The present detailed compliance audit was conducted (between February 2018 and July 2018) in 32 field offices[112] (out of 296), apart from the office of the DIGRS covering the period of five years from April 2013 to March 2018. The offices for test check were selected by using Random Sampling technique. Besides scrutiny of records in the test checked offices, relevant information was obtained from the office of the DIGRS and the District Registrars (DRs).

Audit findings were sent to the Government in September 2018 for which replies were received in November 2018.

[112] DRs: Anakapalle, Bhimavaram, Guntur, Hindupur, Kakinada, Kurnool, Nellore, Tirupati, Vijayawada and Visakhapatnam; SRs: Adoni, Amalapuram, Anandapuram, Ananthapuramu (Rural), Bhogapuram, Chilakaluripet, Dwarakanagar, Gajuwaka, Gannavaram, Jammalamadugu, Kadapa (Rural), Kallur, Koretipadu, Madhurawada, Mangalagiri, Nallapadu, Patamata, Ramachandrapuram, Renigunta, Sarpavaram, Tadepalligudem, and Tanuku.

Audit findings

4.4.6 Lack of coordination with other User departments

4.4.6.1 Registration and Land Revenue Departments

Due to lack of coordination between registration and land revenue department, land already converted for non-agricultural purposes was undervalued by ₹ 32.38 crore resulting in short levy of duties of ₹ 2.11 crore.

Section 27 of the Indian Stamp Act requires that an instrument contains details like consideration, market value of the property and all other facts and circumstances affecting the levy of duties without any suppression. The registering officer or any other officer appointed under the Registration Act, may inspect the related property, make necessary local enquiries, call for and examine all the connected records to ensure that the provisions of this Section were complied with.

As per Rule 7 of Andhra Pradesh Revision of Market Value guidelines (APRMVG) Rules 1998, acreage rate for agricultural lands and square yard rate for non-agricultural lands have to be adopted for levy of stamp duty.

Revenue Department accords permission for conversion of agricultural land to non-agricultural use. After issue of conversion proceedings, the land should not be valued at agricultural rates. It was observed that several pieces of land converted for non-agricultural use was assessed and registered at agricultural rates due to failure of Revenue Department to intimate the Registration Department about such land conversions. Absence of coordination between the Revenue and Registration departments led to loss of revenue by way of undervaluation of properties.

Scrutiny of records in offices of four DRs and five SRs[113] disclosed that in respect of 26 documents[114], agricultural rate was adopted for the land already converted for non-agricultural purpose. Non-coordination between the departments helped the registering parties to suppress the fact of conversion. The properties were thus undervalued by ₹ 32.38 crore resulting in short levy of duties of ₹ 2.11 crore.

DIGRS accepted (December 2018) that the issue needs to be coordinated with the Revenue department. There is a need to evolve a procedure for continuous flow of information on land conversions from the Revenue department for fixation of appropriate value for the lands converted to non- agricultural purposes.

[113] DRs: Anakapalle, Bhimavaram, Kakinada and Kurnool; SRs: Adoni, Bhogapuram, Gannavaram, Nallapadu and Tadepalligudem test checked between June 2017 and June 2018.

[114] 18 sale deeds, five AGPAs, one release deed, one GPA and one Sale certificate registered between July 2013 and January 2018.

The Government had accepted similar observation (October 2016) (Para No.4.4.7.6 in the Audit Report No.7 of 2016) and had assured to issue instructions in this regard to Revenue authorities. Despite such assurance lack of coordination, resulting in undervaluation of properties still prevails in the Department.

4.4.6.2 Non-registration of Conveyance deed on merger of Companies

Immovable property valuing ₹ 15.99 crore conveyed to the company consequent to merger orders was not registered. The Stamp duty and Registration fees leviable on this property amounted to ₹ 71.95 lakh.

Conveyance is the act of transferring an ownership interest in property from one party to another. As per Section 2 (10) of IS Act, conveyance includes conveyance of sale and every instrument by which movable or immovable property is transferred *inter vivos*[115].

During the course of audit of office of the DR Tirupati, it was observed (April 2018) in an Agreement on Deposit of Title Deeds (DOTD) (2016) document that a company had borrowed loan from consortium of six banks. It was recited in the document that the borrowing company took over another company through merger orders (July 2003) with effect from 1 April 2002. The fact of merger was not brought to the notice of the Registration Department by the Registrar of Companies (ROC). Audit observed that the conveyance of immovable property of 94,057 sq. yards valuing ₹ 15.99 crore was transferred to the borrower company and this was not registered. The stamp duty and registration fee leviable on this property conveyed was ₹ 71.95 lakh.

The ROC had to inform the cases of merger/ amalgamation to the Registration department as and when such events happen to safeguard registration revenue. Lack of co-ordination/ inbuilt mechanism to transfer merger/ amalgamation cases to Registration department led to non-levy of stamp duty on transfer of ownership.

In response, DIGRS contended (November 2018) that as the document was not executed by the person who had right to convey the property, the instrument did not amount to conveyance and duty was not leviable.

The reply is not correct as any compulsorily registerable transaction that subsequently comes to notice should be brought to duty though it has reference to past. Incidentally, merger of the two companies pertain to year 2002-03. Hence, as per the then applicable provisions, transfer of immovable property should be brought to duty and instrument registered.

[115] Between living people.

4.4.6.3 Non-levy of stamp duty on hypothecation agreements of vehicles

Stamp duty of approximately ₹ 86.82 crore was not levied on vehicles hypothecated to private banks and institutions due to lack of coordination between Transport and Registration Departments.

As per Article 7(b) of Schedule I-A to the IS Act, the pawn, pledge, or hypothecation of movable property, where it has been made by way of security on loans, or an existing or future debt, is leviable with stamp duty of 0.5 *per cent* of the amount secured subject to a maximum of ₹ two lakh. Every instrument shall be properly stamped as per the provisions of the IS Act.

Scrutiny of records in the office of Transport Commissioner revealed (May 2018) that 9,23,830 vehicles (both transport and non-transport) were hypothecated to private banks and other financial institutions during the period from April 2015 to January 2017 on which the Government sustained approximate loss of stamp duty of ₹ 86.82 crore due to non-registration of these agreements. The Commissioner of Transport is of the view that these hypothecation agreements need not be registered as there was no such provision under the AP Motor Vehicles Act.

Though the issue was being commented upon repeatedly in earlier Audit Reports, the RS department is yet to coordinate with the Transport department to safeguard the revenue of the State exchequer.

DIGRS replied (December 2018) that matter would be taken up with Transport Department, to accept only registered deeds of hypothecation agreements and the officers of the Registration Department would be instructed to ensure compliance on this issue.

Government though assured (December 2013) in the previous Performance Audit (for the year ended 31 March 2013) to take up the matter with the Department of Transport to ensure collection of duties, the issue still remains unaddressed.

4.4.7 Short collection of Registration Fee on instruments creating *Pari Passu*[116] Charge

Registration fee of ₹ 12.62 crore was not levied on account of not considering the *Pari Passu* charge created on documents Deposit of Title Deed Agreements.

As per the definition of 'Charge' under Section 100 of Transfer of Property Act, 1882, where an immovable property of one person is made as security for payment of money to another, the latter is said to have a charge on the property. When more funds are required by companies, they approach multiple banks and offer assets as security for loans. This situation is managed by securing consent from all the banks involved for creation of proportionate charge on the assets.

[116] The rights in the properties, created in favour of the lenders would rank equal without any preference or priority for any lender over the others for all intents and purposes.

As per Government Order dated 17 August 2013[117], on Agreements of Deposit of Title Deeds (DOTD), registration fee is to be levied at the rate of 0.1 *per cent* subject to maximum of ₹ 10,000 on the amount of loans secured. However, on documents creating charge on '*Pari Passu'* basis, registration fee was prescribed as 0.5 *per cent*. DIGRS in his proceedings dated 15 October 1982[118] clarified that the *Pari Passu* charge comes into existence when an industrial unit obtains credit facilities from more than one financial institution by offering securities on *'Pari Passu'* basis in the form of 'simple mortgage', 'mortgage by deposit of title deeds' and Hypothecation of movable properties.

Scrutiny of records in four DR and three SR[119] offices disclosed that ten documents were registered as Agreement of deposit of title deeds[120], where the loanees availed loans from various banks by creating *Pari Passu* charge, keeping their properties as security. Registration Fee is therefore required to be levied at the rate of 0.5 *per cent* on the loan amount. However, the registering officers treated these documents as Deposit of Title Deeds (DOTDs) and levied Registration fee of ₹ 10,000 each. This resulted in short collection of registration fee of ₹ 12.62 crore.

DIGRS replied (December 2018) that all the mortgagees have not joined in execution of the documents and hence can't be treated as *Pari Passu* charge. The reply is not correct as the above documents involve lending of money by more than one bank which obviously denote that '*Pari Passu*' charge was created. The creation of *Pari Passu* charge was also mentioned in the recitals of these documents. No bank sanctions any loan without proper security and such agreements among the banks where consortium of banks provide loan facilities to any firm or to an individual would certainly be signed by all lending banks which form basis for presentation of DOTDs for registration. Therefore, these documents are required to be treated as *Pari Passu* for levy of higher registration fee.

4.4.8 Short levy of duties on sale of apartments

4.4.8.1 Intentional split of sale transactions of apartments

The sale of flats had been disguised as sale of undivided land followed by construction agreements resulting in short levy of duties amounting to ₹ 2.14 crore.

Government order[121] dated 13 June 2005 effective from 1 July 2005 specified that stamp duty be levied on sale of flats/ apartments including semi-finished structures. The transactions of sale under Article 47A of Schedule IA to IS Act attract stamp duty and registration fee at an aggregate rate of 7.5 *per cent* on the total sale consideration, whereas construction agreements under Article 6B of IS Act attract stamp duty of 0.5 *per cent* only.

[117] G.O.Ms.No. 463 Revenue (Registration-I) department dated 17 August 2013.
[118] CIGR Proceeding No. S2/24846/82, dated 15 October 1982.
[119] DRs: Hindupur, Kurnool, Nellore and Tirupati; SRs: Chilakaluripet, Ramachandrapuram and Tadepalligudem test checked between March to June 2018.
[120] Registered between August 2014 and December 2017.
[121] G.O.M.s.No.1127, Revenue (Registration-I) Department, dated 13 June 2005.

During scrutiny of records of two DRs[122] and five SRs[123], it was observed that in 192 apartments, the vendor/ developers had got approval from municipal authorities for construction of apartments/residential complexes. In all these cases, the developers were selling apartments to the purchasers. It was further observed that the developers, however had subsequently executed sale of the undivided land along with construction agreements on the same day in favour of purchasers. The sale transactions were intentionally split into two separate transactions *viz.*, sale of undivided portion of land and construction agreements for the structure to be built.

The registering officers, however, could not refuse registration of these as two separate transactions though they were aware of sale of apartments only on the reason that these two documents were valid documents under articles 6B and 47 A of Schedule IA of IS Act 1899.

As the developers had constructed structures as per the approved plans, it is clear that the developer / vendor was selling the flats. Hence, the amount paid by the purchaser had to be treated as cost of flats and stamp duty and registration fee was to be levied accordingly. The sale of flats had been disguised as sale of undivided land followed by construction agreements resulting in short levy of duties amounting to ₹ 2.14 crore.

DIGRS replied (December 2018) that the procedure adopted need not be objected to as there is no bar in execution of separate deeds and duties were levied at applicable rates. Since the constructions were made as per already approved plans and not as per the plans given by the purchasers, the question of entrusting the developer for construction of structures did not arise. These were clear cases of short levy of duties due to intentional split of sale transactions by misusing the provisions of the IS Act.

4.4.8.2 Non-adoption of composite rate for valuation of Apartments / Multi-storeyed buildings

Not adopting composite rate applicable for valuation of flats led to short levy of duties of ₹ 37.58 lakh.

In Government Order dated 30 July 2010[124], composite rates were introduced for valuation of the apartments/ flats/ portion of a multi-storeyed buildings/ part of such structures. As per circular instructions of DIGRS dated 10 October 2013, it was mandatory to adopt composite rate for multi-storeyed buildings/ Apartments whose stage of construction was complete. The method of valuation is adopted on square foot basis as per market value guidelines for RCC structures constructed in any floor without inclusion of land value.

As per Article 47-A of Schedule IA to IS Act, sale deeds are to be levied stamp duty on the market value of the property or the consideration received

[122] Bhimavaram, Anakapalle test checked during February and May 2018.
[123] SRs:Dwarakanagar, Madhurawada, Ramachandhrapuram, Sarpavaram and Tadepalligudem test checked between February and June 2018.
[124] G.O.Ms. No. 720 (Revenue) Regn.I, Department dated 30 July 2010.

whichever is higher. Further, settlement deeds are chargeable to duties as per Article 49 of Schedule IA to IS Act.

Scrutiny of records in four DRs and three SRs[125] disclosed that in seven sale deeds and one settlement deed[126], composite rate was not adopted for valuation of Apartments/ multi-storeyed buildings though it was mandatory. These properties were valued separately for land and construction as per the basic value register which fell short of composite value. Such valuation is permissible only when composite values are not prescribed. The registering officers failed to invoke the composite rates as per provisions of AP Apartments Act. Non-adoption of composite rates had undervalued the properties by ₹ 5.98 crore and resulted in short levy of duties and fees of ₹ 37.58 lakh.

DIGRS contended (December 2018) that the affected documents do not require adoption of composite rate. The reply is not correct as in all these cases, the constructions had more than five units and require application of composite rate for levy of duties.

4.4.9 Undervaluation of properties

4.4.9.1 Misrepresentation of facts in documents affecting the chargeability of duties

Misrepresentation of facts by executants while declaring property details at the time of registration led to undervaluation of properties by ₹ 102.39 crore and subsequent short levy of duties of ₹ 5.09 crore.

As per Section 3 read with Article 6(B), 46 and 47A of Schedule IA to IS Act, instruments of sale, release and Agreements of Sale cum General Power of Attorney (AGPA) are chargeable to stamp duty on Market value of the property as per the basic value register or on the consideration received by the party whichever is higher, besides Registration fees. Under Section 73 of AP Gram Panchayats Act, 1964 read with Section 120 of AP Municipalities Act, 1965, Transfer duty is also to be levied on sale deeds/ gift deeds/ exchange deeds. Under Article 6B of IS Act, read with Government Order dated 30 November 2013[127], instruments of Development Agreements cum General Power of Attorney (DGPA) are chargeable to stamp duty at the applicable rates on the market value of the property as per the basic value guidelines maintained by the Registration and Stamps department or sale consideration shown in the document or estimated market value for the land and complete construction made or to be made in accordance with the schedule of rates approved from time to time by the DIGRS[128], whichever is higher. Further, instruments of GPA issued under Article 42, Settlements under Article 49 are chargeable to stamp duty at separate rates in case of family members and in case of others.

[125] DRs: Kakinada, Kurnool, Nellore and Tirupati; SRs: Dwarakanagar, Gajuwaka and Patamata test checked between March and July 2018.
[126] Registered between April 2015 and March 2018.
[127] G.O.Ms.No.581 Revenue (Registration-I) Department, dated 30 November 2013.
[128] Powers vested under Rule 4(2)(d) of Andhra Pradesh Revision of Market value Guidelines Rules 1998.

Scrutiny of records of the offices of eight DRs and 17 SRs[129] disclosed that in 160 documents[130], the properties were undervalued by ₹ 102.39 crore. Of these, in 103[131] cases, higher values were not adopted; in 19 cases, value of structures was wrongly computed; in 17 cases, house sites were valued at the rates applicable to agricultural land; in 14 cases, nearest door numbers were wrongly mentioned; in five cases, agricultural land fit for house sites were valued at agricultural rates and in two other cases, the plant and machinery available was not disclosed while disposing the property.

