

D. MURUGIAH.
SY. AUDIT OFFICER (AUDIT
A.C.). MADRAS.

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

FOR THE YEAR ENDED 31 MARCH 1997

No.2

REVENUE RECEIPTS

GOVERNMENT OF TAMIL NADU

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NO. 12

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PREFATORY REMARKS

This Report for the year ended 31 March 1997 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

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

The cases mentioned in this Report are among those which came to notice in the course of test-audit of records during the year 1996-97 as well as those noticed in earlier years but could not be covered in previous years' Reports.

OVERVIEW

OVERVIEW

This report contains 31 paragraphs (including 2 reviews) relating to non-levy/short-levy of taxes, interest, penalty, etc., as also non-realisation of revenue resulting in unintended financial accommodation aggregating Rs.173.60 crores. Some of the major findings are mentioned below:

1. GENERAL

(i) The revenue raised by the State during 1996-97 amounted to Rs.8868.90 crores comprising Rs.7983.45 crores as tax revenue and Rs.885.45 crores as non-tax revenue. Rs.2165.50 crores were received from the Government of India as State's share of divisible Union taxes and Rs.926.88 crores as Grants-in-Aid. Sales Tax (Rs.5341.07 crores) formed a major portion (67 per cent) of the tax revenue of the State. Interest receipts of Rs.371.21 crores accounted for 42 per cent of the non-tax revenue.

[Paragraph 1.1]

(ii) At the end of 1996-97, the arrears in respect of taxes administered by the departments of Commercial Taxes and Religious Endowments, Home, Revenue, Industries, etc., amounted to Rs.3471.04 crores of which Sales Tax and Mines and Minerals together accounted for Rs.3278.81 crores.

[Paragraph 1.4]

(iii) Test-check of records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles and other departmental offices conducted during the year 1996-97 revealed under-assessments, short-levy, loss of revenue, etc., amounting to Rs.55 crores in 3313 cases.

[Paragraph 1.9]

(iv) As at the end of June 1997, 3371 Inspection Reports issued upto December 1996 containing 12160 audit observations with money value of Rs.244.81 crores were pending settlement with various departments.

[Paragraph 1.10]

2. SALES TAX

(A) A review on implementation of taxation proposals formulated by Enforcement wing revealed:

(i) During test-check, 57 per cent of total number (1136) of D3 taxation proposals formulated during 1991-92 to 1995-96 and representing 64 per cent of total revenue involved (Rs.515.44 crores) were found to be pending implementation. Of them, 378 proposals with revenue of Rs.132.08 crores were not involved in any Court cases. In 16 such pending proposals, the revenue exceeded Rs.1 crore each aggregating Rs.81.02 crores.

[Paragraph 2.2.6(i)]

(ii) There was loss of revenue of Rs.6320 lakhs due to non-implementation/ belated implementation of D3 taxation proposals.

[Paragraph 2.2.7]

(iii) Non-implementation of 16 D3 proposals resulted in non-realisation of revenue of Rs.8102 lakhs. This provided unintended financial benefit to the dealers.

[Paragraph 2.2.8]

- (iv) Delay in formulation of D3 taxation proposals led to loss of revenue of Rs.96.25 lakhs while incorrect formulation of the proposals resulted in short-levy of Rs.46.75 lakhs.

[Paragraphs 2.2.9 and 2.2.10]

- (v) There was short-levy of Rs.386.99 lakhs due to erroneous computation of revenue in six cases.

[Paragraph 2.2.11]

- (vi) No system has been evolved by the Enforcement Wing to watch the receipt and disposal of deviation proposals. Consequently, there was loss and short-levy of revenue aggregating Rs.921.26 lakhs in six proposals.

[Paragraph 2.2.13]

- (vii) At the instance of Audit, the department retraced a missed demand of Rs.41.54 lakhs in one case.

[Paragraph 2.2.14]

- (B) (i) Incorrect grant of exemption in respect of 20 dealers resulted in non-levy of tax/penalty amounting to Rs.43.89 lakhs.

[Paragraph 2.3]

- (ii) Application of incorrect rate of tax (including concessional rate of tax) on sale of various goods in 10 assessment circles resulted in short-levy of tax aggregating Rs.346.69 lakhs.

[Paragraphs 2.4 and 2.5]

- (iii) Non-levy/short-levy of additional sales tax resulted in short-realisation of tax of Rs.6.44 lakhs from 3 dealers.

[Paragraph 2.8]

(iv) There was short-levy of Rs.16.73 lakhs due to excess credit being afforded to 8 dealers in 6 assessment circles.

[Paragraph 2.9]

(v) In seven assessment circles, interest of Rs.8.43 lakhs was not levied for belated payment of tax/penalty in respect of 10 dealers.

[Paragraph 2.10]

3. LAND REVENUE

Non-levy of penalty on arrears of land revenue collected belatedly in 4 taluks amounting to Rs.28.67 lakhs.

[Paragraph 4.2]

4. TAXES ON VEHICLES

(A) A review on 'Issue of National Permits and Operation of Inter-State Vehicular Traffic Schemes' revealed:

(i) Composite fee of Rs.47.54 lakhs in respect of 5421 vehicles plying under National Permit Scheme was not collected. Also composite fee due to other States under this Scheme amounting to Rs.7.08 lakhs was not realised.

[Paragraphs 5.2.5 (i) and (ii)]

(ii) Failure to implement the suggestions of the Head of the Department by the Government for granting concession only on reciprocal basis to multi-axle vehicles of other States resulted in revenue foregone to the extent of Rs.15.90 lakhs.

[Paragraph 5.2.6]

(iii) Grant of irregular concession to a State Transport Undertaking under inter-State vehicular traffic scheme resulted in short-levy of Rs.32.74 lakhs.

[Paragraph 5.2.10]

(B) Transfer fee of Rs.29.40 lakhs for the transfer of buses to a newly formed transport corporation was not realised.

[Paragraph 5.3]

5. STATE EXCISE

Delay in realisation of administrative service charges in respect of 3 distilleries resulted in unintended financial accommodation and non-realisation of revenue of Rs.10.67 lakhs.

[Paragraph 6.2]

6. STAMP DUTY AND REGISTRATION FEES

Non-levy of differential stamp duty on instruments of immovable properties registered outside (Delhi and Mumbai) the State resulted in non-realisation of revenue amounting to Rs.178.31 lakhs.

[Paragraphs 7.2(i) and (ii)]

7. OTHER TAX RECEIPTS

A. URBAN LAND TAX

Omission to assess urban lands resulted in non-realisation of urban land tax amounting to Rs.62.45 lakhs.

[Paragraph 8.2]

8. NON-TAX RECEIPTS

A. MINES AND MINERALS

Failure to raise demand in respect of a mining lease agreement resulted in non-realisation of stamp duty of Rs.60.20 lakhs.

[Paragraph 9.2]

B. INDUSTRIES AND HIGHWAYS DEPARTMENT

Failure to levy seigniorage fee on the actual quantity quarried resulted in short-realisation of Rs.94.31 lakhs.

[Paragraph 9.6]

CHAPTER 1

GENERAL

1.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Tamil Nadu during the year 1996-97, the share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below and also exhibited in Chart I.

Rupees in crores

		1994-95	1995-96	1996-97
I	Revenue raised by the State Government			
	(a) Tax revenue	5833.76	7151.20	7983.45
	(b) Non-tax revenue	772.66	858.45	885.45
	Total	6606.42	8009.65	8868.90
II	Receipts from the Government of India			
	(a) State's share of divisible Union taxes	1735.40	1805.59	*2165.50
	(b) Grants-in-aid	877.58	784.01	926.88
	Total	2612.98	2589.60	3092.38
III	Total receipts of the State Government [(I) + (II)]	9219.40	10599.25	11961.28
IV	Percentage of I to III	72	76	74

* For details please see Statement No.11 - Detailed Accounts of Revenue by Minor Heads of the Finance Accounts of the Government of Tamil Nadu for the year 1996-97. Figures under the Head '0021 - Taxes on Income other than Corporation Tax - Share of net proceeds assigned to States' booked in the Finance Accounts under 'A - Tax Revenue' have been excluded from revenue raised by the State and included in 'State's share of divisible Union taxes' in this Statement.

(i) The details of tax revenue raised during the year 1996-97, alongwith the corresponding figures for the preceding two years, are given below and also exhibited in Chart II.

Sl. No.	Heads of revenue	1994-95	1995-96	1996-97	Rupees in crores
					Percentage of increase (+) or decrease (-) in 1996-97 over 1995-96
1	Sales Tax	3913.84	4689.27	5341.07	(+) 14
2	State Excise	614.64	934.66	1063.07	(+) 14
3	Stamp Duty and Registration Fees	506.69	613.01	590.60	(-) 4
4	Taxes on Vehicles	372.44	392.21	425.42	(+) 8
5	Land Revenue	35.27	25.21	18.77	(-) 26
6	Taxes on Agricultural Income	16.73	19.47	13.86	(-) 29
7	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	10.69	10.48	9.97	(-) 5
8	Others	363.46	466.89	520.69	(+) 12
	TOTAL	5833.76	7151.20	7983.45	(+) 12

(a) **Sales Tax:** Increase (14 per cent) was due to new taxes levied and changes made in existing rates of taxes during 1996-97 and due to better collections.