These misrepresentations were made by the executants while declaring the details of their properties at the time of registration. The correct values were worked out by Audit by cross checking of the details with the relevant link documents as per the Encumbrance certificates. The registering officers had not verified the correct location of the properties and correct market values applicable while registering the documents. Thus, the undervaluation of properties had resulted in short levy of duties and fees of ₹ 5.09 crore.

DIGRS accepted (December 2018) the audit observations in respect of 78 cases and did not give any reply for 16 cases. In 66 cases, the DIGRS contended that the higher values were applicable only when exact door number or bi-door number was included in Form II.

The fact, however is that the cases pointed out were valued in deviation to the prescribed procedures for valuation of properties for the purpose of registration.

4.4.9.2 Adoption of incorrect procedure for valuation of properties

Adoption of incorrect procedure for valuation of properties in 24 documents resulted in short levy of duties for ₹ 2.28 crore.

As per Rule 7 of APMVG Rules, the market values are to be divided under four categories and different Forms are prescribed for different categories of land. The market values of urban properties valued on square yard basis are given in Form I and Form II whereas market values for agricultural properties valued on acreage basis are given in Form III and Form IV. While Form III consists of market values for general agricultural properties of different classes, Form IV consists of higher values as per specific survey numbers allotted by the Revenue department on the basis of location of properties. As per DIGRS Memo dated 10 October 2013[132], when specific rate could not be found for the survey numbers mentioned in schedule of property, the highest rate applicable to the

[129] DRs: Anakapalle, Hindupur, Kakinada, Kurnool, Nellore, Tirupati, Vijayawada and Visakhapatnam;
SRs: Adoni, Amalapuram, Bhogapuram, Chilakaluripet, Dwarakanagar, Gajuwaka, Gannavaram, Jammalamadugu, Kadapa (Rural), Kallur, Nallapadu, Patamata, Ramachandrapuram, Renigunta, Sarpavaram, Tanuku and Tadepalligudem test checked between July 2017 and July 2018.

[130] 125 sale deeds, nine gift deeds, seven settlement deeds, 11 DGPAs, two GPAs, four rectification deeds, one release deed and one AGPA registered between March 2014 and March 2018.

[131] In 19 cases, properties were facing Highways, in 84 cases, higher market values as per basic value register was not adopted.

[132] CIGR Circular Memo No. MV1/8483/2013-2 Dated 10 October 2013.

survey numbers of the land located in any of the boundaries of property, mentioned in the schedule of property is to be adopted.

The above circular clearly stipulates the procedure for valuation of properties where no specific value was fixed under Form IV of the market value guidelines. The land with no specific higher rate in Form IV is to be valued at the highest rate applicable to the land in any of the four boundaries.

Scrutiny of records in four DRs and seven SRs[133] disclosed that in 24 documents[134], the higher rates applicable to survey numbers mentioned in the boundaries were not adopted. The registering officers failed to apply the higher rates applicable to the lands mentioned in boundaries while registering these scheduled properties. This resulted in undervaluation of the properties by ₹ 31.42 crore with short levy of duties of ₹ 2.28 crore.

DIGRS replied (December 2018) that instructions issued in the circular was applicable only when the main survey number was found in Form-IV. The reply is not correct as clause 9 of the circular clearly stipulates that rate of Form-IV for the survey numbers mentioned in the boundaries was to be adopted when specific rate could not be found with the survey numbers mentioned in the schedule of property.

4.4.9.3 Incorrect computation of total extent of properties

Not considering the total extent of property involved in the transactions resulted in short levy of duties of ₹ 62.20 lakh.

As per Section 3 read with Articles 6B and 47(A) of schedule IA to IS Act, instruments of Development Agreement cum General Power of Attorney (DGPA) and sale deeds are chargeable to stamp duty, Registration fee on the market value of the property. Instruments of partition (Article 40(ii)) are chargeable to stamp duty on the value of separated share (VSS) and the major share is considered as residual part of the main property and is exempted from levy of stamp duty. In all these cases, the value of the total extent of the property proposed to be constructed/ partitioned/ sold has to be taken into consideration and duties levied as per the rates prescribed.

Scrutiny of 26 registered documents[135] in the offices of four DRs and nine SRs[136] disclosed that the total extent of the property involved in the transaction was not taken into account for levy of duties. This resulted in short levy of duties of ₹ 62.20 lakh.

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[133] DRs: Bhimavaram, Hindupur, Kakinada and Kurnool; SRs: Adoni, Anandapuram, Ananthapuramu (Rural), Bhogapuram, Gannavaram, Jammalamadugu and Renigunta test checked between September 2017 and June 2018.

[134] 21 sale deeds, one AGPA, one settlement and one partition deed registered between June 2015 and January 2018.

[135] 19 DGPAs, five partition deeds and two sale deeds registered between April 2015 and March 2018.

[136] DRs: Kakinada, Kurnool, Nellore and Visakhapatnam; SRs: Anandapuram, Ananthapuramu (Rural), Gannavaram, Kallur, Nallapadu, Patamata, Renigunta, Sarpavaram and Tanuku test checked between March 2017 and June 2018.

DIGRS replied (December 2018) that in specific cases on market values, audit objection was accepted and instructions would be issued for recovery under the relevant provisions of the IS Act, 1899 and for other cases, it was stated that duties were levied based on recitals of the documents and the subsequently registered documents cannot form basis for levy of duties. The reply is not correct as the total extent of the properties computed by Audit was only on the basis of previously registered documents but not on the basis of subsequently registered documents. In the cases pointed out, the total extent of property involved was incorrectly recited in the documents leading to short levy of duties.

4.4.10 Short levy of stamp duty on lease deeds

Not considering the facts such as service tax component while computing lease rentals, premium advanced for lease, improvements undertaken to the leased property and incorrect computation of average annual rent resulted in short levy of duties amounting to ₹ 1.90 crore

Article 31 of Schedule I-A to IS Act prescribes the rates of stamp duty[137] to be levied on leases. As per Explanation to the Article *ibid*, if the lessee undertakes to pay any recurring charge on behalf of the lessor including taxes/ fees due to the Government, it shall be taken to be part of the rent and duties levied accordingly. Besides stamp duty, registration fee is also to be levied at applicable rates[138] on the value of Average Annual Rent (AAR) as per the provisions of Registration Act.

Under Article 31(b), in case of leases given on conditions of fine or premium or money advanced etc., stamp duty is to be levied at a fixed rate of two *per cent* on such fine, premium or money advanced.

During scrutiny of records of the offices of five DR and five SRs[139], it was observed that in four[140] of 12 lease deeds, specific clauses stipulated that Goods and Services Tax was to be paid by the lessees on behalf of the lessors. In six deeds[141] the premium/ money advanced for leases was excluded from levy of duties. In another deed[142] the improvements undertaken to the leased property was ignored. In the other deed[143], average annual rent on lease deed was wrongly computed. This resulted in short levy of duties of ₹ 1.90 crore.

DIGRS accepted (December 2018) the audit observation and stated that orders would be issued to collect the deficit amounts.

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[137] G.O.Ms.No.588, Revenue (Registration-I) Department, dated 4 December 2013.
[138] G.O.M.s.No.463, Revenue (Registration-I) Department, dated 17 August 2013.
[139] DRs: Bhimavaram, Guntur, Kakinada, Nellore and Vijayawada;
SRs: Bhogapuram, Chilakaluripet, Patamata, Ramachandrapuram and Tadepalligudem (between July 2017 and June 2018).
[140] DRs Bhimavaram, Nellore, Vijayawada and SR Patamata (registered between June 2016 and March 2018).
[141] DRs: Guntur and Kakinada, SRs: Chilkaluripet, Patamata, Ramachandrapuram and Tadepalligudem.
[142] DR Nellore.
[143] SR Bhoghapuram.

4.4.11 Non-levy of duties on distinct matters[144]

Stamp duty on distinct matters amounting to ₹ 0.66 crore was short levied.

As per Section 5 of IS Act, any instrument comprising or relating to several distinct matters shall be chargeable with the aggregate amount of duties with which separate instruments would be chargeable under the Act.

As per DIGRS's circular dated 2 November 2001[145], if rights on terrace were exclusively given to the developer, the stamp duty shall be levied on 70 *per cent* of the site value corresponding to the area of open terrace.

During scrutiny of records in the offices of seven DRs and 13 SRs[146], it was observed that 32 documents[147] contained distinct matters. In four sale deeds, there were distinct matters of conveyance, partition and Development Agreement. In 16 DGPAs, cash conveyance, sale, settlement, goodwill and terrace rights were included. In 11 partition deeds, conveyance, release and settlements were included. In one Development Agreement, the distinct matter of conveyance was included. The registering officers did not take these into consideration for levy of duties as per the provisions resulting in short levy of duties of ₹ 66 lakh.

In response, the DIGRS accepted (December 2018) the audit observation in 15 cases. In 17 cases, it was contended that duties leviable depend on recitals of the documents but not on the transactions. The reply is against the provisions of Section 5 of the IS Act which clearly stipulated levy of aggregate amount of duties where several distinct matters are involved in a single document.

4.4.12 Misclassification of documents

Misclassification of documents by executant and non-verification of recitals by registering office led to short levy of duties of ₹ 80.38 lakh.

As per Government Memo dated 16 October 2000[148], the registering officers have to thoroughly verify the recitals of all the documents presented for registration so as to arrive at correct classification and levy of appropriate stamp duty.

Scrutiny of records in the offices of five DRs and 12 SRs[149] disclosed that 55 documents were misclassified by the executants and the registering officers had not verified the recitals of these documents before registering these documents

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144 Separate transactions embodied in one document.

145 DIGRS Proceedings No. MV1/30324/2000 dated 2 November 2001.

146 DRs: Bhimavaram, Guntur, Hindupur, Kurnool, Tirupati, Vijayawada and Visakhapatnam; SRs: Anandapuram, Ananthapuramu (Rural), Bhogapuram, Dwarakanagar, Kallur, Mangalagiri, Nallapadu, Patamata, Ramachandrapuram, Renigunta, Tadepalligudem, Tanuku and Sarpavaram test checked (between July 2017 and June 2018).

147 Registered between February 2016 and March 2018.

148 Memo No.FR1/IA/4946/94, dated 16 October, 2000.

149 DRs: Anakapalle, Guntur, Kakinada, Nellore and Visakhapatnam; SRs: Anandapuram, Ananthapuramu (Rural), Bhogapuram, Dwarakanagar, Koretipadu, Madhurawada, Mangalagiri, Nallapadu, Patamata, Ramachandrapuram, Sarpavaram and Tadepalligudem.

and levied duties as per the classification declared by the executants. The details of misclassification of documents which resulted in short levy of duties of ₹ 80.38 lakh are discussed below:

Table 4.3: Misclassification of documents

(₹ in lakh)

SI No	Registering authority	No. of cases	Details of transaction	Classification by the registering authority	Document's actual classification	Short levy
1	DRs: Anakapalle, Guntur, Kakinada and Visakhapatnam; SRs: Mangalagiri, Koretipadu and Nallapadu.	26	Section 122 of Transfer of Properties Act defines 'Gift' as transfer of existing property by donor to donee voluntarily without any consideration and if the same is accepted by the donee. In these cases properties were transferred to others voluntarily without any consideration and the receivers accepted the gifts. But these were wrongly classified as settlements.	Settlement	Gift	48.41
	DIGRS replied (December 2018) that mere acceptance of the donee cannot alter the nature of the deed from settlement to that of a Gift. Reply of the DIGRS is not correct as the Transfer of property Act clearly differentiates Gifts from settlements deeds. Donees in the above mentioned cases accepted gifts and this necessitates documents to be treated as Gift Deeds for levy of stamp duties.					
2	SRs: Anandapuram, Bhoghapuram, Tadepalligudem	3	Properties self acquired by parents should be settled among their children. In these cases, such properties were partitioned among children.	Partition	settlement	2.37
	DIGRS replied (December 2018) that if any property was purchased in the name of family members, there was no restriction to include the same in partition deed as the same was under joint possession and enjoyment of all the members of joint family. Purchase of property in the name of the individual forms the basis of self-acquisition. In the cases pointed out, evidence in proof of joint procurement was not available.					
3	SRs: Patamata, Ramachandrapuram	2	In these cases properties were settled to others but incorrectly classified as settlements among family.	Settlement among family members	Settlement among others	3.29
	DIGRS accepted (December 2018) the audit observation and agreed to recover the deficit amount.					
4	DR Nellore SRs: Ananthapuramu, (Rural), Tadepalligudem	6	In these cases, properties were partitioned among members belonging to different families and children of a live family member also got share in the ancestral property. These transactions were incorrectly classified as partition within family.	Partition among family members	Partition among other than family members	7.86
	DIGRS replied (December 2018) that the executants involved in partition deeds belong to same family and therefore classified as partition among family members. The reply is not correct as children of any family member cannot get separate right over the joint property when the parents of such children are alive and any such partition will have to be classified as partition among others.					
5	SR Tadepalligudem	1	Originally, property was partitioned among father and his two daughters. Later, the same property was again partitioned among them without cancelling the first partition and daughters accepted cash from their father. Thus, the later partition should be treated as conveyance to father as the daughters were absolute owners of land by virtue of the first partition.	Partition	conveyance	9.24
	DIGRS accepted (December 2018) the misclassification and stated that transaction is to be treated as 'release' instead of 'conveynace'.The classification of 'Release' as observed by the department is not correct as the daughters became absolute owners of the property through first partition and the question of release did not arise.					

(₹ in lakh)

SI No	Registering authority	No. of cases	Details of transaction	Classification by the registering authority	Document's actual classification	Short levy
6	SR Mangalagiri, Sarpavaram	4	GPAs were executed in favour of family members in the capacity of managing partner of firms but were incorrectly classified as GPA to family members.	GPA to family members	GPA to others	1.84
	The DIGRS accepted (December 2018) the audit observation.					
7	SR Dwarakanagar	1	GPA was given with permission to the attorney to spend the sale consideration received and therefore to be classified as conveyance instead of GPA.	GPA	Conveyance	2.20
	DIGRS contended that recitals authorising the attorney to use sale proceeds in carrying out other acts on behalf of the principal would not alter the nature of the document. Since attorney was specifically authorised to spend the consideration as he wished without expecting anything in return this would tantamount to 'conveyance'					
8	DR Guntur and SRs: Koretipadu, Madhurawada	12	In these cases, developer was authorised to sell the property on behalf of the land owners and hence required to be treated as DGPA. However, these were registered as simple Development Agreements.	Development Agreement	Development Agreement cum General Power of Attorney	5.17
	DIGRS accepted (December 2018) the audit observation				**Total**	**80.38**

4.4.13 Short levy of stamp duty due to application of incorrect rates

Scrutiny of records in two DR and eight SR[150] offices disclosed that duties amounting to ₹ 24.89 lakh was not levied or short levied either due to application of incorrect rate or due to incorrect computation of duties leviable (details in **Appendix 4.1**).

DIGRS partly accepted and partly contested (December 2018) the audit observations. However, the details of accepted and contested cases were not furnished.

4.4.14 Non-adoption of higher values declared in earlier transactions

In circular dated 10 August 1990[151], DIGRS instructed that the chargeable value of any property shall not be less than that of the previous transaction.

Scrutiny of records in two DRs and one SR office[152] disclosed that in four sale deeds and one sale certificate issued by a bank[153], the parties adopted a value of ₹ 4.48 crore for registration of the properties which were registered for a value of ₹ 6.18 crore in the previous transactions. However, the registering officers had not verified the values adopted in the previous transactions while registering the properties. This resulted in undervaluation of the properties by ₹ 1.70 crore and short levy of duties of ₹ 12.76 lakh.

[150] DRs - Kurnool and Nellore, SRs- Adoni, Bhimavaram, Kallur, Koretipadu, Mangalagiri, Nallapadu, Patamata and Sarpavaram.

[151] DIGRS Circular No.MV1/20363-A/90 dated 10 August 1990.

[152] DR Kurnool and Visakhapatnam and SR Kallur test checked between September 2017 and June 2018.

[153] Registered between July 2015 and March 2017.

DIGRS accepted (December 2018) the audit observation and stated that instructions would be issued for collection of deficit duty.

4.4.15 Inspection of Public offices

Provisions of Indian Stamp Act on Inspection of Public offices are not being complied with by the Registration department.

Under Section 33 of the IS Act, every Public Officer[154] has to ensure payment of correct stamp duty on instruments produced before him and to impound those which were not duly stamped. Under the provisions of Section 73 of the I.S. Act, Audit of Public Offices should be conducted to see that the provisions of Section 33 of IS Act are complied with by the Public offices and to detect transactions attracting deficit stamp duty if any. DIGR in his circular dated 11 April 2012[155] directed the departmental officers to conduct audit of at least five public offices every month and take effective steps to collect the amounts determined by them.

From the information furnished by 10 Collectors[156] (between February and June 2018), it was noticed that the inspections of Public offices were not being conducted by eight out of Ten Collectors for the last five years. The remaining two Collectors[157] stated that six Public Offices were inspected during the period of five years and collected an amount of ₹ 4.22 lakh. Thus, out of the total targeted inspections of 3000 for these 10 Collectors, inspections of mere six Public offices (0.2 *per cent*) were only conducted.

It is evident from the above that inspections of public offices were totally neglected and the Collectors did not comply with the Provisions of IS Act. This negligence may lead to a risk of losing of considerable amount of registration revenue.

In response, DIGRS replied that instructions to all the DRs and DIGs would be issued to conduct the inspection of the prescribed number of Public offices every month and to report leakage of stamp revenue.

[154] Public Officer as defined in Section 2(17) of the Code of Civil Procedure, 1908 *inter alia* includes every officer in the service or pay of the Government, or remunerated by fees or commission for the performance of any public duty and every officer whose duty it is to take, receive, keep or expend any property on behalf of the Government, or to make any survey, assessment or contract on behalf of the Government, or to execute any revenue-process, authenticate or keep any document relating to the pecuniary interests of the Government.

[155] Circular Memo No.S5/11266/11, dt.11 April 2012.

[156] DRs. Anakapalle, Bhimavaram, Guntur, Hindupur, Kakinada, Kurnool, Nellore, Tirupathi, Vijayawada and Visakhapatnam.

[157] DRs Tirupathi and Vijayawada.

CHAPTER V

TAXES ON VEHICLES

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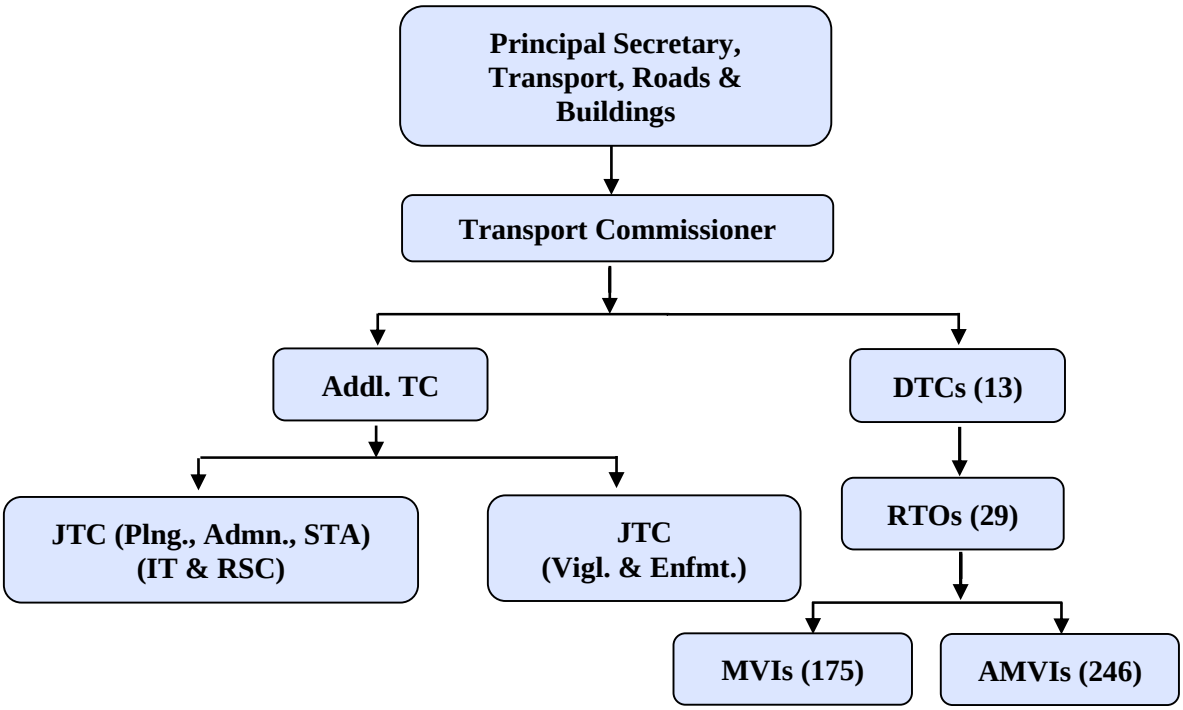
TAXES ON VEHICLES

5.1 Tax Administration

The Transport Department of Government of Andhra Pradesh is governed by Motor Vehicles (MV) Act, 1988, Central Motor Vehicles (CMV) Rules, 1989, Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963, Andhra Pradesh Motor Vehicles Taxation Rules, 1963 and Andhra Pradesh Motor Vehicles Rules, 1989. The Transport Department is primarily responsible for enforcement of provisions of Acts and Rules framed thereunder. These Acts/ Rules include provisions for collection of taxes, fees, issue of driving licences, certificates of fitness, registration of motor vehicles, grant of permits to vehicles.

The organizational hierarchy is given below:

Organogram



5.2 Internal Audit

Internal audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions, and this is a vital component of the internal control framework. There was no system of internal audit in the Department to ascertain compliance with Rules/ Government Orders by the Department.

5.3 Audit Methodology and Results of Audit

The Transport Department of Andhra Pradesh uses an IT application, 'Citizen Friendly Services in Transport Department (CFST)', for providing online services to the public. The core functions of the department, i.e., issue of driving licenses, registration of vehicles, collection of all revenues, granting of permits, checks of motor vehicles etc., have been computerized in CFST. Thus, CFST contains a comprehensive database of vehicles and license holders.

There are six modules in the CFST covering all the functions of the department as per the relevant Act and Rules:

1. License: Driving licenses and all related transactions.
2. Registration: Registration of the vehicles and related issues.
3. Permits: Issue of permits,
4. Tax: Tax collection
5. VCR: (Vehicles Check Report) mapping of enforcement activities,
6. FC: Issue of fitness certificates (FC).

The CFST currently has service-oriented architecture (SOA) with a central server located with the Transport Commissionerate and the field offices accessing it with web enabled application. The Regional Transport Authorities (RTAs) are connected to the Data Centre (Transport Commissionerate) through Andhra Pradesh State Wide Area Network (APSWAN). The public (citizens) can access the CFST application through the department's website and through CSCs (Citizen Service Centers) like Mee-Seva, AP Online etc.). The service access is also available at each RTO.

Since April 2014, the CFST data in the form of CSV/PSV files is received from the Commissionerate. The data was first utilised for selection of high risk audit units. A total of 17 (10 for regular compliance Audit and 7 for thematic audit) were selected for audit during the year 2017-18. The following risk parameters are considered while selecting units for compliance audit:

1. No of vehicles (registrations & entry from other states) Vs Tax collections
2. Detection Cases identified
3. Offices having check posts (for the Thematic Audit)
4. Year of last audit

The data was further utilised to detect exceptions by analysis of 100 *per cent* of the transactions of the selected audit units. The data files of the units are imported into IDEA and audit analysis is done using functions like extraction, appending, Joining, summarization etc. The audit teams visit the field offices for regular establishment audit, verification of receipts with treasuries and issue Audit Enquiries based on the Audit analysis of the CFST data. The following are the type of audit checks made on the CFST data.

1. Extraction of cases where lesser than applicable rates or zero rates are levied based on data available in Registration table with tax collection tables.
2. Extraction of cases where penalty levied is lesser than applicable rates based on data available in Vehicle Check Reports and Fine amount collected tables.
3. Extraction of cases where there is no levy of tax based on data in permit tables and tax collected tables.
4. Analysis of accumulated or pending arrears based on data in Tax collection tables and demand tables.
5. Other similar analysis on Green tax, additional tax, life tax and any other applicable taxes.

During 2017-18, Audit was conducted in 17 out of 29 units (59 *per cent*) of the Transport Department in which 63,19,673 Vehicles (out of the total registered vehicles of 1,07,89,654) were registered to the end of March 2018. Revenue collected in the test checked 17 units was ₹ 2,095 crore which constituted 69 *per cent* of the total revenue of ₹ 3,039 crore. Audit noticed underassessment of tax and other irregularities involving ₹ 20.72 crore in 2,65,520 cases (approximate 4.2 *per cent* of sampled cases). This related to non/ short realisation of MV tax/ additional tax, non/ short realisation of penalty on belated payment of tax, non/ short realisation of fees on Fitness test and other irregularities which are categorised as given in **Table 5.1.**

Table 5.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Detailed compliance audit on "Operation of check posts"	1	5.74
2.	Non-monitoring of validity of Registration Certificates	6	10.12
3.	Non-levy of quarterly tax	9	2.49
4.	Non-renewal of Fitness Certificates	9	1.24
5.	Non-levy of green tax	9	0.51
6.	Non-disposal of Vehicle Check Reports	8	0.34
7.	Short levy of Life Tax	5	0.03
8	Other irregularities	11	0.25
Total		**58**	**20.72**

During the year 2017-18, the Department accepted underassessments and other deficiencies of ₹ 2.23 crore in 11 cases. Irregularities involving 24 cases amounting to ₹ 2.36 crore and a detailed compliance audit on "operation of check posts" involving ₹ 5.74 crore, are discussed in the succeeding paragraphs.

5.4 Detailed Compliance Audit on "Operation of check posts"

5.4.1 Introduction

Government established check posts at different places of the State for better implementation of various provisions of the Motor Vehicles' Acts. The Interstate vehicular traffic is regulated through check posts which are essentially meant to regulate the motor vehicles of other States entering in the State of

Andhra Pradesh without permit and payment of taxes etc. There are three[158] interstate check posts covering National Highways and five[159] border check posts covering State/ National Highways and, seven[160] newly formed border check posts (established in the borders of the Andhra Pradesh and Telangana States).

Each check post is headed by a supervisory MVI assisted by AMVIs. The jurisdictional Regional Transport Officer/ Deputy Transport Commissioner monitors the administration of check posts.

5.4.2 Trend of revenue

The revenue from check posts constitutes six *per cent* of the total revenue of Transport Department during 2017-18. The revenue growth in the year 2017-18 was 26 *per cent* over 2016-17. The reason for increase was due to increase in vehicular traffic, imposition of penalties on road safety and increased enforcement activity on other state vehicles entering the state. The details of transport and check post revenue are detailed in **Appendix 5.1 and Table 5.2.**

Table 5.2: Trend of Revenue

(₹ in crore)

	2015-16	**2016-17**	**2017-18**
Total Transport revenue	2,082	2,467	3,039
Check Post Revenue	133.22	138.18	173.56
Increase over previous year	-	4 *per cent*	26 *per cent*

5.4.3 Audit objective and scope

Detailed compliance audit was conducted for the period 2015-16 to 2017-18. Audit was conducted between May and July 2018 with a view to assess whether the existing system of operations of check posts were effective and in accordance with Acts and Rules.

Seven[161] out of 15 check posts were covered during the audit. Besides, check posts data[162] provided by TC was also analysed.

Audit findings

The following deficiencies in the operations of Check Posts were noticed:

[158] B.V. Palem, Purushottamapuram and Naraharipet.
[159] Garikapadu, Palamaneru, Penukonda, Renigunta and Tetagunta.
[160] Chinturu, Dachepalli, Jeelugumilli, Macherla, Panchalingala, Srisailam and Tiruvuru.
[161] Naraharipeta (Chittoor), Jeelugumilli (West Godavari), Purushottapuram (Srikakulam), Sullurupeta (SPS Nellore), Chinturu (Rajahmahendravaram), Penukonda (Hindupur) and Dachepalli (Narasaraopeta).
[162] Data contains details of offences detected by check post officials and disposal thereof.

5.4.4 System of granting of permits /Interstate permits

Section 87 of MV Act prescribes the procedure for granting of temporary permits to other state transport vehicles for the purposes: (a) conveyance of passengers on special occasions (b) seasonal business, (c) to meet a particular temporary need, (d)pending decision on an application for the renewal of a permit, by collecting tax, permit fee and service charge at applicable rates. As per Section 4 (4) of APMVT Act and Rule 145 of APMV Rules, temporary licence for a period not exceeding thirty days could be granted by MVI/ AMVIs of check posts.

Government also issued notification[163] for granting Temporary Permits (TPs)/ licences to other State goods vehicles and to contract carriages[164] including Maxi cabs by collecting short term licence fee for a period of 7 days and 30 days.

5.4.5.1 Grant of temporary permits beyond permissible limit

Check post officials granted permits beyond permitted days in violation of Rules.

Data on temporary permits (TPs) granted in six check posts[165] (except Chinturu being operated manually), for the period from 2015-16 to 2017-18 revealed that check post officials granted 2,90,137 temporary permits. Analysis of this data with existing Rules as mentioned above revealed that 1,156 TPs were granted beyond the permissible limits under two slabs (beyond seven days and thirty days.778 permits (pertaining to 7 day permits), were issued for a period ranging from 8 to 30 days and 378 permits (pertaining to 30 day permits), were issued for a period beyond 30 days ranging from 31 to 1,832 days. It was noticed by Audit that though the TPs were generated through CFST, user at the check post was allowed to enter the validity of the TP instead of auto prompting the permissible two slabs and system did not prevent the user from entering excess number of days than prescribed. System validations were insufficient and need to be rectified. Grant of permits for excess days had resulted in loss of revenue of short term licence fee, tax and service charges amounting to ₹ 66.12 lakh.

(₹ in lakh)

up to7 days permits	No. of Permits granted	Loss of Revenue
8 days to < 14 days	149	2.74
15 days to 21 days	207	9.64
22 days to 29 days	414	28.96
above 29 days	8	0.32
Total (A)	**778**	**41.66**

[163] G.O.Ms.NO. 231, Transport Roads and Buildings (Tr.1) dated 18 August 2008.
[164] G.O.Ms.NO. 140, Transport Roads and Buildings (Tr.1) dated 12 August 2002.
[165] DTCs Nellore, Eluru, Chittor and Srikakulam and RTOs of Narasaraopet and Hindupur.

(₹ in lakh)

8 to 30 days permits	No. of Permits granted	Loss of Revenue
> 1 to < 2 months	79	1.45
> 2 to < 5 months	5	0.03
> 6 months	294	22.98
Total (B)	**378**	**24.46**
Grand Total (A+B)	**1156**	**66.12**

Commissioner replied (January 2019) that there was provision in CFST to select TP for 7/30 days; in few cases, option of special permit was selected by mistake. Department had assured that software would be modified to avoid such discrepancies in future.

5.4.5.2 Vehicles passing through check posts without valid countersignature permits

Cross verification of permits with the offences booked by check post officials disclosed that permits of 1,421 vehicles had expired prior to March 2018. The check post officials did not notice the fact of expiry of permit and non payment of bilateral tax.