Chart I
(Reference: Para 1.1)
REVENUE REALISED DURING 1996-97
(Rupees in crores)
TOTAL REVENUE - 11961.28

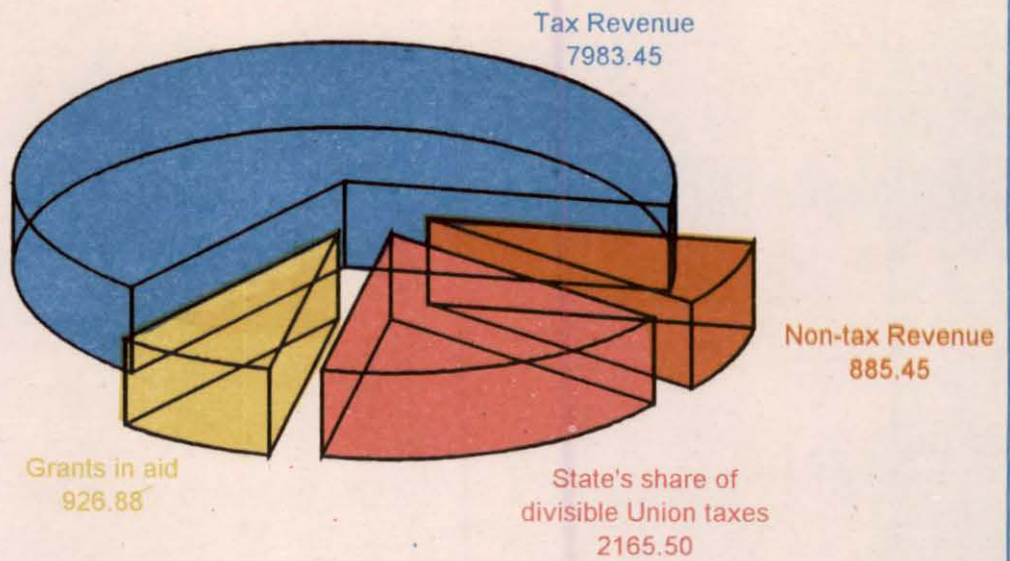
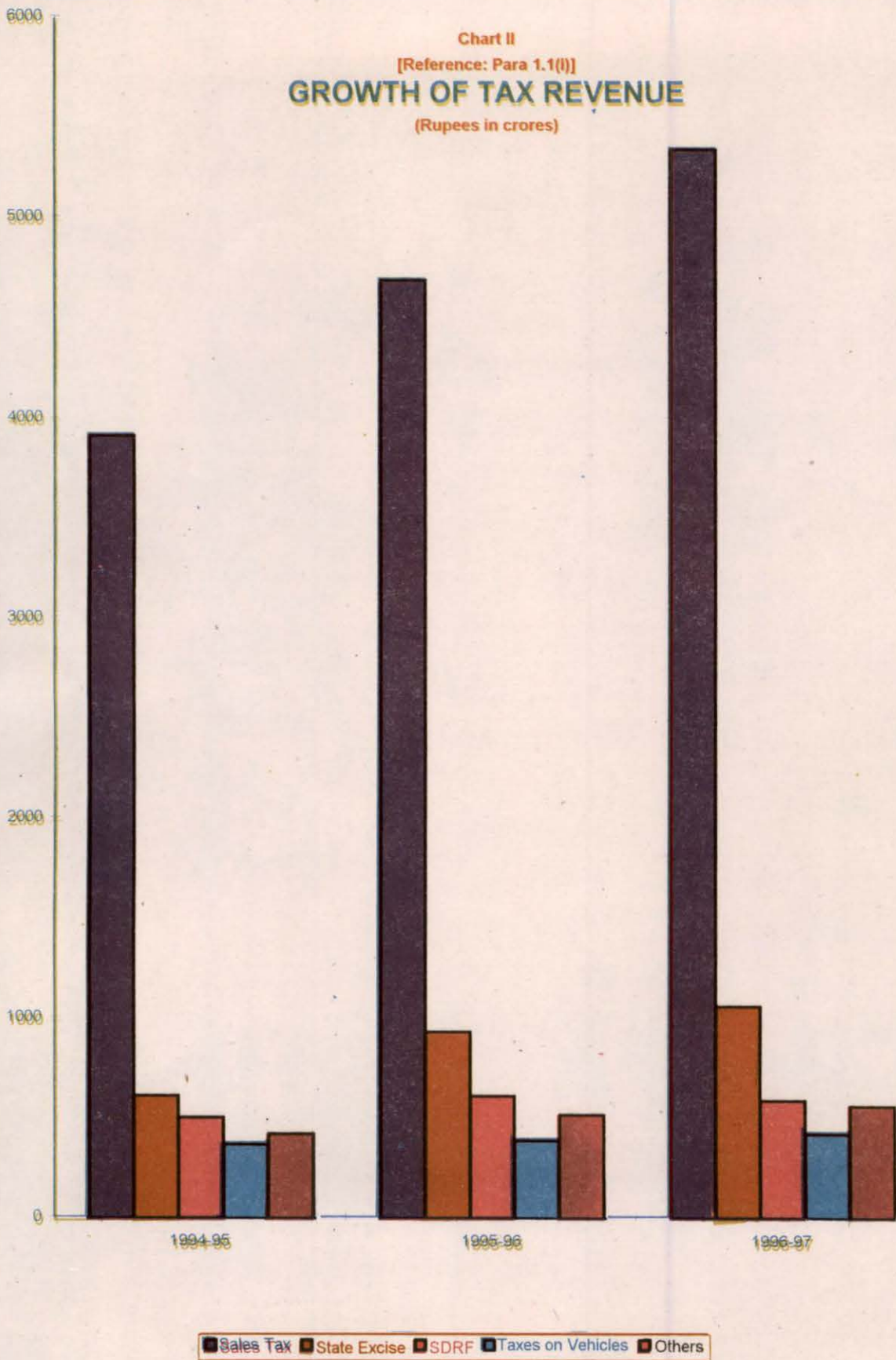
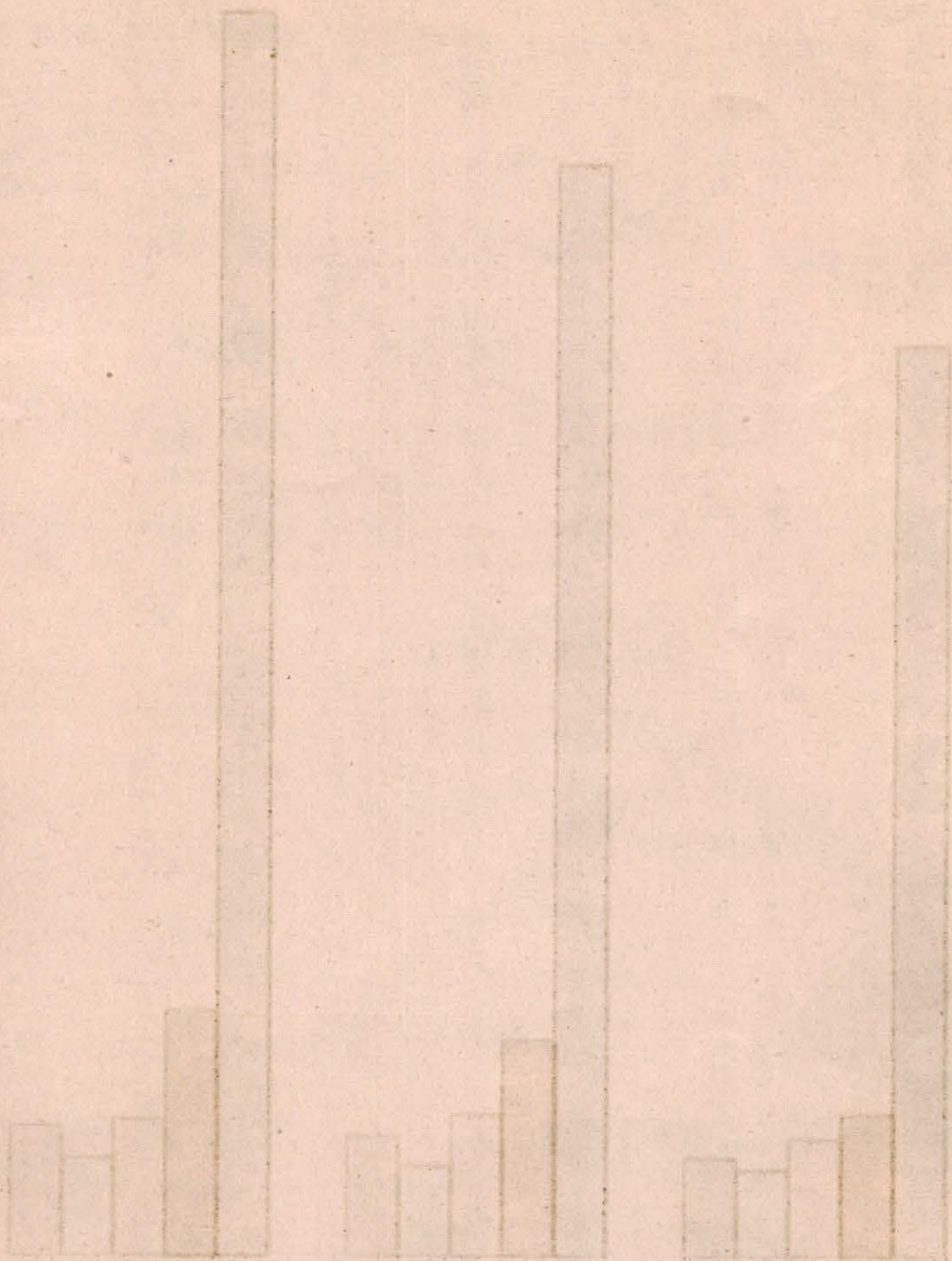




Chart II
[Reference: Para 1.1(i)]
GROWTH OF TAX REVENUE
(Rupees in crores)





1 2 3 4 5

(b) **State Excise:** Increase (14 per cent) was due to additional vend fee levied on Indian Made Foreign Liquor.