Inter State vehicular traffic of Goods vehicles is regulated by bilateral agreements with neighbouring States under provisions of MV Act and Rules made thereunder. As per Section 88 of the Act, permit granted by Regional Transport Authority[166] (RTA) of any one region shall not be valid in any other region, unless countersigned by the RTA of that other region and permit granted in any one State shall not be valid in any other State unless countersigned by the State Transport Authority[167] (STA) of that other State or by RTA concerned.

Government issued order[168] for levy of bilateral tax of ₹ 5,000 per annum (under APMVT Act) on every goods carriage registered in States of Odisha, Karnataka, Maharashtra and Tamilnadu covered by countersignature permits. Bilateral tax shall be paid in advance in lumpsum before15th of April every year failing which an additional sum of ₹ 100 for each calendar month shall be chargeable as penalty.

A total of 17,643 permits were granted by 11 STAs/ RTAs in respect of vehicles belonging to States of Karnataka, Odisha, Maharashtra and Tamilnadu. Cross verification of above permits with the offences booked at all the check posts revealed that 1,421 vehicle owners (whose permits expired prior to March 2018) were liable to pay bilateral tax. However, check post officials did not notice the fact of expiry of permit and non-payment of bilateral tax.

[166] RTA is a body consisting of District Collector as chairman, RTOs and other nominated officials as members for approving new route, permits and taking decisions on road safety matters.

[167] State transport Authority is a body consisting of Principal Secretary as chairman with Transport Commissioner and other nominated officials as members for granting interstate route, permits and for entering into interstate agreements.

[168] G.O.Ms.No.362, Transport, Roads and Buildings (Tr. II) Department dated 16 December 2008.

Audit test checked three interstate /border check posts[169] and observed that an amount of ₹ 28.95 lakh towards bilateral tax and penalty was liable to be paid by 329 vehicle owners. This was on account of CFST software not being able to generate demand notice on expiry of the validity of the bilateral tax.

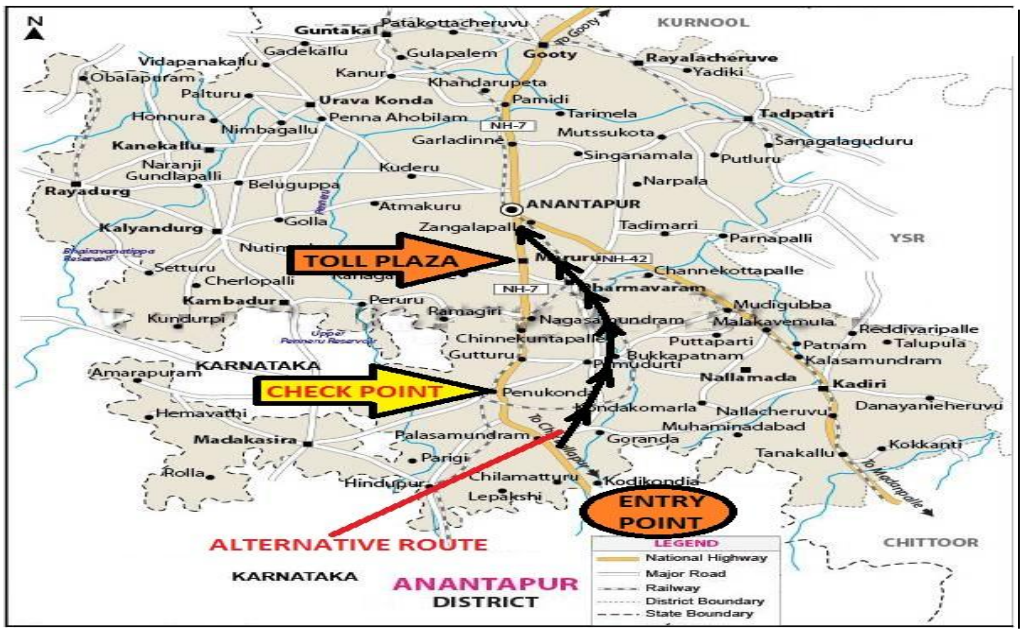
Commissioner accepted (January 2019) that 823 vehicles did not have valid permits and permits need to be verified in other cases.

5.4.5.3 Non-availability of check post at proper place

The establishment of check post 120 km away from the State border not only led to escape of the prescribed checks at AP check post, but also loss of revenue of ₹ 1.60 crore.

To perform all the required statutory checks on vehicles entering into the State, check posts are to be located at proper places. For checking the vehicles that entered AP from Karnataka, a check post was established at Penukonda, which is 120 km away from Karnataka border.

Audit examined the data of Baghepalli border check post in Karnataka State for the period from April 2017 to March 2018 and found that 71,011 vehicles had entered AP State as per their records. Only 13,964 vehicles, however had passed through Penukonda Check post. This indicates that 57,047 vehicles had entered the State through alternative routes as indicated in the map given below, bypassing the Penukonda check post and escaped required checks and duties/ fee payable. Thus, the establishment of check post 120 km away from the State border not only led to escape of the prescribed checks at AP check post, but also loss of revenue of ₹ 1.60 crore calculated at minimum permit fee rate.



The department replied (January 2019) that the possibility of vehicles being without permits was only one *per cent* and as pointed out by the Audit, the

[169] Chittoor, Srikakulam and Hindupur.

number of vehicles plying without valid permits was not possible. Further, the department stated that vehicles' data would be verified.

In view of the reply, the department may review the need for having a check post at this location considering the low percentage of collection.

5.4.6 System of collection of compounding fee

5.4.6.1 Short collection of fine

Check Post official levied fine of ₹ 1,000 instead of ₹ 2,000 for second and subsequent offences. This had resulted in short collection of compounding fee of ₹ 10.45 crore.

According to Section 190 (2) of the MV Act, 'any person who drives or causes or allows to be driven, in public place, a motor vehicle which violates the standards prescribed in relation to road safety, control of noise and air pollution, shall be punishable for the first offence with a fine of ₹ one thousand and for second or subsequent offence with a fine of ₹ two thousand'.

Analysis of CFST data of all the check posts in the State for the period April 2016 to March 2018 revealed repetition of the above offence in 1,39,315 cases (78 *per cent*) out of total 1,79,278 cases booked. The re-occurrence of offences ranged from 2 to 21 times. The check post officials levied ₹ 1,000 on each offence instead of ₹ 2,000 on second and subsequent offences. This had resulted in short collection of compounding fee of ₹ 10.45 crore. In the test checked check posts (except Chinturu), short collection of ₹ 4.40 crore in 40,021 cases was observed.

Further, the objective of curbing the road accidents, noise and air pollution was defeated due to lenient view of the department in not imposing higher penalties.

The Commissioner replied (January 2019) that the cases booked by the check post officials under Section 190(2) were finalised, by collecting compounding fee of ₹ 1,000 under section 200(1). It was added that ₹ 2,000 on second and subsequent offence under section 190(2) could be levied only by courts, whereas the check post officials were collecting fine of ₹ 1,000 as per Government orders of 2011.[170]

MV Act prescribed rates of fine for repeat offences booked under Section 190(2) of the Act. The check post authorities have neither settled the case by collecting fine of ₹ 2,000 as prescribed under Section 190 (2) nor initiated any prosecution to deter repeat offenders.

[170] G.O.Ms.No. 108.Transport, Roads & Buildings (Tr.I) Department dated 18 August, 2011.

5.4.6.2 Vehicles plying without valid driving licenses/ registration

According to Section 5 of MV Act, no owner or person in charge of a motor vehicle shall cause or permit any person who does not satisfy the provisions of valid licence/ registration to drive the vehicle. Allowing a person to drive a vehicle without a valid driving licence was an offence and an amount of ₹ 5,000 shall be collected on compounding the offence from person involved in the offence/ vehicle owner in terms of Government order of 2008[171].

Analysis of data of all the check posts (except Chinturu) in the State revealed that the check posts officials had noticed 694 cases of violation of the offence. The officials, however, collected compounding fee at less than prescribed rate resulting in short collection of ₹ 21.31 lakh.

The Commissioner replied (January 2019) that penalty at lesser rates was collected according to Government notification of 2011[172] issued under Section 200 of MV Act.

It was, however noticed in Audit that these cases were booked by the check post staff under Section 56[173] and 39[174] of MV Act for which Government Order No.332 of 2008 was applicable and higher rate of fine of ₹ 5,000 was to be collected.

5.4.6.3 Allowing other State vehicles to move without settlement of the offences

According to Section 158 of the MV Act, any person driving a motor vehicle in any public place shall produce on demand, the certificate of insurance, certificate of registration, driving licence and in case of a transport vehicle, the certificate of fitness and the permit, relating to the use of the vehicle.

The checks prescribed above had to be verified by the check post officials in respect of vehicles crossing the check posts. Analysis of data in respect of all the check posts of the State for the period from April 2016 to March 2018 revealed violation of the provision in 2,200 cases. An amount of ₹ 17.28 lakh was to be realised from compounding of these offences. These vehicles were, however released without impounding the documents or without collection of penalty.

The Commissioner accepted and replied (January 2019) that necessary instructions would be issued to restrict such vehicles to cross the check posts until the arrears of Compounding Fee was cleared and take necessary steps to impound the documents/ seize the vehicle wherever necessary.

[171] G.O.Ms.No. 332.Transport, Roads & Buildings (Tr.I) Department dated 13 November 2008.
[172] G.O.Ms.No. 108.Transport, Roads & Buildings (Tr.I) Department dated 18 August, 2011.
[173] Fitness related offences.
[174] Registration related offences.

5.4.7 Deficiency in collection and remittance of Government Revenue into Treasury

Serious flaws in maintenance of cash book like not noting details of collection, remittance, noting entry with pencil, alterations were noticed in manually operated Chinturu check post.

Government of Andhra Pradesh issued orders[175] on formation of new check posts in view of the bifurcation of the AP State as Andhra Pradesh and Telangana States. Accordingly, a new check post at Chinturu in East Godavari District was formed with effect from 02 June 2014. The check post was not provided with computerised services and is being operated manually (January 2019).

Check post operations are being conducted by staff (MVIs/ AMVIs) from offices of DTC Kakinada or RTO Rajamahendravaram on temporary (monthly) basis without sanction / posting of staff on permanent basis.

Verification of the details of revenue collections of the check post since its inception, for the test checked months[176] revealed the following:

- A daily cash collection register was to be maintained to record the revenue raised through check post operations with proper classification i.e. compounding fee, temporary permit fee etc. and the details of person from whom collected. The amount so collected had to be remitted into the treasury after completion of the cycle day[177]. It was observed that a lump sum figure i.e. 1,000, 2,000, 3,000, etc. was recorded as collections on a particular day instead of recording full details of collection from whom the amount was collected, extent and purpose of collection. Further, the details of remittances into the treasury were also not recorded in the test checked months. Further, eight days collection was not entered in register during the period between December 2015 and January 2018[178]. Therefore, the amounts stated to have been collected and remitted into the treasury could not be ensured by Audit.

  The Commissioner replied (January 2019) that the amounts were collected through VCRs and were remitted into treasury at the respective office jurisdiction of MVI/AMVI without entering full details in the cashbook.

  The reply was in contravention to the provisions of Check Post Manual which states that remittance particulars were to be noted in the cash book against their collection. In the absence of remittance particulars, there was no assurance that remittances were being deposited.

- It was further observed that some entries were altered and some were made in pencil leaving scope for alterations. For instance, on 12 October 2016,

[175] G.O.Rt.No.508 Transport, Roads and buildings, dated 20 May 2014.
[176] July 2014, April 2016, October 2016, October 2017 and January 2018.
[177] Cycle day is 8 am to 8 am.
[178] December 2015 (1), February 2016 (1), July 2016 (1), December 2016 (1), February 2017 (1), November 2017 (1) and January 2018 (2).

the total collection was first recorded as ₹ 9,000 and later altered as ₹ 6,000. Audit made efforts to cross check the collections from relevant receipt books, however, they were not made available.

The Commissioner admitted (January 2019) that there were alterations in entries and however, assured that all the amounts collected, by demand drafts only, by MVI/ AMVIs in check post through VCRs were remitted into treasury.

Due to non-availability of VCRs at check post and cash receipt books, collection particulars in cashbooks, correctness of remittances could not be verified by Audit.

- There was huge difference in daily remittances made by one batch of MVI/ AMVI when compared with other on next day. The average variation in remittance ranged between ₹ 3,670 to ₹ 10,450 per day in the month of July 2014.
- In some cases, the cash book was not signed in token of collection and remittances of the day.

  Commissioner admitted the audit observation (January 2019) and stated that inspectors concerned were warned.
- Vehicles moving between Chhattisgarh and Andhra Pradesh pass through Paloncha check post (Telangana) and Chinturu check post (AP). The vehicles were to be given permits from both the States of Telangana and Andhra Pradesh on payment of permit fee, short term licence fee and service charge from the vehicle owners. The rates of taxes and compounding fee were same in the both states. Therefore, there ought not to be much variation in revenue collection by these check posts.

The total revenue collection in Paloncha (Telangana) check post during the period 2015-18 was ₹ 4.59 crore, whereas it was ₹ 1.50 crore at Chinturu (AP) check post during the same period, which was short by ₹ 3.09 crore.

As regards difference in revenue collections between Paloncha and Chintur check posts, department felt that vehicles that pass through Paloncha check post need not enter AP.

It was, however observed that vehicles coming from Chhattisgarh had to necessarily pass through Paloncha (Telangana) and Chinturu (Andhra Pradesh) check posts as no other alternative route is available.

The Department may further investigate the irregularities in collection of revenue and take appropriate action against the erring officials. The Department may also ensure strict compliance to the rules/ procedures by the officials for recording, accounting and remittance of the revenue so collected into the Treasury.

5.4.7.1 Non-reconciliation of revenue receipts

As reconciliation with treasuries was not being done regularly, the check posts were not in a position to ascertain the reliability of their remittances

As per Article 9 of the Andhra Pradesh Financial Code (APFC) Vol. I, departmental receipt figures have to be got reconciled with those of the treasury to detect misclassification, spurious challans etc. if any, and a certificate of reconciliation has to be obtained from the treasury officer.

Though, Check Post transactions were computerised in CFST module by way of granting permit, collection of revenue, generation of MIS reports etc., collection of revenue was remitted manually into the treasury by the check post staff and treasury challan number was entered into the CFST report viz., Check Post Cash Register manually.

During scrutiny of records relating to revenue collections, it was observed that in three[179] check posts, revenue collected was not reconciled (during the period April 2016 and March 2018) either by the check post officials or by jurisdictional DTC/ RTO offices. Verification of remittances by the Audit with the treasuries concerned disclosed that an amount of ₹ 1.49 crore (Sullurupeta: ₹ 41.17 lakh, Dachepalli: ₹ 59.70 lakh and Purshottapuram: ₹ 48.60 lakh) was not traceable.

The Commissioner replied (January 2019) that the details would be verified.

5.4.8 Monitoring

As per the Check post manual, the Secretary, RTA concerned shall visit every check post at least once in two months and record his/ her remarks/ instructions in the register of instructions to be maintained in the check post.

It was observed that there was shortfall in visits in three (out of seven) test checked check posts. The number of visits to be made and actually made by the officers concerned during 2015-18 was not as per norms. The shortfall is given below:

Table 5.3: Number of visits to Check Posts

Name of the check post	Number of visits		Short fall (in *per cent)*
	to be made	actually made	
Chinturu	18	2	16 (89)
Jelugumilli	18	5	13 (72)
Dachepalli	18	8	10 (56)

The Commissioner replied (January 2019) that instructions were issued to all the DTCs concerned, to monitor the check posts at regular intervals.

[179] Sullurupeta, Dachepalli and Purushottamapuram.

5.4.9 Conclusion and Recommendations

Check post officials granted permits beyond prescribed limit in violation to Rules. Other State vehicles plying without valid permits and payment of bilateral tax were not checked. Deficiency in collection and remittance to Treasury of the revenue was noticed at the newly created check post that was on manual mode and not connected to CFST. Receipts and remittances at check posts were not reconciled regularly with the Treasuries.

CFST should have adequate validation controls to ensure that temporary permits beyond the time allowed as per Rules are not granted. System should also have a mechanism to monitor validity of permits of other state vehicles.Compliance to rules/ provisions regarding timely remittance of revenue and regular reconciliation with Treasuries should be ensured. Check post at Chinturu should be computerised and connected to the CFST.

5.5 Non-realisation of quarterly tax[180] and penalty

Quarterly tax and penalty was not paid by the owners of transport vehicles within the prescribed time resulting in non-realisation of revenue of ₹ 1.04 crore.

Section 3 of Andhra Pradesh Motor Vehicles Taxation (APMVT) Act, 1963 stipulates that every owner of a motor vehicle is liable to pay tax at rates specified by the Government from time to time. Section 4 of the Act read with Government order[181], specifies that tax shall be paid in advance either quarterly, half yearly or annually within one month from the commencement of quarter. As per Section 6 of the Act read with Rule 13 of APMVT Rules, 1963, penalty for belated payment of tax beyond two months from the beginning of the quarter shall be leviable at twice the rate of quarterly tax if detected and at 50 *per cent* on voluntary payments.

Analysis of the data[182] in the offices of three DTCs[183] (out of 13) and four RTOs[184] (out of 14) revealed that quarterly tax was not paid[185] by the owners of 500 transport vehicles. The department also did not issue any demand notice to these defaulters. This resulted in non-realisation of tax of ₹ 69.10 lakh and penalty of ₹ 34.55 lakh (at 50 *per cent* of quarterly tax).

The Commissioner replied (January 2019) that audit observation would be verified and necessary steps taken for realisation of quarterly tax due by issuing show cause notices to the owners of the vehicles.

The matter was referred to the Government (August 2018); their replies have not been received (February 2020).

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[180] Quarterly tax is payable only on transport vehicles.
[181] G.O.Ms.No.96, Transport, Roads & Buildings (Tr.II) Department, dated 21 May 1993.
[182] Between March 2017 and March 2018.
[183] Ananthapuramu, Eluru and YSR Kadapa.
[184] Gudivada, Narasaraopet, Proddutur and Tirupati.
[185] For the period 2015-16 and 2016-17.

5.6 Non- monitoring of renewal of Fitness Certificates

Non-renewal of Fitness Certificate for vehicles whose status is active, besides non-realisation of fitness fee of ₹ 91.78 lakh, may jeopardise road safety.

As per Section 56 of the Motor Vehicles (MV) Act, 1988, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness issued by the prescribed authority. As per Rule 62 of the Central Motor Vehicles (CMV) Rules, 1989, the certificate of fitness (FC) in respect of the transport vehicles shall be renewed every year. Rule 81 of CMV Rules prescribes the fee for conducting fitness test of a vehicle for grant and renewal of the certificate of fitness.

As per Rule 12 (A) of APMVT Rules 1963, a motor vehicle shall be deemed to be kept for use and is liable to pay tax unless the registered owner intimates in writing to the licencing officer before commencement of the quarter for which tax is due that the motor vehicle shall not be used after expiry of the period for which tax has already been paid.

Analysis of FCs granted in the offices of three DTCs[186] and four RTOs[187], disclosed[188] that FCs of 48,472 transport vehicles whose status was valid[189] had not been renewed[190]. Besides non-realisation of FC fee of ₹ 91.78 lakh, plying of a vehicle that is not certified for fitness may jeopardize road safety. No stoppage reports were received by the licencing officers from the vehicle owners on the vehicles pointed out by the Audit.

The Commissioner replied (January 2019) that details of FCs of transport vehicles whose status was active would be got verified to know whether all these vehicles are road worthy/ fit for condemnation. After getting details of verification from the DTCs, further report would be sent.

The need for testing the fitness of vehicles checked and renewed every year was brought to notice of the Government repeatedly through the earlier Audit Reports for the years ended March 2014-16. Despite the issue being brought to notice, the irregularity still persists.

The matter was referred to the Government (August 2018); their replies have not been received (February 2020).

[186] Ananthapuramu, Eluru, and YSR Kadapa.
[187] Gudivada, Narasaraopet, Proddatur and Tirupati.
[188] Between April 2017 and March 2018.
[189] Implies that the vehicle has all the requisite certificates.
[190] During 2015-16 and 2016-17.

5.7 Non-levy of green tax[191]

Green tax amounting to ₹ 33.17 lakh was not levied while renewing the registration/issuing fitness certificate of non-transport and transport vehicles.

As per Government order[192], "green tax" shall be levied on the transport vehicles and non-transport vehicles completing 7 and 15 years of age, respectively, from the date of registration. The rate of tax is ₹ 200 per annum for transport vehicles, ₹ 250 for motor cycles and ₹ 500 for other vehicles for every five years.

Analysis[193] of data in the offices of three DTCs[194] and four RTOs[195] disclosed that green tax was not levied on 14,477 transport vehicles and 957 non-transport vehicles[196]. These vehicles have already completed the prescribed age limit and were plying on the road. Green tax amounting to ₹ 33.17 lakh leviable on these vehicles was not realised.

The Commissioner replied (January 2019) that online services for all transactions were being implemented in the entire state and there would be no need for the registered owners of vehicles to go to office for any transactions. Necessary software modifications were already done to facilitate payment of green tax in online system.

The reply was not in order, as the software as stated to have been modified by the department was not prompting demand for collection of green tax on vehicles whose registration were renewed before 60 days of its completion. Similarly, green tax in respect of transport vehicles whose registrations were renewed before expiry of its validity is escaping the tax net.

Hence the department should devise a mechanism for collection of green tax in accordance with provisions of MV Act to safeguard Government revenue.

The need for devising such mechanism was brought to notice of the Government repeatedly through the earlier Audit Reports for the years ended March 2014-16. Despite the issue being brought to notice, the irregularity still persists.

The matter was referred to the Government in August 2018; their replies have not been received (February 2020).

[191] Tax which is payable after completion of prescribed life time of the vehicle.
[192] G.O.Ms.No.238, Transport, Roads & Buildings (Transport-I), Department, dated 23 November 2006.
[193] Between April 2017 and April 2018.
[194] Ananthapuramu, Eluru, and YSR Kadapa.
[195] Gudivada, Narasaraopet, Proddatur and Tirupati.
[196] For the period from April 2015 to March 2017.

5.8 Exemption of life tax

Non-transport vehicles registered in favour of other than Government Departments were incorrectly exempted from payment of ₹ 7.10 lakh.

As per Section 4 (1) (aa) of APMVT Act, 1963, tax levied under the second proviso to Section 3(2) shall be for the lifetime of the motor vehicle and shall be paid in advance, in lump sum by the registered owner of the motor vehicle or any other person having possession or contract thereof.

Government in its orders[197] exempted the tax payable in respect of motor vehicles belonging to Government of Andhra Pradesh and Government of India. As per seventh schedule, however, non-transport vehicles owned by organisations/ institutions/ societies are liable to pay 14 *per cent* of the cost of the vehicles as life tax.

Analysis of the data in two[198] offices of Deputy Transport Commissioners and office of Regional Transport Officer, Gudivada revealed[199] that four[200] vehicles registered in favour of organisations other than Government were incorrectly exempted from life tax. The life tax payable by these organisations amounted to ₹ 7.10 lakh.

The Commissioner accepted (January 2019) the observation and assured its recovery.

The matter was referred to the Government in August 2018; their replies have not been received (February 2020).

[197] G.O.Ms. No. 453, Home-(Tr-II) dated 17 March, 1964 and G.O.Ms.No.676, Home (Tr.II) dated 17 May 1969.
[198] DTCs-Chittoor and Guntur.
[199] Between November 2016 and March 2018.
[200] Guntur (1); Chittoor (1) and Gudivada (2).

CHAPTER VI

LAND REVENUE

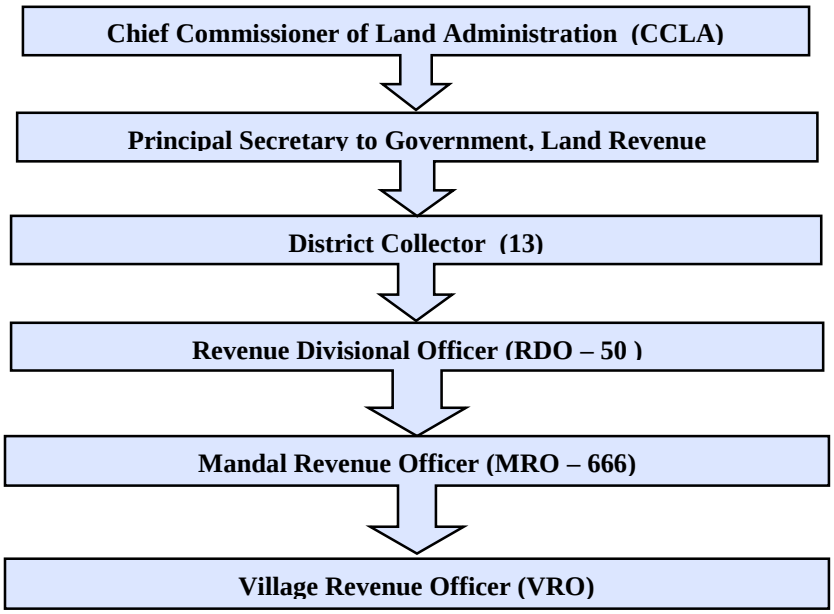
CHAPTER VI
LAND REVENUE

6.1 Tax Administration

The Chief Commissioner of Land Administration is responsible for administration of Revenue Board's Standing Orders (BSO), Andhra Pradesh (AP) Irrigation, Utilisation and Command Area Development Act, 1984, AP Water Tax Act, 1988, AP Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, Rules and orders issued thereunder. Andhra Pradesh State consists of 13 districts headed by a District Collector who is responsible for the administration of the respective district. Each district is divided into revenue divisions[201] and further into *mandals*[202]. Revenue Divisions are kept under administrative charge of Revenue Divisional Officers (RDOs) and *mandals* are under the charge of Tahsildars. Each village in every *mandal* is administered by a Village Revenue Officer (VRO) under the supervision of the Tahsildar. Village Revenue Officers prepare tax demands under all the Acts mentioned above for each *mandal* from the village accounts and get them approved by *Jamabandi Officers*[203] concerned. Revenue Inspectors/VROs are entrusted with the work of collection of revenue/taxes such as water tax, conversion tax for agricultural land etc. At Government level, Principal Secretary (Revenue) is in charge of overall administration of Land Revenue Department.

The organisational hierarchy of the department is as indicated below.

Organogram



[201] There are fifty divisions in all the 13 districts of the State.

[202] *Mandal* is the jurisdictional area of each Tahsildar. There are 666 mandals in all the 50 revenue divisions of the State.

[203] *Jamabandi officer* is District Collector or any other officer nominated by him not below the rank of Revenue Divisional Officer.

6.2 Internal Audit

Internal audit provides a reasonable assurance of proper enforcement of laws, rules and departmental instructions and this is a vital component of the internal control framework. The information regarding functioning of Internal Audit wing was sought from the Department. It was replied (May 2018) that Internal Audit wing did not exist.

6.3 Results of Audit

There are 732 auditable units in the Department. Of these, test check of records of 60 offices was conducted during the year 2017-18. The Revenue realised by the State for the year 2016-17 was ₹ 167 crore. Test check of records of audited units revealed non-levy/short-realisation of conversion tax/ penalty and other irregularities. The monetary impact involved was ₹ 6.52 crore in 66 cases, which broadly fell under the categories given in **Table 6.1**:

Table 6.1: Results of Audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
Revenue Receipts			
1.	Non-levy/short levy of conversion tax and penalty on conversion of agricultural land for non-agricultural purposes	34	0.97
2.	Non-levy of road cess	06	0.12
3.	Non-realisation of cost of land alienated	03	3.80
4.	Other irregularities	07	0.32
	Total	**50**	**5.21**
Revenue Expenditure			
1.	Irregular refund of stamp duty	12	0.27
2.	Other irregularities	04	1.04
	Total	**16**	**1.31**
Total		**66**	**6.52**

A few illustrative cases, involving ₹ 3.60 crore, are discussed in the succeeding paragraphs.

6.4 Non-realisation of cost of alienation of land

Revenue authorities did not finalise the alienation proposals even after three years of taking over possession of the land resulting in non-realisation of ₹ three crore towards cost of land.

As per Revenue Board's Standing Order (BSO) No.24, alienation of Government land to a company, institution or private individuals for any public purpose will normally be on collection of its market value and subject to the terms and conditions prescribed in the BSO. The BSO allows the competent authorities to permit possession of the land in advance by the applicant in the event of any emergent circumstances pending formal approval of the alienation proposal.

Scrutiny (April 2018) of records in the office of Tahsildar, Dwaraka Tirumala disclosed that advance possession (March, 2015) of 15 acres of land valuing ₹ three crore was given to Andhra Pradesh Dairy Development Cooperative Federation Limited for construction of new dairy plant. Advance possession of land was given pending finalisation of alienation proposals. In the absence of prescribed time limit, the alienation proposals were not finalised even after three years of handing over of possession of the land. Thus, non-finalisation of alienation proposals resulted in non-realisation of ₹ three crore[204] towards cost of land.

After Audit pointed out Tahsildar replied (April 2018) that the matter would be examined and reply furnished in due course.

The issue of realisation of cost of land was brought to the notice of Government repeatedly through Audit Reports for the years ended March 2011, 2012, 2014, 2015 and 2017. Despite issue being brought to notice, the irregularity still persists. The benefit of advance possession of land was being enjoyed by the allottees without payment of revenue due to Government.

The matter was referred to the Department (July 2018) and to the Government (August 2018); their replies have not been received (February 2020).

6.5 Levy of conversion tax and penalty

As per Section 3(1) of AP Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006, no agricultural land in the State should be put to non-agricultural purpose, without the prior permission of the competent authority. Section 4(1) prescribes that every owner[205] or occupier of agricultural land should pay conversion tax at the rate of nine *per cent* of the basic value[206] of the land converted for non-agricultural purposes. If any agricultural land has been put to non-agricultural purpose without obtaining permission, the competent authority (RDO) should impose a penalty of 50 *per cent* of the conversion tax under Section 6(2).

As per Rule 6(i) of AP Agricultural Land (Conversion for Non-agricultural Purposes), Rules, 2006, for the purpose of calculation of conversion tax, the basic value notified by Government, for the land as on the date of application should be taken into account. Further, as per Rule 6(iv), where land is deemed to have been converted for non-agricultural purposes, the date for purpose of calculation of basic value should be the earliest of (i) the date of detection of conversion by the competent authority (ii) the date of entry into village accounts or (iii) the date of application by owner/ occupier.

[204] ₹ 20.00 lakh per acre for 15 acres.

[205] As per Section 2(m) of the Act, 'owner' includes any lessee/local authority to whom lands have been leased out by State Government or the Central Government.

[206] Basic value' means the land value entered in the Basic Value Register notified by Government from time to time and maintained by the Sub-Registrar.

6.5.1 Short levy of conversion tax

Incorrect adoption of market value to the properties already converted for non-agricultural use and adoption of lower rate of conversion tax by the revenue authorities resulted in short levy of conversion tax amounting to ₹ 24.29 lakh.