(c) **Taxes on Vehicles:** Increase (8 per cent) was due to levy of new taxes and changes made in the existing rates of taxes during 1996-97 and increase in tax for omni buses and imported vehicles.

(d) **Land Revenue:** Decrease (26 per cent) was due to decrease in sale proceeds of waste lands and due to remissions granted to ryots in various drought affected districts during fasli 1405.

Reasons for variation where it was substantial, though called for from the departments concerned, have not been received (October 1997).

(ii) The details of non-tax revenue realised during the years 1994-95 to 1996-97 are given below and also exhibited in Chart III.

Rupees in crores					
Sl. No.	Heads of revenue	1994-95	1995-96	1996-97	Percentage of increase (+) or decrease (-) in 1996-97 over 1995-96
1	Interest Receipts	278.79	342.83	371.21	(+) 8
2	Crop Husbandry	63.13	63.09	59.78	(-) 5
3	Forestry and Wild life	64.81	57.97	52.73	(-) 9
4	Non-Ferrous Mining and Metallurgical Industries	63.03	67.21	70.78	(+) 5
5	Education, Sports, Art and Culture	29.55	29.68	31.57	(+) 6
6	Others	273.35	297.67	299.38	(+) 1
	TOTAL	772.66	858.45	885.45	(+) 3

Crop Husbandry: Decrease (5 per cent) was due to decrease in cultivation of horticultural and vegetable crops.

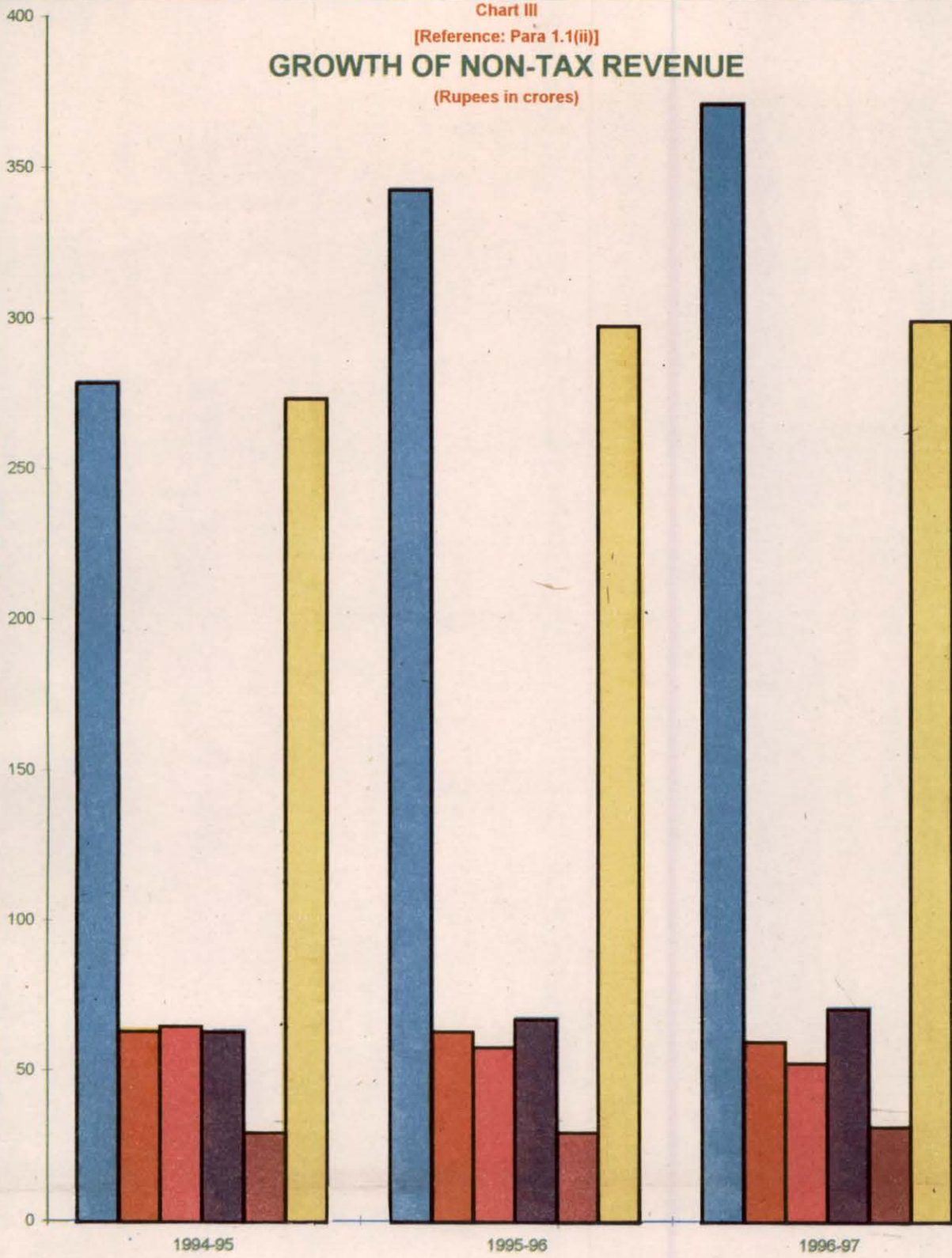
The reasons for variation where it was substantial, though called for from the departments concerned, have not been received (October 1997).

1.2 Variations between budget estimates and actuals

The variations between budget estimates of revenue for the year 1996-97 and actual receipts under the principal heads are given below:-

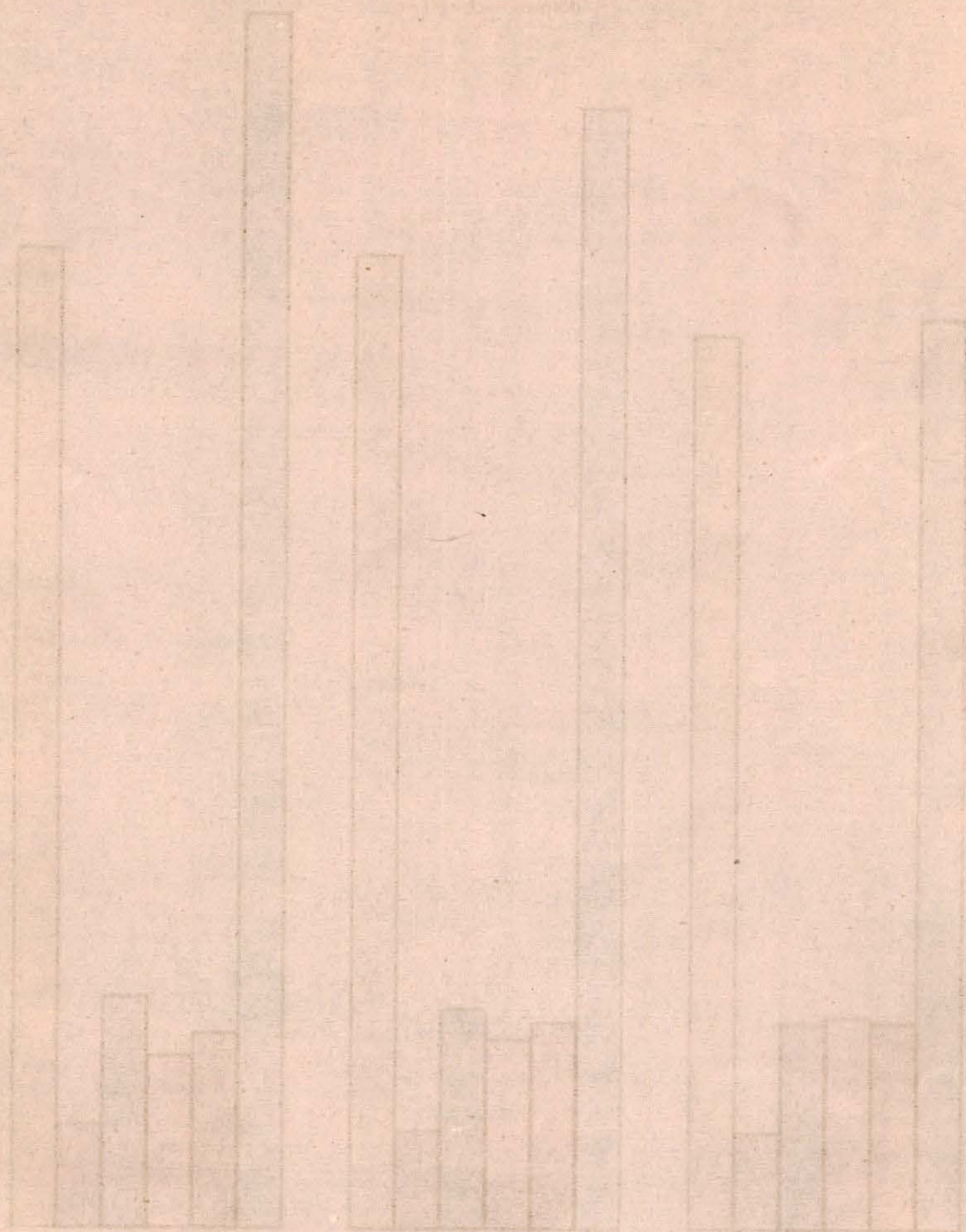
Rupees in crores					
Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations increase (+) decrease (-)	Percentage of variation excess (+) shortfall (-)
1	2	3	4	5	6
1	Sales Tax	5000.00	5341.07	(+) 341.07	(+) 7
2	State Excise	840.00	1063.07	(+) 223.07	(+) 27
3	Stamp Duty and Registration Fees	600.00	590.60	(-) 9.40	(-) 2
4	Taxes on Vehicles	410.00	425.42	(+) 15.42	(+) 4
5	Interest Receipts	208.68	371.21	(+) 162.53	(+) 78
6	Other Taxes and Duties on Commodities and Services and Taxes and Duties on Electricity	135.00	150.62	(+) 15.62	(+) 12
7	Crop Husbandry	52.37	59.78	(+) 7.41	(+) 14
8	Taxes on Agricultural Income	15.00	13.86	(-) 1.14	(-) 8
9	Land Revenue	10.00	18.77	(+) 8.77	(+) 88