Scrutiny (between October 2017 and February 2018) of conversion files in offices of four RDOs[207] and Tahsildar, Nagari revealed that in nine[208] cases basic value of the land was incorrectly adopted while converting agricultural land (29.665 acres) for non-agricultural purposes. Consequently, conversion tax of ` 5.81 lakh was levied instead of ₹ 24.75 lakh resulting in short levy of conversion tax of ₹ 18.94 lakh. In the office of RDO, Visakhapatnam, conversion tax was incorrectly computed by splitting the extent of 4.78 Acres of land into two parts which fall in the same village (2.08 + 2.70 Acres) by adopting two different and incorrect market values for the land. Apart from this, conversion tax was applied at the rate of five *per cent* instead of applying rate of nine *per cent* on an extent of 2.70 Acres. As a result, conversion tax of ₹ 4.86 lakh was levied instead of ₹ 10.21 lakh resulting in short levy of conversion tax of ₹ 5.35 lakh. Thus, in 10 cases, there was short levy of ₹ 24.29 lakh on an extent of 32.365 acres.

RDOs/ Tahsildars (replied between October 2017 and February 2018) that the matter would be examined and reply furnished in due course.

6.5.2 Non-levy of conversion tax and penalty on layouts

Revenue authorities did not initiate any action to levy conversion tax and penalty on the formation of layouts without obtaining conversion orders from Revenue Divisional Officers. Conversion tax and penalty leviable amounted to ₹ 14.99 lakh.

As per Rule 6 of AP Gram Panchayat Land Development (Layout[209] and Building) Rules, 2002, Gram Panchayats are the executive authorities to sanction permission for layout proposals. Division Level Panchayat Officers (DLPOs) exercise supervision, control and provide guidance to the Gram Panchayats under their jurisdiction[210].

Audit obtained layout data for the period April 2015 to March 2017 from DLPO, Machilipatnam and cross-verified it with conversions granted by Revenue Divisional Officer (RDO), Bandar. From cross verification of DLPOs layout data with RDO's conversion proceedings, it was observed (January 2018) that four layouts were laid in two mandals[211] during the period from April 2015 to March 2017 on an extent of 9.36 acres of agricultural land. The agricultural land in these cases was converted into layouts without the approval of Gram Panchayats/ RDOs. The Department had not made any effort to levy conversion

[207] RDOs - Kurnool, Markapuram, Gudur and Tekkali.
[208] Tahsildar, Nagari (1), RDOs – Gudur (1), Kurnool (1), Markapuram (5) and Tekkali (1).
[209] Layout means the way in which plots are arranged.
[210] G.O.Ms.No.70, PR & RD (Rules) Department, dated 29 February 2000.
[211] Kuchipudi and Muvva.

tax/ penalty in these cases. This resulted in non-levy of conversion tax (₹ 9.99 lakh) and penalty (₹ 5.00 lakh) amounting to ₹ 14.99 lakh.

After Audit pointed out (January 2018) RDO replied that the matter would be examined and reply furnished in due course.

6.5.3 Non-levy/ Short levy of penalty on conversion of Agricultural land for non-agricultural purposes

Penalty was not levied by the revenue authorities though it was evident from their own Inspection Reports that lands were converted for non-agricultural purposes without obtaining prior permission.

Scrutiny (January 2018) of records of four RDOs[212] disclosed that the permissions for conversion of 6.93 acres of agricultural land to non-agricultural use was issued[213] in five cases. In four cases penalty of ₹ 7.32 lakh was not levied[214] although it was evident from inspection reports[215] of RDOs that the land was already converted from agricultural use to non-agricultural use without prior permission from the competent authority. In case of RDO Ongole, penalty of ₹ 0.78 lakh was levied as against ₹ 4.76 lakh resulting in short levy of penalty of ₹ 3.98 lakh. Thus, there was total non-levy and short levy of penalty of ₹ 11.30 lakh.

After Audit pointed out (January 2018) all the four RDOs replied that the matter would be examined and reply furnished in due course.

The matter was referred to Department (July 2018) and to the Government (August 2018); their replies have not been received (February 2020).

6.6 Non-levy of road cess in command areas of irrigation projects

Revenue authorities did not levy road cess from ayacutdars in the command areas of Nagarjunasagar and Tungabhadra Projects covered under the jurisdiction of five Tahsildar offices.

Under Section 27 of AP Irrigation, Utilisation and Command Area Development Act, 1984, for the purpose of laying out roads and their proper upkeep and maintenance, road cess in the form of a tax shall be collected on lands in the Command Areas of Nagarjunasagar and Tungabhadra Projects from the beneficiaries of schemes undertaken under the Act.

Government in their notifications[216] specified that Land Revenue Authorities had to collect the road cess at the rate of ₹ 12.35 per hectare per annum from 15 September 1988 from all *ayacutdars*[217].

[212] Gudur, Ongole, Srikakulam and Tekkali.
[213] Between July 2014 and September 2016 to five applicants.
[214] Gudur (2), Srikakulam (1) and Tekkali (1).
[215] Between April 2014 and August 2016.
[216] G.O.Ms.No.48, Irrigation & Command Area Development, dated 25 June 1986. G.O.Ms.No.299, Irrigation & Command Area Development, dated 7 September 1988.
[217] *Ayacutdar* means 'owner of the land in command areas of irrigation projects (Ayacut).

The scrutiny (between October 2017 and February 2018) of *jamabandi* records and village accounts in five Tahsildar offices[218] disclosed that road cess was not levied during the *fasli* years from 1413 to 1423[219]. The road cess leviable on an extent of 78,141.16 hectares under the above projects worked out to ₹ 9.65 lakh.

After Audit pointed out (between October 2017 and February 2018) Tahsildar Pamidi replied that action would be taken to collect the road cess under intimation to audit. The remaining Tahsildars replied that the matter would be examined and reply furnished in due course.

The mater was referred to the Department (July 2018) and to the Government (August and September 2018); their replies have not been received (February 2020).

[218] Karempudi, Pamidi, Prathipadu, Bellamkonda and Chinnaganjam.
[219] *Fasli* years 1413 to 1423 i.e., 01 July 2003 to 30 June 2014.

CHAPTER VII

OTHER TAX AND NON-TAX RECEIPTS

CHAPTER VII
OTHER TAX AND NON-TAX RECEIPTS

7.1 Results of Audit

Test check of the records of 21 offices[220] of the following Departments during the year 2017-18 revealed underassessment of tax and other irregularities involving ₹ 2.26 crore in 74 cases which fall under the following categories:

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
I	**REVENUE**		
A	**ENDOWMENTS**		
	Detailed Compliance Audit on "Functioning of Endowments department in management of temples and temple lands"	1	0.00
B	**WATER TAX[221]**		
1	Short levy of water tax	5	0.96
2	Non-levy of interest on arrears of water tax	25	0.38
C	**COMMERCIAL TAXES[222]**		
1	Short collection of Professions Tax	31	0.29
2	Non-levy of interest on belated payments of luxury tax	2	0.10
II	**INDUSTRIES AND COMMERCE DEPARTMENT (Mines and Minerals)**		
1	Non/Short levy of dead rent	4	0.36
2	Non forfeiture of security deposit	3	0.06
3	Other Irregularities	3	0.11
Total		**74**	**2.26**

During the year 2017-18, the Department accepted underassessments and other deficiencies of ₹ 48.63 lakh in 21 cases. Of this, an amount of ₹ 29.37 lakh in 16 cases had been recovered.

A detailed compliance audit on "Functioning of Endowments Department in management of temples and temple lands" is discussed in the succeeding paragraphs.

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[220] Endowments-15 Offices, Industries and Commerce Departments – 6 Offices.
[221] Number of Offices covered under Department of Revenue has been indicated at Para 6.3.
[222] Number of Offices covered under Department of Commercial taxes has been indicated at para 2.3.

REVENUE (ENDOWMENTS) DEPARTMENT

7.2 Detailed Compliance Audit on "Functioning of Endowments department in management of temples and temple lands"

7.2.1 Introduction

The Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act 1987[223] (APCHRIE/ Endowment Act) was enacted to consolidate/amend the laws relating to administration and governance of Charitable and Hindu Religious Institutions and Endowments in the State of Andhra Pradesh. The Act was amended to ensure better management of properties and utilisation of funds. There are 24,722 temples and charitable institutions in the State categorized under Section 6[224] of the Act. A total of 4,53,459.61 acres of agricultural land including forest, hills etc., and 9,05,374 Sq yards of non-agricultural land spread over the State are owned by the temples. Audit observations on Monitoring and Administration by Endowments Department was earlier included in the Audit Report for the year ended March 2013. Explanatory notes to the report from Government have not been received (February 2020). The report was not discussed by the Public Accounts Committee.

7.2.2 Organisational Setup

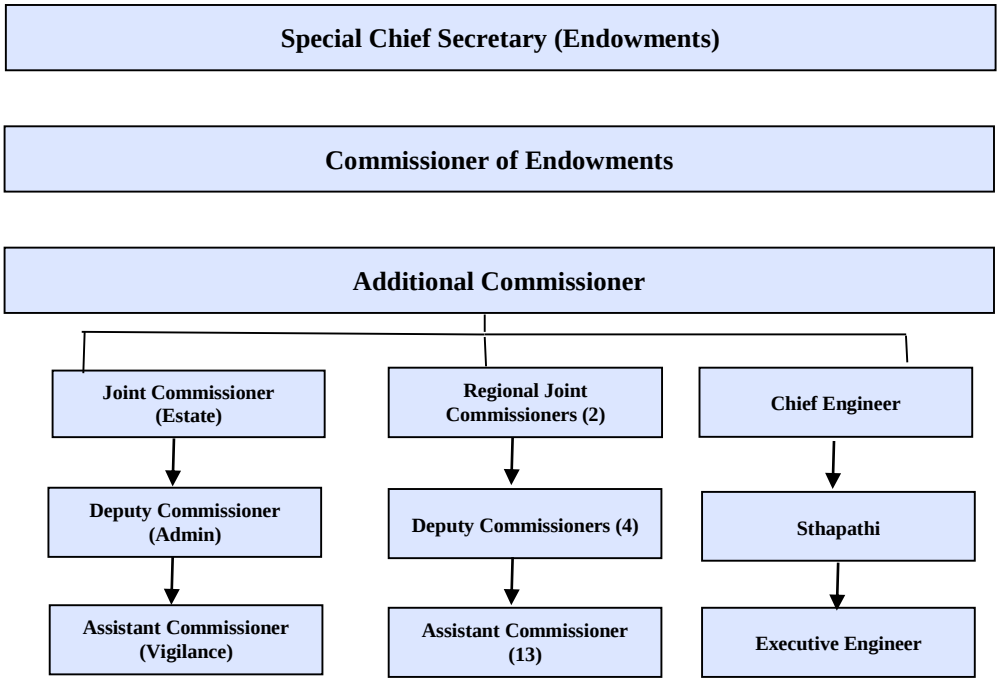
The Endowments Department is headed by the Principal Secretary, Revenue (Endowments) Department at Government level and by the Commissioner of Endowments who is assisted by two Additional Commissioners, one Joint Commissioner and a Vigilance Officer at the State level, Regional Joint Commissioners (2) at Regional level; Deputy Commissioners (4) at Zonal level; and Assistant Commissioners (13) at District level. There is an Engineering Wing headed by the Chief Engineer with supporting staff and also a *Silpi* Wing being headed by the *Sthapathi*[225]. As per Section 15 of the APCHRIE Act, every religious institution/ charitable institution or endowment, shall have a Board of Trustees.

[223] Repealed and replaced the earlier APCHRIE Amendment Act, 1966.

[224] 6(a) institutions whose annual income is more than ₹ 25.00 lakh – 129, 6(b) institutions whose annual income between ₹ 2.00 lakh and ₹ 25.00 lakh – 780, 6(c) institutions whose annual income is less than ₹ 2.00 lakh – 23,676, 6(d) maths – 135 and 6(e) Dharmadayams – 2.

[225] Sthapathi is a religious representative for construction and maintenance of the temples and related buildings in terms of the Hindu scriptures.

Organogram



Based on their annual income, the temples are administered by the officers at various grades of the Endowment Department called Executive Officers (EO) in this Report as detailed in the following table:

Rank of Executive Officers	Annual income of temples
Regional Joint Commissioners (RJCs)	Above ₹ 1 crore
Deputy Commissioners (DCs)	Between ₹ 50 lakh and ₹ 1 crore
Assistant Commissioners (ACs)	Between ₹ 15 lakh and ₹ 50 lakh
Executive Officers Grade-I, II, III	Between ₹ 2 lakh and ₹ 15 lakh

7.2.3 Financial Management

The main source of revenue for the temples is through sale of tickets for *darshan*, *prasadams*, accommodation to pilgrims, *kesakhandana*[226]besides daily *hundial*[227] *c*ollections and donations given for *Annadanam*[228], *Saswathapujalu*[229]etc., Although every item of expenditure is met from the funds of the temples, administrative sanction is obtained from the CoE.

According to provisions of APCHRIE (Amendment) Act 2007, every temple/ Hindu religious institution in the State shall contribute certain sums to the Endowments Department every year towards Endowment Administration Fund (EAF), Audit Fee, Common Good Fund (CGF), and Archaka Welfare Fund (AWF) as detailed in the following table:

[226] Offering of hair to the deity as a custom by the pilgrims.
[227] Money and ornaments offered by the devotees in a box called Hundial.
[228] Providing free food to the Pilgrims.
[229] Amount offered by the pilgrims to perform rituals on permanent basis, periodically.

Sl. No.	Name of the Fund	Section under which the funds are deducted	Annual Contribution[230]	Purpose of the Fund
1	Common Good Fund (CGF)	Section 70 (1)	9 *per cent* of assessable income[231] of temples under 6(a) and 6(b) category.	CGF is meant for renovation, preservation and maintenance of smaller temples with insufficient income.
2	Archaka Welfare Fund (AWF)	Section 161 (1)	3 *per cent* of assessable income if annual income exceeded ₹ 20 lakh.	Funds shall be utilised for the welfare of the Archakas (Priests) and other employees working in the temples viz., loans for Housing, Marriage etc.
3	Endowment Administration Fund (EAF)	Section 65 (1)	8 *per cent* of assessable income of temples under 6(a) and 6(b) category.	EAF is remitted to Government account towards services rendered by Government and their employees to temples. Funds shall be utilised for payment of salaries to Eos and other Administrative staff.
4	Audit Fee (AF)	Section 65 (4)	1.5 *per cent* of assessable income of temples under 6(a) and 6(b) category.	The AF shall be remitted to the Government account for meeting the cost of auditing of accounts of the temples.

The accounts of these contributions are maintained at Commissionerate. The salaries and other allowances of the staff of the Department are met from the EAF for the services rendered by them to the temples.

The expenditure of Endowments Department is initially met out of the Consolidated Fund of the state (through MH 2250-102-01) and later recouped from the EAF held as a public deposit (8235-103-01: General and other Reserve Fund-Hindu Religious and Charitable Endowment Account Fund Main) with the state. The contributions made by the endowments institutions towards EAF are remitted to the public deposit head.

According to Section 57 of the Act, every Institution shall submit a budget showing the probable receipts and disbursement of the Institution to CoE. Every budget shall make an adequate provision for the maintenance[232] of the institution. The Commissioner, Deputy Commissioner or Assistant Commissioner, as the case may be, pass an order after making required alterations, omissions or additions in the budget.

7.2.4 Audit Objectives and criteria

Audit was conducted to ascertain whether

- The Executive Officers are monitoring the activities of temples efficiently and effectively;
- Effective steps/measures have been taken to protect the temple lands from encroachments.

The audit objectives were benchmarked against the following audit criteria:

[230] As per Government order dated 01 October 2015, all temples falling under category 6(c) of the Act were exempted from payment of statutory contributions.

[231] Assessable income means the net income of temples after deducting certain eligible amounts as prescribed under section 65(5) of the Act.

[232] Salaries of the staff, arrangements to be made for securing the health, safety or convenience of the pilgrims, construction, repair, renovation and improvement of the institution etc.

- Andhra Pradesh Charitable and Hindu Religious Institutes and Endowment Act 1987 and rules made there under
- Relevant notifications/ Circulars/ Orders etc., issued by Government from time to time.

7.2.5 Audit Scope and Methodology

Audit was conducted[233] for the period from 2014-15 to 2017-18 covering offices of the Commissioner of Endowments, Assistant Commissioner, Guntur and 13 offices of EOs categorised under Section 6(a) of the APCHRIE Act. These temples were selected for test check based on the assessable income under each category[234] of EOs at the level of JC/ DC/ AC.

7.2.6 Audit Findings

7.2.6.1 Non-levy of statutory contributions

Assessable income of temples is not being reviewed annually. As a result, temples are not being categorised properly leading to non-levy of statutory contributions.

As per Section 6 (a), (b), (c) of the APCHRIE Act, the Commissioner shall prepare separately and publish a list of endowment institutions based on their annual income. The Commissioner may alter the classification assigned to an institution or endowment in the list and enter the same in the appropriate list, in case the annual income of such institution or endowment calculated exceeds or falls below the limits specified for three consecutive years.

Analysis of assessable income[235] disclosed that assessable income of temples is not being reviewed annually. There are no prescribed rules fixing the time frame for taking up annual review. As a result, temples are not being categorised properly leading to short levy of statutory contributions.

- In 21 temples, the annual income for the years 2014-15 to 2016-17 exceeded ₹ 25 lakh, but were not categorised as 6(a) temples.
- In 706 temples the annual income exceeded ₹ two lakh but below ₹ 25 lakh for the years 2014-15 to 2016-17, but were not categorised as 6(b) temples during 2017-18.

It was further observed that statutory contributions from 48 temples amounting to ₹ 12.98 lakh was not demanded during the year 2017-18.

Government accepted (February 2019) the Audit observation and stated that demand notices would be issued.

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[233] Between April 2018 and July 2018.

[234] Category I -7 (out of 8) headed by Joint Commissioners, Category II -2 (out of 3) headed by Deputy Commissioners and Category III- 4 (out of 23) headed by Assistant Commissioners.

[235] Out of 24,722 temples, data (Assessable income and EAF) in respect of only 1,713 temples was furnished by CoE in electronic format. Hence the consolidated data for all the temples was not included in the Report.

7.2.6.2 Non-payment of statutory contributions

Contributions amounting to ₹ 470.98 crore were in arrears towards EAF and CGF from a temple specified under Section 65 (2) of APCHRIE Act.

(a) Scrutiny of the records in the office of CoE revealed that an amount of ₹ 298.21 crore[236] was pending[237] realisation from the temples as of 31 March 2018. Of this, in six test checked institutions categorised under Section 6(a) of APCHRIE Act, the arrears of contributions accumulated to ₹ 72.39 crore.

Government stated (February 2019) that audit fee arrears of ₹ 82.89 lakh was recovered from a temple and assured recovery of remaining arrears at the earliest.

(b) A temple categorised under Section 65(2) of the Endowment Act, shall be liable to pay annual contribution at seven *per cent*[238] of its annual income or ₹ 50 lakh whichever is higher in lump sum towards EAF. Further, in terms of Section 70 (1) of the Act, five *per cent* of its annual income or ₹ 1.25 crore, whichever is higher, shall also be payable towards CGF. Due to heavy accumulation of arrears, the Government directed[239] (January 2014) to contribute ₹ 25 crore per annum (₹ 15 crore towards CGF and ₹ 10 crore towards EAF) from the financial year 2012-13.

Scrutiny of records of the office of CoE revealed that the temple specified under Section 65(2) of the Act was paying ₹ 50.00 lakh and ₹ 1.25 crore every year towards EAF and CGF respectively. A total of ₹ 7.50 crore was received against EAF arrears of ₹ 398.73 crore leaving a balance of ₹ 391.23 crore for the period from 2003-04 to 2017-18. Further, out of total CGF arrears of ₹ 90 crore for the period from 2012-13 to 2017-18, an amount of ₹ 10.25 crore was contributed leaving a balance of ₹ 79.75 crore. Thus, total contributions amounting to ₹ 470.98 crore were in arrears towards EAF and CGF from the temple specified for the period ended March 2018. No action had been initiated by the Department to recover these arrears.

Government replied (February 2019) that action would be taken to recover the outstanding dues under intimation to audit.

Similar observation was included in Comptroller and Auditor General's Audit Report for the year ended March 2013 at para No. 8.1.17.

No timeline has been prescribed for payment of CGF and EAF by temples or for raising demand by temple authorities. This needs to be specified. Further, the collection should be pursued regularly so as to avoid accumulation of arrears and to safeguard revenue.

[236] EAF – ₹ 143.03 crore; AF – ₹ 34.00 crore; CGF – ₹ 70.99 crore and AWF –₹ 50.20 crore.
[237] Upto 2014-15 – ₹ 71.62 crore; 2014-15 – ₹ 47.95 crore; 2015-16 –₹ 66.90 crore; 2016-17 – ₹ 43.42 crore; 2017-18 – ₹ 68.32 crore.
[238] Rates are applicable from 4 April 1987.
[239] Government Memo No. 2186/Endt.I (2)/2013 dated 28 January 2014.

7.2.6.3 Incorrect computation of contributions

Incorrect assessment resulted in underassessment of assessable income of ₹ 285.83 crore and consequent short payment of statutory contributions of ₹ 61.45 crore.

As per Section 65(5) of the Act, read with explanation (2), only the net profit shall be taken as income of temple.

During scrutiny of the records of five temples categorised under Section 6 (a) of APCHRIE Act, it was observed that the temples erroneously computed the assessable income by deducting ineligible items[240]of expenditure. Thus, incorrect assessment of income resulted in underassessment of assessable income of ₹ 285.83 crore and consequent short payment of statutory contributions amounting to ₹ 61.45 crore for the period from 2014-15 to 2017-18.

Government replied (February 2019) that certain items of expenditure[241]were deducted taking the spirit of the provisions into consideration, though categorically not prescribed under provisions of the Act.

The reply is not correct. Specific items entitled for deduction have been prescribed under the provisions of the Act and the same need to be complied with.

7.2.7 Utilisation of Common Good Fund

As per Section 70 (b) of the Act, the CGF created shall be utilised for the purposes of providing renovation, preservation and maintenance of needy Hindu religious Institutes or endowments, establishment and maintenance of vedapathasalas and schools for the training in Hindu religion or like services and construction of new temples etc.

It was observed that the amount accumulated under CGF was not utilised in accordance with the provisions/purposes mentioned in the Act. The discrepancies noticed are discussed below:

[240] Pooja expenses, repairs and maintenance of vehicles, insurance, capital nature of items viz., deposits, Receipts from livestock, donations for Saswata pooja, Prasadam provisions, Taxes to Government etc.

[241] Pooja expenses, Purohit charges, Nagapadigalu Expenditure.

7.2.7.1 Release of funds to a Trust without expenditure details

An amount of ₹ 10.60 crore was released to a Trust without issuing guidelines for utilisation of funds. Details of utilisation is not being monitored by Commissioner of Endowments.

Government of Andhra Pradesh had created (October 2015)[242] a Trust to propagate and preserve Hindu Dharma. For this purpose, Government directed that two *per cent* of CGF contributions be allocated for Hindu Dharmik activities and these funds shall be kept at the disposal of the Trust in a separate bank account on a quarterly basis. Government also directed[243] Chairman of the Trust to submit a detailed report at the end of year both to CoE and EO of temple specified under Section 65 (2) of the Act, indicating the activities taken up.

During scrutiny of records of CoE, it was observed that an amount of ₹ 10.60 crore was released by CoE from CGF to Trust during the period 2015-16 to 2017-18. However, guidelines/ instructions for utilisation of these funds were not issued. The Utilisation Certificates were received without mentioning the details of expenditure. CoE also did not insist upon this. Thus, due to non-receipt of details of expenditure made by Trust, proper utilisation of these funds could not be ascertained by Audit.

Commissioner replied (January 2019) that funds deposited in bank were utilised by Trust and Government was addressed to prepare guidelines for utilisation of these funds. Thus, it is evident from the reply that there were no guidelines for utilisation of funds by Trust.

Guidelines/ instructions need to be framed for utilisation of funds and a mechanism needs to be instituted for monitoring the expenditure of Trust.

7.2.7.2 Diversion of funds

An amount of ₹ 12.41 crore was diverted from Common Good Fund for construction of Commissioner's office building in violation of the provisions.

It was observed from the records of CoE that an amount of ₹ 12.41 crore was sanctioned (November 2017) from CGF for construction of CoE office building against the provisions of the Act.

Government replied (February 2019) that the expenditure was incurred out of the interest earned from CGF contributions without disturbing the principal amount.

The fact remains that the provisions of Act applicable for CGF would also include interest accrued.

[242] G.O.RT.No. 927 Revenue (Endowments-1) Department dated 01 October 2015.
[243] G.O.Ms. No. 65 Revenue (Endowments-III) Department dated 08 February 2017.

7.2.8 Loans granted from Archaka[244] Welfare Fund

There is no monitoring mechanism over repayment of loans granted from Archakas and other employees welfare fund trust. As a result, loans advanced are not being recovered regularly.

As per the Bye laws of Andhra Pradesh Endowments Archakas and Other Employees Welfare Fund Trust, Archakas and other employees are eligible for interest free Housing, Education, and Marriage loans etc. Housing loans, Marriage and education loans are recoverable in 120 and 60 monthly instalments respectively. Penal interest, however, will be charged at the rate of 12 *per cent* per annum only on housing loan instalments which become overdue.

During the scrutiny of the records at CoE, it was observed that 2020 loan cases amounting to ₹ 5.05 crore[245] granted were pending recovery to the end of March 2018. It was observed that as of May 2018, against marriage loans of ₹ 4.73 crore recoverable in 52,604 instalments, only ₹ 1.11 crore was recovered in 14,028 instalments. Similarly in case of housing loans, against ₹ 1.82 crore recoverable in 34,552 instalments to the end of May 2018, only ₹ 45.95 lakh was recovered in 9,246 instalments. As regards educational loan against ₹ 5.71 lakh recoverable in 1,014 instalments, only ₹ 0.52 lakh was recovered in 101 instalments as of July 2018.The loan amounts were being recovered separately through cheques/ online payments. Thus there is no monitoring mechanism to ensure regular periodical repayment of loans. It is therefore suggested that loans be recovered from salaries instead of acceptance of cheques/ online payments to monitor recoveries periodically and to avoid accumulation of arrears.

Government accepted and replied (February 2019) that notices were issued for recovery of dues.

7.2.9 Non-depositing of excess gold

In four temples, 68.468.860 kilograms of gold was not deposited in the Gold Deposit Bond Scheme in violation of instructions.

CoE permitted[246] the Executive Officers of all temples to invest the unused gold, lying in the temple lockers whenever it accumulates to more than one kilogram, in SBI Gold Deposit Bond Scheme. The instructions were issued keeping in view, the security of the Gold and also to earn additional income for temples.

In four temples categorised under Section 6(a) of the Act, 68.468.860 kgs of gold was accumulated (including a quantity of 1.493.970 kgs of gold appraised

[244] *Archaka* means *the Priest* includes a pujari, a panda, an Archakatwam Mirasidar (Descendent or other person who personally performs or conducts any archana, pooja or other ritual).

[245] Housing loans sanctioned between May 2008 and March 2016 – ₹ 1.36 crore (790 cases); Marriage loans sanctioned between January 2004 and January 2016 – ₹ 3.64 crore (1205 cases); Education loan – ₹ 5.18 lakh (25 cases).

[246] Memo No. J3/ 24483/ 2009 dated 14 December 2009.

prior to April, 2011 at a temple) upto March 2018 and the same was not deposited in the Gold Deposit Bond Scheme.

Similar observation was included in Comptroller and Auditor General's Audit Report for the year ended March 2013 at para No. 8.1.9.

Government accepted (February 2019) and assured to issue necessary instructions for depositing the excess gold into Gold Deposit Bond scheme.

7.2.10 Utilisation of surplus funds of temples

7.2.10.1 Diversion of temple funds

Temple funds amounting to ₹ 34.07 crore were diverted against the provisions of the Act.

As per Section 72 of the APCHRIE Act, surplus funds of temple can be utilised for the purposes of establishing Institutes of Vedas, Sanskrit and for publicity of Sanatana dharma, granting aid to any other needy temple.

During scrutiny of records of eight temples categorised under Section 6 (a) of the Act, it was observed that temple funds amounting to ₹ 34.07 crore were utilised for establishment of schools/ colleges/ grant to the private hospital, fuel expenses of Government Officials etc. which are contrary to the purposes mentioned in the Act.

Government replied (February 2019) that an amount of ₹ 0.20 lakh was recovered (August 2018) from a temple towards expenditure incurred on fuel. In so far as payment of car hire charges, salaries to outsourced staff were concerned, they were met from temple funds subject to reimbursement after allotment of budget. In respect of staff working in educational institutions, Government contended that salaries were paid from temple funds meant for other than those working under Grants-in-Aid and hence did not amount to diversion.

Such expenditure out of temple funds was irregular as no such provision is in Act. Government was silent on grant provided to the private hospital.

7.2.10.2 Non-realisation of loans granted to other Institutions

No efforts were made by temple authorities to recover loan of ₹ 2.57 crore granted (between 1970 and 2016) to five temples against promissory notes. The validity period of promissory notes had expired.

As per the Limitation Act 1953, the validity of a Promissory Note is three years from the date of execution/ last payment recorded on the Promissory Note.

It was observed from the records of five temples categorised under Section 6 (a) of the Act, that loan of ₹ 2.57 crore was given to other temples against 63 promissory notes executed between the years 1970 and 2016. No efforts were made by these temple authorities to realise money from the borrowing

Institutions so far. The validity of these Promissory notes had already expired. This resulted in foregoing of even legal right on these promissory notes besides blocking up of interest amounting to ₹ 4.09 crore as of March 2018.

Government accepted (February 2019) and stated that an amount of ₹ 56.98 lakh was recovered by two temples[247] from ten institutions that availed loan. As regards balance amount, it was replied that necessary instructions would be issued either to recover loan amount or to renew the promissory notes.

7.2.11 Locking up of funds

Advance of`one crore was blocked up with a temple categorised under section 65 (2) of Endowment Act, for over eight years and the objective of providing Golden Chariot to a Temple categorised under section 6 (a) of the Act, failed though funds were collected and available towards the same.

A temple categorised under Section 6 (a) of the Act, proposed (2004) to provide Golden Chariot[248] to the deity by collection of donations exclusively for this purpose without using temple funds. Temple authorities requested (January 2006) EO of Temple specified under Section 65 (2) of the Act, to supply the Golden chariot for use by temple during festivals. Temple under Section 65 (2) of the Endowment Act, had agreed and demanded ₹ one crore as initial deposit for the purpose. Temple authorities paid ₹ one crore as advance (February 2010) against Deposit works without obtaining detailed estimates for the Golden chariot.

After lapse of five years, estimated cost of Golden Chariot had risen (October 2015) to ₹ 4.80 crore[249] with a condition to deposit the required gold, copper and supervision charges before commencement of the work. The EO intending to make a chariot confirmed sufficiency of funds, as demanded by Executing Authorities (Section 65 (2)). Accordingly a letter was addressed[250] (December 2015) to CoE to permit commencement of the work. However, no permission was accorded by CoE for releasing the funds as of January 2019.

Thus, despite availability of sufficient funds (₹ 5.49 crore in SB account for the purpose), the objective of providing Golden Chariot to deity had not been fulfilled. Besides this, funds valuing one crore rupees were locked up with temple executing the work for over eight years. The interest loss sustained on this account amounted to ₹ 56 lakh at an average interest rate of seven *per cent* per annum for eight years.

Government accepted (February 2019) the Audit observation.

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[247] ₹ 10.22 lakh from one institution and ₹ 46.76 lakh from other institution (principal ₹ 41.15 lakh, interest ₹ 5.61 lakh from nine institutions).