Chart III
[Reference: Para 1.1(ii)]
GROWTH OF NON-TAX REVENUE
(Rupees in crores)



Interest Receipts	Crop Husbandry	Forestry and Wild Life
Non-ferrous Mining	Education, Sports, etc.	Others

STANDARD OF EXCELLENCE



1	2	3	4	5	6
10	Taxes on Immovable Property other than Agricultural Land (Urban Land Tax)	14.00	9.97	(-) 4.03	(-) 29
11	Roads and Bridges	16.75	14.23	(-) 2.52	(-) 15
12	Major and Medium Irrigation	4.34	4.64	(+) 0.30	(+) 7
13	Mines and Minerals	75.00	70.78	(-) 4.22	(-) 6

(i) **State Excise:** The increase (27 per cent) was due to higher receipts under country spirits (rental arrears, etc. pertaining to arrack/toddy shops), foreign liquors and spirits, hemp, drug, etc.

(ii) **Taxes and Duties on Electricity:** The increase (12 per cent) was due to more collection by the department.

The reasons for variations between budget estimates and actuals, though called for from other departments concerned, have not been received (October 1997).

1.3 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1994-95, 1995-96 and 1996-97 along with the relevant all India average percentage of expenditure on collection to gross collections for 1995-96 are given below:-

Rupees in crores

Sl. No.	Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 1995-96
1	Sales Tax	1994-95	3913.84	46.19	1.18	1.29
		1995-96	4689.27	52.93	1.13	
		1996-97	5341.07	64.59	1.21	
2	State Excise	1994-95	614.64	7.78	1.27	3.20
		1995-96	934.66	9.16	1.00	
		1996-97	1063.07	12.12	1.14	
3	Stamp Duty and Registration Fees	1994-95	506.69	33.54	6.62	3.46
		1995-96	613.01	31.66	5.16	
		1996-97	590.60	34.66	5.87	
4	Taxes on Vehicles	1994-95	372.44	9.19	2.47	2.57
		1995-96	392.21	10.05	2.56	
		1996-97	425.42	12.38	2.91	

1.4 Arrears of revenue

As on 31 March 1997, arrears of revenue pending collection under principal heads of revenue, as reported by the departments, were as under:-

Sl. No.	Heads of revenue	Arrears pending Collection		Remarks
		Total	More than 5 years old	
		(Rupees in lakhs)		
1	2	3	4	5
1	Sales Tax	242089.87	35007.75	Though the details of arrears were called for from the department, the same had not been furnished (October 1997).

1	2	3	4	5
2	Mines and Minerals	85791.57	69022.15	Out of arrears of Rs.85791.57 lakhs, recoveries amounting to Rs.7834.80 lakhs were covered by Revenue Recovery Act. Arrears amounting to Rs.33118.20 lakhs and Rs.828.26 lakhs had been stayed by Courts and Government respectively. Recoveries amounting to Rs.20.70 lakhs were likely to be written-off. Demands amounting to Rs.15604.46 lakhs were under regular process of collection/recoveries. Rs.1168.83 lakhs had since been collected. The details for the remaining arrears of Rs.27216.32 lakhs had not been furnished by the department (October 1997).
3	State Excise	6214.00	6214.00	Out of arrears of Rs.6214 lakhs, demands amounting to Rs.2380 lakhs were covered by Revenue Recovery Act. Arrears amounting to Rs.996 lakhs had been stayed by Courts. Recoveries amounting to Rs.210 lakhs were likely to be written-off. Arrears amounting to Rs.2628 lakhs were under regular process of collection.
4	Land Revenue	4517.68	1353.82	Out of arrears of Rs.4517.68 lakhs, arrears amounting to Rs.1144.20 lakhs had been stayed by Courts. Recoveries amounting to Rs.321.87 lakhs were likely to be written-off. Demands amounting to Rs.2383.86 lakhs were under regular process of collection/recoveries. Rs.667.75 lakhs had since been collected.
5	Urban Land Tax	3290.03	1516.24	Out of arrears of Rs.3290.03 lakhs, an amount of Rs.281 lakhs were covered by Revenue Recovery Act. Recoveries amounting to Rs.1964.37 lakhs and Rs.173.77 lakhs had been stayed by Courts and Government respectively. Demands amounting to Rs.119.71 lakhs were under regular process of collection/recoveries. Rs.751.18 lakhs had since been collected.

1	2	3	4	5
6	Stamp Duty and Registration Fees	3211.88	1059.85	Out of arrears of Rs.3211.88 lakhs, recoveries amounting to Rs.622.38 lakhs were covered under Revenue Recovery Act. Demands amounting to Rs.2589.50 lakhs were under regular process of collection/recoveries.
7	Taxes on Vehicles	623.08	112.64	Out of arrears of revenue of Rs.623.08 lakhs, recoveries amounting to Rs.324.69 lakhs were covered by Revenue Recovery Act. Arrears amounting to Rs.14.78 lakhs had been stayed by Courts. An amount of Rs.12.88 lakhs was likely to be written-off. Demands amounting to Rs.179.83 lakhs were under regular process of collection/recoveries. Rs.90.89 lakhs had since been collected.
8	Agricultural Income Tax	525.84	240.05	Out of arrears of Rs.525.84 lakhs, recoveries amounting to Rs.40.87 lakhs were covered under Revenue Recovery Act. Arrears amounting to Rs.352.63 lakhs had been stayed by Courts. Recoveries amounting to Rs.1.25 lakhs were likely to be written-off. Demands amounting to Rs.107.15 lakhs were under regular process of collection. Rs.23.94 lakhs had since been collected.
9	Entertainments Tax and Tax leviable under Tamil Nadu Local Authority Finance Act (1961)	473.77	158.97	Out of arrears of Rs.473.77 lakhs, arrears amounting to Rs.33.95 lakhs were covered by Revenue Recovery Act. Recoveries amounting to Rs.195.20 lakhs and Rs.0.19 lakh had been stayed by Courts and Government respectively. An amount of Rs.0.70 lakh could not be collected due to defaulters becoming insolvent. Recoveries amounting to Rs.24.22 lakhs were likely to be written-off. Demands amounting to Rs.67.36 lakhs were under regular process of collection/recoveries. The details for the remaining arrears of Rs.152.15 lakhs had not been furnished.

1	2	3	4	5
10	Luxury Tax	198.00	19.57	Out of arrears of Rs.198 lakhs, arrears amounting to Rs.7.61 lakhs were covered by Revenue Recovery Act. Recoveries amounting to Rs.22.45 lakhs and Rs.0.25 lakh had been stayed by Courts and Government respectively. Recoveries amounting to Rs.3.58 lakhs were held up pending disposal of appeal/revision petitions. Demands amounting to Rs.15.28 lakhs were under regular process of collection/recoveries. The details for the remaining arrears of Rs.148.83 lakhs had not been received.
11	Taxes and Duties on Electricity	150.44	115.35	Out of arrears of Rs.150.44 lakhs, Rs.100.69 lakhs were due from two Municipalities. Dues from Municipalities are likely to be adjusted from the settlement of compensation.
12	Tamil Nadu Tax on Entry of Motor Vehicles into Local Areas Act	18.66	0.11	Out of arrears of Rs.18.66 lakhs, an amount of Rs.1.38 lakhs was covered by Revenue Recovery Act. Recoveries amounting to Rs.6.09 lakhs had been stayed by Courts. Demand amounting to Rs.0.01 lakh was under regular process of recovery. The details for the remaining arrears amounting to Rs.11.18 lakhs had not been furnished by the department (October 1997).
TOTAL		347104.82	114820.50	

1.5 Frauds and evasion of tax

The details of cases of frauds and evasion of taxes pending at the beginning of the year, number of cases detected by the departmental authorities (including internal audit), number of cases in which assessments/investigations were completed and additional demand (including penalties, etc.) of taxes raised against the assesseees during the year and the number of cases pending finalisation at the end of March 1997 in respect of Commercial Taxes and Religious Endowments department as furnished (November 1997) by the department are given below:

Sl. No.	Nature of Tax	Cases pending as on 31 March 1996		Cases detected during 1996-97		Cases in which assessment/ investigations completed and additional demand including penalty, etc., raised		Cases pending finalisation as on 31 March 1997	
		No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)
1	Sales Tax	10500	38403	8517	12742	11265	32107	7752	190138
2	Entertainments Tax	28	3	---	---	---	---	28	3
3	Luxury Tax	1	0.12	---	---	---	---	1	0.12

1.6 Refunds

Details of amount refunded during the year 1996-97 under certain heads of receipts as furnished by the concerned departments were as follows:

Sl. No.	Heads of Revenue	Claims outstanding at the beginning of the year		Claims received during the year		Total		Refunds made during the year		Balance outstanding at the end of the year	
		No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)	No.	Amount (Rs. in lakhs)
1	Sales Tax	23817	831.89	26163	1341.67	49980	2173.56	5949	1393.63	44031	779.93
2	State Excise	---	---	78	67.85	78	67.85	78	67.85	---	---
3	Taxes on Vehicles	88	18.60	291	23.84	379	42.44	340	28.54	39	13.90
4	Agricultural Income Tax	8	7.01	---	---	8	7.01	1	0.38	7	6.63
5	Entertainments Tax	40	0.51	---	---	40	0.51	38	0.50	2	0.01
6	Urban Land Tax	1	0.16	---	---	1	0.16	1	0.16	---	---

1.7 Write-off and waiver of revenue

Demands for Rs.2230.47 lakhs in respect of 728 cases were written-off during 1996-97 by competent authorities as indicated below in respect of Sales Tax, Land Revenue and Taxes on Vehicles.

Sl. No.	Name of the department	Write-off/ Waiver of revenue	
		No. of cases	Amount (Rs. in lakhs)
1	Commercial Taxes and Religious Endowments	727	0.64
2	Land Revenue*	NF	2229.76
3	Taxes on Vehicles	1	0.07
	TOTAL	728	2230.47
NF - Not furnished			

* An amount of Rs.2229.76 lakhs of Land Revenue was written-off due to crop failure for the lands in the drought declared areas for the fasli 1405.

1.8 Internal audit

The number of inspection reports/audit objections issued by the internal audit wing pending settlement as on 31 March 1997 were as under:

Sl. No.	Heads of Revenue	Number of Inspection Reports	Number of audit objections	Amount (Rs. in lakhs)
1	Sales Tax (including Entertainments Tax, Betting Tax, etc.)	733	13930	726.93
2	State Excise	155	2324	280.10
3	Stamp Duty and Registration Fees	5922	18180	557.35
4	Taxes on Vehicles	53	1037	220.05
5	Land Revenue	NF	NF	NF
6	Agricultural Income Tax	8	325	423.50
7	Taxes and Duties on Electricity	523	1251	15.47
8	Urban Land Tax	20	80	5.07
NF - Not furnished				

1.9 Results of Audit

Test-check of the records of Sales Tax, State Excise, Agricultural Income Tax, Land Revenue, Urban Land Tax, Taxes on Vehicles, Other Tax Receipts and Mines and Minerals under Non-Tax Receipts conducted during the year 1996-97 revealed under-assessment/short-levy/loss of revenue amounting to Rs.5500.74 lakhs in 3313 cases. During the course of the year 1996-97, the concerned departments accepted under-assessments, etc. of Rs.166.58 lakhs involved in 775 cases, of which 477 cases involving Rs.48.47 lakhs had been pointed out in audit during 1996-97 and the rest in earlier years. Of these, the departments recovered Rs.73.55 lakhs in 467 cases.

This report contains 31 paragraphs including 2 reviews involving Rs.173.60 crores. The departments/Government have accepted audit observations involving Rs.72.82 lakhs. Of this, a sum of Rs.31.75 lakhs has been recovered (October 1997). Audit observations with total revenue effect of Rs.5.02 lakhs in 5 cases were not accepted by the departments/Government, but their contentions have been found at variance with facts and legal position and these have been appropriately commented upon in the relevant paragraphs. No reply has been received in the remaining cases (October 1997).

1.10 Outstanding Inspection Reports and Audit Observations

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

(ii) The number of inspection reports and audit observations relating to revenue receipts issued upto 31 December 1997, which were pending settlement by the departments as on 30 June 1997, along with corresponding figures for the preceding two years, are given below:

	Position as on 30 June		
	1995	1996	1997
Number of inspection reports pending settlement	2887	3226	3371
Number of outstanding audit observations	8692	9967	12160
Amount of revenue involved (Rupees in crores)	123.51	203.94	244.81

(iii) Year-wise break-up of the outstanding inspection reports and audit observations as at the end of June 1997 together with amount of receipts involved is given below:

Year	Number of outstanding		Amount of receipts involved (Rupees in crores)
	Inspection Reports	Audit Observations	
Upto 1993-94	1809	4143	107.13
1994-95	531	2067	28.23
1995-96	595	3164	73.01
1996-97 (upto 31 December 1996)	436	2786	36.44
TOTAL	3371	12160	244.81

(iv) Revenue-wise break-up of the inspection reports and audit observations outstanding as on 30 June 1997 is given below:

Sl. No.	Revenue Head	Number of outstanding		Amount of receipts involved (Rupees in crores)	Earliest year to which reports relate
		Inspection Reports	Audit Observations		
1.	Sales Tax	1463	8045	138.70	1982-83
2	Stamp Duty and Registration Fees	711	1200	3.76	1982-83
3	Land Revenue	363	1041	16.88	1987-88
4	Taxes on Vehicles	290	468	11.25	1983-84
5	State Excise	93	161	4.83	1987-88
6	Taxes on Agricultural Income	111	395	12.91	1984-85
7	Mines and Minerals	92	306	49.53	1988-89
8	Urban Land Tax	144	397	3.09	1983-84
9	Electricity Duty	31	58	3.39	1986-87
10	Entertainments Tax	35	36	0.37	1984-85
11	Luxury Tax	30	33	0.01	1991-92
12	Betting Tax	8	20	0.09	1991-92
	TOTAL	3371	12160	244.81	

The matter was brought to the notice of the Government in November 1997.

CHAPTER 2

SALES TAX

2.1 Results of Audit

Test-check of records of the departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, non-levy of tax, etc., amounting to Rs.4865.79 lakhs in 2683 cases which broadly fall under the following categories:

Sl. No.	Category	No.of cases	Amount (Rs. in lakhs)
1	Incorrect grant of exemption	549	1041.50
2	Application of incorrect rate of tax	597	2625.80
3	Incorrect computation of taxable turnover	218	154.30
4	Non-levy of surcharge/additional sales tax	63	74.74
5	Non-levy of penalty	1038	670.86
6	Other irregularities	218	298.59
TOTAL		2683	4865.79

During the course of the year 1996-97, the department accepted under-assessments, etc., of Rs.90.77 lakhs involved in 679 cases, of which 471 cases involving Rs.47.75 lakhs had been pointed out during 1996-97 and the rest in earlier years. A sum of Rs.43.63 lakhs involved in 414 cases had been recovered upto October 1997.

A review on 'Implementation of taxation proposals formulated by Enforcement Wing' and a few illustrative cases involving the financial effect of Rs.163.53 crores are mentioned in the following paragraphs:

2.2 Implementation of taxation proposals formulated by Enforcement Wing

2.2.1 Introduction

Sales tax is the single largest source of revenue for the State. During 1996-97, it accounted for Rs.5341.07 crores and represented 67 per cent of the total tax revenues. The Tamil Nadu General Sales Tax Act, 1959 and the Central Sales Tax Act, 1956 and the Rules made thereunder provide for detailed procedure for assessment, demand and collection of sales tax in respect of intra-State and inter-State transactions respectively.

Section 41 of the Tamil Nadu General Sales Tax Act, 1959 and the Rules made thereunder empower the departmental officers (known as 'Enforcement Officers') to make surprise inspection and scrutiny of accounts of any dealer at the latter's premises to unearth suppression of turnover and evasion of tax, if any, to prevent leakage of revenue.

2.2.2 Organisational set-up

The Commercial Taxes department functions under the overall control of Special Commissioner and Commissioner of Commercial Taxes. For the purpose of conducting surprise inspection and unearthing of suppression of turnover, the State has been divided into six Enforcement Divisions, each headed by a Deputy Commissioner (Commercial Taxes) Enforcement. The divisions are further divided into ten district zones and three Central Enforcement Wings, each headed by an Assistant Commissioner (Commercial Taxes) Enforcement and a Commercial Tax Officer respectively.

The Deputy Commissioner (Commercial Taxes) Enforcement and Assistant Commissioner (Commercial Taxes) Enforcement are responsible for approval of the taxation proposals (known as D3 Reports) formulated by the inspection staff and send them, duly approved, to the respective assessment circles for implementation. The Territorial Assistant Commissioners and Deputy Commissioners monitor the progress in implementation of D3 taxation proposals.