[248] A Golden Chariot is made (Gold is coated on copper sheets covered on the wooden chariot) exclusively for use by deity during the main festivals. The deity is taken outside the temple in procession on the Golden Chariot made for this purpose on festive days

[249] Cost of gold and silver: ₹ 4.05 crore and ₹ 75.29 lakh towards supervisory and administrative charges.

[250] RC.No.Q1/2612/2005 dated 04 December 2015.

7.2.12 Management of shops and other licences

As per Section 29 (3) (ii) of the Act, Executive Officer shall be responsible for collection of income from temples and for incurring expenditure from these collections. Leasing of temple properties are governed by the APCHRIE's Lease of Agricultural Lands Rules, 2003 and APCHRIE Immovable Properties and Other right (other than agricultural lands) Leases and Licenses Rules, 2003.

Some of the major observations are as follows:

7.2.12.1 Arrears in collection from lease/ licence holders

In 12 temples arrears from lease holders of shops and licencees accumulated to ₹ 18.48 crore to the end of March 2018.

In 12 temples categorised under Section 6 (a) of the Act, Audit observed that the arrears of collection from lease holders of shops, licences[251] and land accumulated to ₹ 18.48 crore as on 31 March 2018. The breakup of the prior period arrears was not made available to Audit. The reasons for non-recovery were not on record.

Government replied (February 2019) that an amount of ₹ 69.64 lakh was recovered from lease holders of five temples. With respect to another temple, it was stated that the amounts were not collected due to a court case. As regards remaining arrears, it was stated that necessary instructions would be issued to the temple authorities concerned.

Similar observation was included in Comptroller and Auditor General's Audit Report for the year ended March 2013 at para No. 8.1.13.

7.2.12.2 Loss of revenue from collection of human hair in Temples

Failure to include tender condition in the licence agreement with the successful bidder resulted in revenue loss of ₹ 60.97 lakh.

A temple categorised under Section 6(a) of the Act, had called (January 2016) tenders for granting licence for collection of human hair for the period 01 April 2016 to 31 March 2018. As per the tender conditions, attached to the tender schedule read with Government order[252], the rate quoted by the highest tenderer should be hiked by 10 *per cent* for the second year.

Accordingly, open auction was conducted and licence was granted to the highest bidder[253] who quoted an amount of ₹ 6.10 crore per year. An agreement was entered into (February 2016) with the bidder for an amount of ₹ 12.19 crore for two years. However, the condition regarding enhancement of licence fee for the second year was ignored while entering into agreement. Thus, exclusion of licence fee enhancement clause for the second year in the agreement had resulted in loss of revenue of ₹ 60.97 lakh.

[251] Human hair, coconut halves and parking etc.
[252] G.O.No. 426 Rev (Endts-1) Department dated 09 November 2015.
[253] M/s. Indian Hair Industries, Tanuku.

Government stated (February 2019) that reply would be furnished after ascertaining the facts from the temple.

7.2.13 Management of Temple Lands

A total extent of 4,53,459.61 acres of agricultural land and 9,05,374 square yards of non-agricultural land spread over the State were owned by the Temples. Out of the above, 70,091.79 acres (15.46 *per cent*) of agricultural land and 11,131.81 square yards (1.23 *per cent*) of non-agricultural land was reported to be under encroachment. In the test checked five temples categorised under Section 6(a) alone, 716.10 acres of land was under encroachment. Steps taken by the EOs for protecting/eviction of the encroached land were deficient as discussed below:

7.2.13.1 Non-eviction of encroachers

Failure of district administration in supporting the EO at a temple categorised under section 6 (a) of the Endowment Act, for eviction of land resulted in temple land remaining in the hands of private parties.

(a) Land property measuring 4.88 acres of a temple categorised under Section 6(a) of the Act, was encroached, prior to the year 1971 by private parties. Endowment Tribunal had passed eviction orders in 2004. Even after a lapse of 14 years of Court passing the order to evict the encroached land, no concrete steps were taken by the department for its eviction.

In reply, Government stated (February 2019) that the District Collector was taking necessary action for eviction of encroachers. The fact, however, remains that the land is under encroachment for the past 14 years even after the eviction orders of the Tribunal.

(b) It was observed from the scrutiny of land records of a temple categorised under Section 6(a) of the Act, that in seven cases, the Endowment Tribunal ordered (between August 2012 and August 2016) respondents to deliver vacant possession of the encroached land admeasuring 4,340 square yards within one month or necessary action be taken by the Department to take delivery of the property along with structures. The respondents have neither vacated the land nor any action for eviction was initiated by the department.

Government replied (February 2019) that necessary copies of eviction orders were not received and action would be taken after receipt of the orders. The eviction orders were, however available with the temple authorities.

7.2.13.2 Non-recovery of compensation

Land compensation and interest of ₹ 18.58 crore was not paid to temple authorities towards 44.57 acres of land allocated to Central Government organisations.

During the scrutiny of records of a temple categorised under Section 6(a) of the Act, it was observed that the temple land measuring 44.57 acres was allotted

and possession was given to various Central Government offices *viz.*, Naval Science and Technological Laboratory, East Coast railways, Doordarshan and National Highways Authority of India without fixing any land compensation, between the years 1973 and 1995. Though the land was allotted long back, the amount of compensation to be paid was assessed[254] at ₹ 18.58 crore in March 2016 by taking basic value of land prevailing at the time of handing over possession and adding interest there on at the rates applicable to GPF. No amount, however was realised upto February 2019.

Government replied (February 2019) that District Collector conducted meeting for recovery of compensation with relevant Institutions and temple authorities appealed to Hon'ble High Court in certain cases.

7.2.14 Conclusion and Recommendations

Assessable income of temples is not being reviewed every year. Consequently categorisation of temples was not undertaken regularly. Incorrect categorisation of temples led to short realisation of statutory contributions from temples.

There is no monitoring mechanism for timely collection of contributions from temples categorised under Section 6(a) of the Act and a temple categorised under Section 65(2) of the Act. This had resulted in huge accumulation of arrears of ₹ 298.21 crore from 6 (a) category temples and ₹ 470.98 crore from a temple categorised under Section 65(2) of the Act, to the end of March 2018.

Recommendation

Endowments Department may ensure annual categorisation of temples. Government may establish a mechanism for timely collection of contributions from a temple categorised under Section 65(2) of the Act and other temples categorised under Section 6(a) of the Act, to avoid accumulation of arrears.

Common Good Fund and temple funds were utilised for purposes other than for which they were meant.

[254] NSTL – ₹ 17.25 crore, Microwave repeater station (ECO railway) – ₹ 45.04 lakh, TV Tower (Doordarshan) – ₹ 37.73 lakh and National Highway Authority of India for Road widening – ₹ 50.12 lakh.

Recommendation

Endowments Department may ensure utilisation of temple funds in accordance with the provisions of the APCHRIE Act.

Of the total extent of 4,53,459.61 acres of agricultural land, 70,091.79 acres (15.46 *per cent*) was under encroachment. Temple land measuring 4.88 acres was encroached by private parties prior to 1971. Despite issue of eviction orders by the Tribunal in 2004, no action has been taken so far to evict the encroachers. Similarly in seven other cases no action was initiated by the Department to take posession of 4,340 acres of land despite issue of court order.

Recommendation

District Administration may extend necessary support to Executive Officers for protecting temple land and also in implementation of court orders of eviction.

(LV SUDHIR KUMAR)
Principal Accountant General (Audit)
Andhra Pradesh

Hyderabad
The

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The

APPENDICES
&
GLOSSARY

Appendix 1.1
Department-wise details of IRs
(Para 1.6.3)

(₹ in crore)

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding Paragraphs	Money value involved
1.	Revenue	Value Added Tax and Central Sales Tax	1,650	7,776	1,660
		State Excise Duty	255	724	132
		Land Revenue	978	3,188	230
		Stamp Duty and Registration Fee	1,643	5,412	264
2.	Transport, Roads and Buildings	Taxes on Vehicles	249	1,437	169
3.	Industries and Commerce	Mines and Minerals	298	1357	262
4.	Energy	Taxes and duties on Electricity	47	106	748
5.	Endowments	--	57	495	47
Total			**5,177**	**20,495**	**3,512**

Appendix 1.2
Position of Inspection Reports (IRs)
Department of Mines and Geology
(Para 1.7.1)

(₹ in crore)

Sl. No.	Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
		IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
1	2008-09	54	58	45.53	1	1	2.34	0	0	0	55	59	47.88
2	2009-10	55	59	47.88	14	22	5.58	0	0	0	69	81	53.46
3	2010-11	69	81	53.46	17	31	41.77	0	0	0	86	112	95.22
4	2011-12	86	112	95.22	6	8	20.49	0	0	0	92	120	115.72
5	2012-13	92	120	115.72	0	0	0	0	0	0	92	120	115.72
6	2013-14	92	120	115.71	0	0	0	0	0	0	92	120	115.72
7	2014-15	92	120	115.71	20	52	39.76	0	0	0	112	172	155.47
8	2015-16	112	172	155.47	19	48	3.44	2	1	0.23	129	219	158.69
9	2016-17	129	219	158.69	16	38	104	1	5	0.05	144	252	262.64
10	2017-18	144	252	262.64	3	10	0.53	0	1	0.0007	147	261	263.17

Appendix 4.1
Short levy of stamp duties due to application of incorrect rates
(Para 4.4. 13)

(₹ in lakh)

Sl. No	Nature of document	Article under Schedule IA to IS Act	Name of the office	Nature of irregularity	No of documents/ (month of registration)	Duties & fees leviable	Duties levied	Short levy
1	DGPA	6B	Mangalagiri	Duties were short levied.	1/(10/2016)	2.63	2.18	0.45
			Koretipadu	Duties were not levied correctly.	1/ (7/2015)	16.37	14.93	1.44
2	Gift deed	29	Patamata	Transfer duty was not levied.	1/ (12/2016)	7.20	4.16	3.04
			Bhimavaram		1/ (7/2017)	6.57	5.28	1.29
			Mangalagiri	Duties were not levied correctly.	1/ (7/2017)	2.97	2.25	0.72
			Kallur	Improper application of concessional rate of duties.	1/ (4/2017)	17.70	10.64	7.06
3	Simple Mortgage	35(b)	Patamata	Loan taken on same property for DOTD and Simple mortgage.	1/ (12/2016)	2.10	1.50	0.60
			Adoni	Duties were levied at incorrect rates.	2/(10/2016 &11/2016)	1.78	0.71	1.07
			Mangalagiri		1/ (1/2017)	0.50	0.10	0.40
			Nellore	Duties were short levied.	2/ (10/2017)	1.56	1.20	0.36
			Kurnool		2/(12/2017 & 2/2018)	4.13	1.20	2.93
4	Sale agreement with possession	6(B)	Sarpavaram	Duties were not levied correctly	1/ (5/2016)	488.75	487.06	1.69
5	DOTD	7	Kurnool	Multiple depositors were involved in one document; duties were levied at incorrect rates	1/ (11/2016)	1.70	0.50	1.20
6	GPA	42(g)	Nallapadu	Registration fee short levied in spite of sale/development clause mentioned	2/(12/2017&1/ 2018)	0.40	0.02	0.38
			Mangalagiri	Stamp duty and Registration fee short levied though there was mention of development clause	1(9/2017)	2.27	0.01	2.26
Total						**556.63**	**531.74**	**24.89**

Appendix 5.1
Trend of Check Post Revenue
(Para 5.4.2)

(₹ in lakh)

SI.No	Name of the check post	2015-16	2016-17	2017-18
1	Purushotthamapuram	1,627.9	1,715.78	2,065.65
2	Naraharipet	647.36	746.93	832.29
3	B.V.Palem	1,374.77	1,521.34	1,800.48
4	Penukonda(Hindupur)	711.46	668.05	1,500.92
5	Palamaneru	1,126.11	1,556.65	1,882
6	Renigunta	829.12	1,069.52	1,403.25
7	Kathipudi	842.54	828.8	948.47
8	Garikapadu	1,373.61	1,205.71	1,844.67
9	Chinturu*	34.59	56.37	58.73
10	Macherla	222.47	196.36	237.16
11	Dachepalli	1,073.46	1,176.17	1,447.82
12	Kurnool Panchalingala	1,178.39	1,369.68	1,516
13	Sunnipenta	415.88	433.49	451.02
14	Jeelugumilli	1,627.9	1,056.48	1,147.41
15	Tiruvuru	236.61	216.89	220.35
	Total	**13,322.17**	**13,818.22**	**17,356.22**

* Revenue figures furnished by the Department from manually maintained register**.**

GLOSSARY

AA	Assessing Authority
AC(ST)	Assistant Commissioner(State Tax)
ACTO	Assistant Commercial Tax Officer
AGPA	Agreement of Sale cum General Power of Attorney
AMVI	Assistant Motor Vehicle Inspectors
AP	Andhra Pradesh
APCHRIE Act	Andhra Pradesh Charitable and Hindu Religious Institutions and Endowments Act
AP VAT	Andhra Pradesh Value Added Tax
APGENCO	Andhra Pradesh Power Generation Corporation Limited
APMV Rules	Andhra Pradesh Motor Vehicles Rules
APMVT	Andhra Pradesh Motor Vehicle Taxation
APSRTC	Andhra Pradesh State Road Transport Corporation
AWF	Archaka Welfare Fund
BE	Budget Estimate
BSO	Board's Standing Order
CARD	Computer-Aided Administration of Registration Department
CCT	Commissioner of Commercial Taxes
CEVs	Construction Equipment Vehicles
CF	Compounding Fee
CFST	Citizen Friendly Services of Transport Department
CGF	Common Good Fund
CGST	Central Goods and Services Tax
CIGR	Commissioner and Inspector General of Registration and Stamps
CMV Rules	Central Motor Vehicles Rules
CRPF	Central Reserve Police Force
CST	Central Sales Tax
CT	Commercial Taxes
CTD	Commercial Taxes Department
CTO	Commercial Tax Officer
DC	Deputy Commissioner
DCB	Demand, Collection and Balance
DCTO	Deputy Commercial Tax Officer
DGPA	Development Agreement cum General Power of Attorney
DIG	Deputy Inspector General
DIGR	Director and Inspector General of Registration and Stamps
DLPO	Division Level Panchayat Officer
DR	District Registrar
DTC	Deputy Transport Commissioner
DTUS	Data Transmission, Use and Storage
EAF	Endowment Administration Fund

ED	Excise Duty
EO	Executive Officer
FC	Fitness Certificate
GO	Government Order
GPA	General Power of Attorney
GST	Goods and Services Tax
GSTN	Goods and Services Tax Network
HDPT	Hindu Dharma Parirakshana Trust
IGST	Integrated Goods and Services Tax
IMFL	Indian Made Foreign Liquor
IR	Inspection Report
IS Act	Indian Stamp Act
IT	Information Technology
ITC	Input Tax Credit
JC(ST)	Joint Commissioner (State Tax)
JTC	Joint Transport Commissioners
LTU	Large Tax Payer Unit
MIS	Management Information System
MT	Metric Tonne
MV	Market Value
MV	Motor Vehicle
MV Act	Motor Vehicles Act
MVI	Motor Vehicle Inspector
PAG	Principal Accountant General
P&E	Prohibition and Excise
P&ES	Prohibition and Excise Superintendent
P&L	Profit and Loss
PAN	Permanent Account Number
PR	Provisional Registration
R&T	Registration and Turnover
RC	Registration Certificate
RDO	Revenue Divisional Officer
RTA	Regional Transport Authority
RTO	Regional Transport Officer
SEZ	Special Economic Zone
SR	Sub-Registrar
STA	State Transport Authority
TC	Transport Commissioner
TRAN	Tax Revenue Anticipation Note
TOT	Turnover Tax
VAT	Value Added Tax
VCR	Vehicle Check Report
VRO	Village Revenue Officer

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