2.2.3 Scope of audit

With a view to ascertain whether the D3 taxation proposals formulated have been correctly and promptly implemented by the respective assessment circles in accordance with the provisions of the Act and Rules, a review was conducted between December 1996 and May 1997.

2.2.4 Highlights

- 1 In 11 out of 13 Enforcement Zones 22,444 D3 taxation proposals were formulated during 1991-92 to 1995-96 involving aggregate revenue of Rs.1668.50 crores. However, no time limit has been prescribed for implementation of D3 taxation proposals.

[Paragraph 2.2.5]

- 2 It was noticed that out of total number (1136) of D3 taxation proposals test-checked, 653 proposals (57 per cent) and representing 64 per cent of total revenue involved (Rs.515.44 crores) were pending implementation. Of them,

378 proposals with revenue of Rs.132.08 crores were not involved in any Court cases. In 16 pending proposals, the revenue exceeded Rs.1 crore each aggregating Rs.81.02 crores.

[Paragraph 2.2.6(i)]

- 3 There was loss of revenue of Rs.63.20 crores due to non-implementation/belated implementation of D3 taxation proposals.

[Paragraph 2.2.7]

- 4 Non-implementation of 16 D3 proposals resulted in non-realisation of revenue of Rs.8102 lakhs. This provided unintended financial benefit to the dealers.

[Paragraph 2.2.8]

- 5 Delay in formulation of D3 taxation proposals led to loss of revenue of Rs.96.25 lakhs while incorrect formulation of the proposals resulted in short-levy of Rs.46.75 lakhs.

[Paragraphs 2.2.9 and 2.2.10]

- 6 There was short-levy of Rs.386.99 lakhs due to erroneous computation of revenue in six cases.

[Paragraph 2.2.11]

- 7 Due to lack of effective action, about 732 dealers in Burma Bazaar remained unregistered. There was non-realisation of revenue of Rs.3.69 lakhs in a single day on suppression of sales in respect of 123 dealers alone.

[Paragraph 2.2.12]

- 8 No system has been evolved by the Enforcement Wing to watch the receipt and disposal of deviation proposals even though the Enforcement Officers have the

responsibility to ensure prompt implementation of D3 taxation proposals.

Consequently, there was loss and short-levy of revenue aggregating Rs.921.26 lakhs in six proposals.

[Paragraph 2.2.13]

2.2.5 Formulation of taxation proposals

The Tamil Nadu Commercial Taxes Manual enlists detailed procedure to be followed by the Enforcement Wing for conducting surprise inspection, further investigation and formulation of taxation proposals as per the Act and Rules and their implementation by the assessing officers. The Manual further provides that if the examination of the accounts is not completed within one month from the date of inspection, the matter should be reported to Assistant Commissioner (Enforcement) and if it is not possible to complete the examination within 60 days, the matter should be reported to Deputy Commissioner (Enforcement) and extension obtained. However, no time limit has been stipulated for finalisation and implementation of D3 taxation proposals.

The number of D3 taxation proposals formulated by eleven out of thirteen Enforcement zones during the years 1991-92 to 1995-96 are detailed below:

Year	No.of Proposals	Revenue involved (Rs. in lakhs)
1991-92	4959	27882.62
1992-93	4917	21573.43
1993-94	4052	32722.48
1994-95	4538	50208.63
1995-96	3978	*34462.39
TOTAL	22444	166849.55

* Represents revenue in respect of 3872 proposals from 10 zones only

Particulars of D3 proposals from Tirunelveli and Trichy zones were not received despite the fact that Special Commissioner and Commissioner of Commercial Taxes stated (June 1997) that the respective Deputy Commissioners had been instructed to furnish at once the particulars directly to Audit.

2.2.6 Implementation of taxation proposals

During the review, the trend in implementation was analysed in 86 assessment circles in respect of 1136 D3 taxation proposals, each with the money value of Rs.1 lakh and above, with total revenue aggregating Rs.515.44 crores. Each proposal pertain to one or more assessment years and the total assessment years in respect of 1136 proposals aggregate 1796. Details of trend in implementation of these taxation proposals are given below:

Sl. No.		No.	Assessment years	Revenue (Rs. in lakhs)
1	Total number of D3 proposals test-checked	1136	1796	51543.92
2	Proposals fully Implemented	460	710	16863.64
3	Proposals partly Implemented	23	78	1543.59
(i)	Implemented cases (out of 3)	23	32	487.18
(ii)	Pending Court cases (out of 3)	8	20	462.98
(iii)	Pending other cases (out of 3)	15	26	593.43
4	Proposals not implemented	653	1008	33136.69
(i)	Pending Court cases (out of 4)	275	513	19928.84
(ii)	Pending other cases (out of 4)	378	495	13207.85

(i) It is evident that 653 proposals {57 per cent of the total number of proposals (1136) test-checked} involving Rs.331.37 crores {representing 64 per cent of the total revenue involved (Rs.515.44 crores)} were not implemented (December 1996/March and May 1997). Of them, 378 proposals (33 per cent of total proposals) with revenue implication of Rs.132.08 crores (26 per cent of total revenue involved) were not involved in any Court cases and included 16 proposals, each with money value of Rs.100 lakhs and above (ranging between Rs.103.47 lakhs and Rs.2593.19 lakhs), with total revenue aggregating Rs.81.02 crores. Details of these 16 proposals are discussed in paragraph 2.2.8.

(ii) The 23 partly implemented taxation proposals pertain to 78 assessment years with aggregate revenue of Rs.15.44 crores. While the department had implemented the proposals in respect of 32 assessment years (Rs.487.18 lakhs), proposals for 26 assessment years (Rs.593.43 lakhs) were pending finalisation, even though they were not involved in any Court cases. Such pendency is extraordinary in view of the fact that the department was able to partly implement 8 proposals (Assessment years - 9; Revenue - Rs.193.13 lakhs) even though they were involved in Court cases.

(iii) Analysis of the 1136 cases with reference to the major revenue segments (i.e., above Rs.1 crore; between Rs.50 lakhs and Rs.1 crore; between Rs.10 lakhs and Rs.50 lakhs and below Rs.10 lakhs) is given in Annexure I.

2.2.7 Loss of revenue due to non-implementation/belated implementation of taxation proposals

(i) According to the provisions of the Tamil Nadu General Sales Tax Act, 1959, no penalty could be imposed after a period of 5 years from the expiry of the year to which the assessment related. Therefore it was imperative that the D3 taxation

proposals received from the Enforcement Authority were to be implemented without delay before the levy of penalty became time-barred.

However, it was noticed that in 18 assessment circles 27 D3 taxation proposals involving 21 assesseees pertaining to the assessment years between 1983-84 and 1991-92 were pending implementation even after 5 years. The total revenue of Rs.118.16 crores in respect of these proposals included the aggregate penalty of Rs.52.78 crores. As these taxation proposals were not implemented within the stipulated period of 5 years by finalising the original assessments, levy of penalty became time-barred and led to loss of revenue of Rs.52.78 crores as detailed below. None of these cases was pending in judicial forums.

Sl. No.	Assessment Circle/ (Year of formulation of D3 proposals)	No. of assesseees/ (No. of D3 reports)	Assessment years	Penalty (Total revenue) (Rs. in lakhs)
1	2	3	4	5
1	Annasalai III, Chennai (1988-89)	1 (2)	1983-84	50.21 (82.69)
2	Central Assessment Circle II, Chennai (1990-91)	1 (2)	1984-85 to 1988-89	1996.99 (3996.88)
3	Nungambakkam, Chennai (1990-91, 1991-92 & 1993-94)	3 (3)	1986-87 to 1990-91	351.45 (883.37)
4	Ganapathy, Coimbatore (1987-88)	1 (1)	1986-87	11.58 (45.60)
5	Central Assessment Circle I, Coimbatore (1991-92)	1 (1)	1988-89 to 1990-91	134.68 (249.95)
6	Harbour I, Chennai (1991-92)	1 (1)	1989-90	0.84 (2.82)
7	Mettupalayam Road, Coimbatore (1990-91)	1 (2)	1988-89 to 1991-92	349.16 (970.56)
8	Peelamedu (North), Coimbatore (1992-93)	1 (1)	1989-90 & 1990-91	150.99 (253.28)

1	2	3	4	5
9	Avinashi Road, Coimbatore (1994-95)	1 (1)	1989-90 & 1990-91	585.24 (2538.16)
10	Chepauk, Chennai (1991-92)	1 (1)	1990-91	4.62 (16.25)
11	Singanallur, Coimbatore (1991-92)	1 (1)	1990-91	2.94 (8.57)
12	Avinashi (1994-95)	1 (1)	1990-91 & 1991-92	1227.69 (2046.15)
13	Tindivanam (1995-96)	1 (1)	1990-91 & 1991-92	5.48 (9.29)
14	Park Road, Erode (1995-96)	2 (2)	1990-91	292.15 (424.33)
15	Mettur Road, Erode (1988-89 & 1990-91)	1 (2)	1988-89	7.02 (10.70)
16	Villupuram I (1994-95 & 1995-96)	1 (3)	1989-90 to 1991-92	92.48 (244.29)
17	Cuddalore (Town) (1993-94)	1 (1)	1991-92	12.86 (29.76)
18	Lakshmi Nagar, Tiruppur (1994-95)	1 (1)	1989-90	1.18 (1.97)
TOTAL		21 (27)		5277.56 (11815.62)

(ii)(a) Under Section 16 of the Tamil Nadu General Sales Tax Act, 1959, where whole or any part of the turnover of business of a dealer escapes assessment to tax, the assessing authority may, at any time within a period of five years from the expiry of the year to which the tax relates, determine the turnover to the best of its judgement and assess it to tax. Further, the assessing authority, may, if it is satisfied that the escapement is due to wilful non-disclosure of assessable turnover by the dealer, direct the dealer to pay by way of penalty a sum which shall not be less than 50 per cent but not exceeding 150 per cent of the tax so assessed. Accordingly, the D3 taxation proposals for escapement of turnover received from the Enforcement Authority are to be implemented before the levy of tax and penalty becomes time-barred.

In four* assessment circles, in respect of four assesseees for the years 1984-85 to 1986-87 and 1989-90, the D3 taxation proposals for escapement of turnover were not implemented by revising the original assessment within the prescribed time limit of five years and consequently the levy of tax and penalty amounting to Rs.583.80 lakhs became time-barred, resulting in loss of revenue.

(b) Further in six** assessment circles, in respect of seven assesseees for the years 1987-88 to 1990-91, the D3 taxation proposals for escapement of turnover were received from the Enforcement Wing in time. Consequently, these assessments required revision under Section 16 within the stipulated period of 5 years. However the revisions were made belatedly after the levy of tax and penalty became time-barred. As a result, the tax of Rs.37.98 lakhs (including surcharge, additional surcharge and additional sales tax) and penalty of Rs.420.30 lakhs raised by the department were not legally enforceable.

2.2.8 Non-realisation of revenue due to non-implementation of taxation proposals

(i) In 16 major proposals each involving revenue of Rs.1 crore and above test-checked in audit showed non-realisation of revenue and consequent unintended financial accommodation to the respective dealers in these 16 cases aggregated to Rs.81.02 crores due to non-implementation of D3 taxation proposals (details in Annexure-II).

* Central Assessment Circle I (Coimbatore), Ganapathy (Coimbatore), Harbour I (Chennai) and Lakshmi Nagar (Tiruppur).

** Central Assessment Circle I (Coimbatore), Esplanade I (Chennai), Harbour I (Chennai), Harbour III (Chennai), Mettupalayam Road (Coimbatore) and Ooty (North).

(ii) Only in two out of 16 cases, the dates of issue of first summon by the assessing authorities were available. In one case (Sl.No.9 of Annexure II), the inspection of the business premises of the dealer was carried out by the enforcement wing in August 1993; however, the D3 taxation proposals were approved in October 1994 only. The first summon calling for accounts from the dealer was issued in December 1997 only by the assessing authority, after a delay of three years of formulation of D3 taxation proposal pertaining to the assessment year 1993-94 involving revenue of Rs.363.17 lakhs. The assessing authority stated (November 1997) that the original assessment for 1993-94 itself was pending finalisation causing delay in implementation of the D3 taxation proposals.

(iii) Besides, there was loss of revenue due to non-implementation of D3 taxation proposal within five years in Nungambakkam Assessment Circle, Chennai. The D3 proposal in this case was formulated in August 1994 in respect of one dealer (Sl.No.4 of Annexure II) involving revenue of Rs.197.15 lakhs, including penalty of Rs.118.29 lakhs, pertaining to the assessment year 1991-92. Non-implementation resulted in levy of penalty having become time-barred. Consequently there was loss of revenue of Rs.118.29 lakhs.

2.2.9 Loss due to delay in formulation of taxation proposals

The Commercial Taxes Manual envisages scrutiny of monthly statement of transactions received by the Enforcement Wing from the Government departments/undertakings. It also envisages conduct of surprise inspection at the premises of the dealers who receive payments from such Government organisations and to formulate taxation proposal, if necessary.

An unregistered dealer who was in the business of leasing rigs received Rs.802.09 lakhs from Oil and Natural Gas Commission (ONGC) towards lease charges during 1986-87 and 1987-88. The contract expired in February 1988. However, it was only in April 1989 that the Enforcement Wing initiated action to formulate two D3 taxation proposals for Rs.96.25 lakhs and sent (April 1989 and June 1990) them for implementation to Harbour I Assessment Circle. The proposal of April 1989 was returned without implementation on the plea that the address of the dealer was only a contact address. Thereafter both the proposals were sent to the Commercial Tax Officer, Anna Salai - III as the second address of the dealer was under his jurisdiction. The taxation proposals are yet to be implemented (October 1997) as the whereabouts of the dealer was not known.

Failure of the Enforcement Wing to initiate action to obtain the monthly statement from ONGC during the contract period of two years itself and have the dealer registered under the Act, for the purpose of taxation, resulted in loss of revenue of Rs.96.25 lakhs towards tax and penalty.

2.2.10 Short-levy due to incorrect formulation of taxation proposals

While formulating the D3 taxation proposals in respect of suppression of sale of lottery tickets by a dealer during 1991-92 in Gandhipuram Assessment Circle, Coimbatore, the Enforcement Wing erroneously took the suppressed turnover as Rs.1851.07 lakhs instead of Rs.2018.05 lakhs. This resulted in short-levy of Rs.46.75 lakhs (inclusive of surcharge, additional sales tax and penalty).

2.2.11 Short-levy due to incorrect implementation of taxation proposals

(i) In five* assessment circles in respect of five assesseees for the years 1988-89, 1989-90, 1992-93 and 1993-94, penalty of Rs.1631.64 lakhs was leviable as per the taxation proposals. However, penalty of Rs.1260.59 lakhs only was erroneously levied. This resulted in short-levy of penalty of Rs.371.05 lakhs.

(ii) Under the Tamil Nadu Additional Sales Tax Act, 1970, the rate of additional sales tax is 2.25 per cent if the taxable turnover is between Rs.5 crores and Rs.10 crores and 2.5 per cent if the turnover exceeds Rs.10 crores.

In Central Assessment Circle I, Coimbatore, while implementing the D3 taxation proposals for Rs.574.06 lakhs, the total taxable turnover of an assessee for the year 1991-92 became Rs.1212.74 lakhs. However the additional sales tax was not revised at the rate of 2.5 per cent, taking into account the suppressed turnover. This resulted in short-levy of additional sales tax of Rs.15.94 lakhs.

2.2.12 Inadequate follow-up action in registration of unregistered dealers

According to the provisions of the Tamil Nadu General Sales Tax Act, 1959, every dealer whose total turnover reaches Rs.75,000 in a year should get himself registered under the Act and pay the tax due in respect of his sales turnover, unless he is exempted from registration.

* Chintadripet (Chennai), Harbour I (Chennai), Mettupalayam Road (Coimbatore), Oppanakara Street (Coimbatore) and Pollachi (West).

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

The Enforcement Wing conducted surprise shop inspection in an area known as 'Burma Bazaar' in Chennai and formulated taxation proposals with a money value of Rs.3.69 lakhs for the suppression of sales turnover in a single day by 123 unregistered dealers in the area during the year 1981-82 and sent the same to Harbour I Assessment Circle, Chennai for implementation. The notices of demand were served on the above 123 unregistered dealers by affixure on the plea that there was protest from dealers to acknowledge them. Though the department initiated (1986) legal action for recovery of the demand under Section 24(2)(b) of the Tamil Nadu General Sales Tax Act, 1959, the amount remains uncollected (May 1997).

Though there are about 732 such unregistered dealers carrying on their business in electronic goods, home appliances and foreign goods in that area for more than a decade and a half, no effective steps were taken by the assessing officers to invoke the provisions of the Tamil Nadu General Sales Tax Act, 1959, to get the dealers registered. This resulted in (i) the revenue due to the Government not being realised and (ii) extending of unintended benefit to a group of dealers.

2.2.13 Loss/short-levy involving deviation proposals

(i) According to the Commercial Taxes Manual, it is the responsibility of the Enforcement Officers to ensure the prompt implementation of taxation proposals by the concerned assessing officers. The assessing officers are also required to maintain a control register and to send a monthly report to the Territorial Assistant Commissioner

(Commercial Taxes) regarding the progress made in the implementation of proposals, who critically review the same and submit a report to the Commissioner of Commercial Taxes.

Further, while scrutinising the taxation proposals, if the assessing officer comes across any discrepancy, such as difference in turnover, rates of tax adopted etc., he could seek approval for deviation from Enforcement Wing before implementation. However, it was noticed that no system was evolved by the Enforcement Wing to watch the receipt and disposal of deviation proposals. As a result, details of deviation proposals received from the assessment circles, their disposal, implementation in the assessment circles and impact on revenue, at any given point of time, were not readily available with the Enforcement Wing.

(ii)(a) In Harbour I and Annasalai III Assessment Circles, Chennai, two D3 taxation proposals for the year 1990-91 were sent by Enforcement Wing in March 1994 and March 1996 respectively. However, the assessing officers submitted deviation proposals only in June and May 1996 respectively, which are yet to be approved by the Enforcement Wing (March 1997).

(b) In respect of another dealer in Ooty (North) for the years 1986-87 and 1987-88, two D3 taxation proposals were sent by the Enforcement Wing in February 1991 and February 1992 respectively. However, the assessing officer sought for deviations in April 1992 and August 1993, which were approved by the Enforcement Wing in August 1993 and January 1994 respectively and finally implemented in May 1994.

Delay in submission and approval of these deviation proposals resulted in loss of revenue of Rs.871.50 lakhs by way of penalty as the levy became time-barred.

(iii) The Enforcement Wing unearthed suppression of turnover relating to the year 1992-93 in respect of a dealer falling under the jurisdiction of Triplicane I

Assessment Circle and formulated D3 taxation proposals involving revenue of Rs.74.08 lakhs. The proposals were sent (September 1992 and March 1993) to the assessment circle for implementation.

However, the assessing officer suggested realisation of revenue to the extent of Rs.24.32 lakhs only and forwarded deviation proposals in this regard to the Enforcement Wing which rejected the same. Still, the assessing officer implemented the taxation proposals for Rs.24.32 lakhs only, under the orders of the Territorial Deputy Commissioner (Commercial Taxes). Reasons for adopting the lower taxation proposal were however, not on record. This resulted in short-levy of Rs.49.76 lakhs.

2.2.14 Omission to include the demand in the demand, collection and balance register

The Tamil Nadu General Sales Tax Act, 1959, and the Rules made thereunder require that in respect of tax due from an assessee on final assessment, a demand notice should be issued for payment of dues within the prescribed period. Demand so raised should also be posted in the Demand, Collection and Balance (DCB) Register and collection thereof watched through the register.

In Chepauk Assessment Circle, a D3 taxation proposal involving revenue of Rs.41.54 lakhs for the year 1990-91 in respect of a dealer received from the Enforcement Wing was implemented in March 1996. However, a corresponding demand was omitted to be included in the DCB Register. Consequently, the department lost track of this demand.

On this being pointed out (January 1997), the department included the demand in the DCB register. The collection particulars are awaited (October 1997).

2.3 Incorrect grant of exemption from levy of tax

In 15 assessment circles, exemptions were erroneously granted to 20 dealers on the turnover of Rs. 386.25 lakhs during the years 1987-88 and from 1990-91 to 1994-95 resulting in non-levy of tax/penalty amounting to Rs.43.89 lakhs as detailed below:

Sl. No.	Assessment circle	Year of assessment/ No. of dealers	Name of goods	Taxable turnover (Rs. in lakhs)	Amount of tax (Rs. in lakhs)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Egmore I, Chennai	1990-91 to 1992-93/ two	Man - made non- woven fabrics	121.74	22.69	As per the clarification of Commissioner of Commercial Taxes issued in January 1992, the commodity is taxable at 8 per cent under Section 3(1) of the Tamil Nadu General Sales Tax Act, 1959.
2	Suraman-galam	1994-95/ one	Coir ropes	80.22	3.82	Sales were erroneously exempted from tax treating them as tax-free goods.
3	Virudha-chalam	1992-93/ four	Iron- scraps	35.61	3.56	Sales were erroneously exempted from tax based on the dealer's claim that they were second sales; but the first sales were by bogus dealers and had not suffered tax earlier.
4	Adayar I, Chennai	1994-95/ one	Food & Drinks	33.94	2.44	Sales made by a hospital to persons other than in-patients were erroneously exempted from tax.
5	T.Nagar (South), Chennai	1987-88/ one	Finned econo- miser tubes	21.29	2.14	Sales were erroneously exempted from tax as second sales.
6	Ambattur, Chennai	1994-95/ one	Corru- gated boxes	25.30	1.90	Sales to a non-exporter were erroneously exempted from tax treating them as sales made to exporters.
7	Thanjavur II	1994-95/ one	Briquettes	15.31	1.49	Sale of briquettes manufactured out of agricultural and wooden wastes, an unspecified item taxable at 8 per cent was erroneously exempted from tax.

(1)	(2)	(3)	(4)	(5)	(6)	(7)
8	Tindi- vanam	1991-92/ one	Rough granite blocks	5.96	1.37	Sales of rough granite blocks were exempted from tax treating them as sales in the course of export, but the goods actually exported were granite monuments manufactured from the rough blocks purchased.
9	Theni II	1990-91/ one	Soda ash & Sodium bi- carbonate	9.41	1.06	Inter-State sales were erroneously exempted as stock transfer.
10	Chinta- dripet, Chennai	1991-92/ one	Iron- scraps & Motor lorries	11.54	0.85	Exemptions were erroneously granted on sales of iron-scraps and motor lorries as an exempted item and second sales respectively, even though iron-scraps were taxable at 2 per cent with effect from 5 September 1991 and there was no documentary proof for the lorries having suffered tax earlier.
11	Avaram- palayam, Coim- batore	1992-93/ two	Corru- gated boxes & Polythene bags	8.59	0.84	Sales were erroneously exempted from tax as sales made to exporters, even though they had not been made to the actual exporters.
12	Avinashi, Coim- batore	1993-94/ one	Paper cones	4.94	0.53	Sales were erroneously exempted from tax treating them as sales made to exporters, even though they had not been made to actual exporters.
13	Perambur I, Chennai	1994-95/ one	Lorries	4.60	0.51	Sales were erroneously exempted from tax as second sales, even though they had not suffered tax earlier as lorries.
14	Peela- medu (South), Coim- batore	1991-92/ one	Packing materials	3.75	0.39	Sales were erroneously exempted from tax treating them as sales in the course of export, even though they were not used for the purpose of export.
15	Loan- square II, Chennai	1994-95/ one	Paper & Boards	4.05	0.30	The value of debit notes raised by the inter-State sellers on account of price variation was erroneously exempted from tax as second sales in the hands of the dealer.
TOTAL				386.25	43.89	

On these 15 cases being pointed out to the department (between July 1989 and February 1997), the department revised (between January 1995 and June 1997) the assessments in nine cases (serial numbers 3, 5, 7 to 10, 12, 14 and 15) and raised additional demands for Rs.11.69 lakhs, of which Rs.4.52 lakhs had been collected (between March 1995 and July 1997). In respect of two cases (serial numbers 6 and 11), the department contended (September/November 1996) that the exemption was admissible on sales to non-exporters also. This is not tenable because the notification contemplates exemption on sale to actual exporters only. The replies of the department in respect of other four cases (serial numbers 1,2,4 and 13) have not been received (October 1997).

The Government to whom the cases were reported (between April 1993 and June 1997) accepted (between December 1995 and July 1997) the audit observations in six cases (serial numbers 3, 5, 8, 9, 12 and 14). The replies in other cases had not been received (October 1997).

2.4 Application of incorrect rate of tax

In 6 assessment circles, tax was short-levied on the turnover of Rs.470.94 lakhs involving 7 dealers during the years 1992-93 to 1994-95 due to application of incorrect rate of tax. The total short-levy of tax in these 6 cases worked out to Rs.8 16 lakhs as detailed below:

Sl. No	Assessment circle	Year of assessment/ No. of dealers	Name of goods/ Entry under which assessable	Taxable turnover (Rs.in lakhs)	Differential rate to be charged (in %)	Amount of tax short-levied (Rs.in lakhs)
1	Palani II	1994-95/ two	Cotton lint/ Entry 2/ II Schedule	316.81	1	3.17
2	Tiruthani	1994-95/ one	Wheat bran flakes & Wheat dust/ Entry 63/ Part D/ I Schedule	41.81	5	2.40
3	Dindigul I	1992-93/ one	Dressed hides & Skins/ Entry 7/ II Schedule	88.30	1.5	1.32
4	Redhills, Chennai	1994-95/ one	Bolts & Nuts/ Entry 40/ Part D/ I Schedule	9.11	5	0.55
5	Loansquare II, Chennai	1993-94/ one	Vegetable oil & Oil cakes/ Entry 4 or 5/ Part B/ I Schedule	12.75	3	0.38
6	Anna Salai III, Chennai	1993-94/ one	Hire charges of air-conditioning machinery/ Entry 16/ Part F/ I Schedule	2.16	13	0.34
TOTAL				470.94		8.16

On these being pointed out to the department (between August 1996 and March 1997), the department revised (April/October 1996) the assessments in two cases (serial numbers 3 and 5) and raised additional demand for Rs.1.70 lakhs, of which Rs.1.32 lakhs had been collected (October 1996). In one case (serial number 4), the department contended (November 1996) that the commodities were parts and accessories of tractors and therefore taxable at 3 per cent. This is not tenable because when there is a

specific Entry for an item in the Schedule, it cannot be taxed under any other Entry. The replies of the department in respect of other cases (serial numbers 1,2 and 6) have not been received (October 1997).

The cases were reported to the Government (between October 1996 and May 1997). The Government accepted (June 1997) the audit observation in one case (serial number 3). The replies of the Government in respect of other cases have not been received (October 1997).

2.5 Incorrect grant of concessional rate of tax

As per Section 3(3) of the Tamil Nadu General Sales Tax Act, 1959, on sale of goods falling under the First Schedule made by one dealer to another, tax is leviable at the concessional rate of three per cent under certain conditions and subject to production of valid declaration in Form XVII from the purchaser. Accordingly, the benefit of concessional rate cannot be extended to goods other than those falling under First Schedule to the Act. Therefore, 'Pulpwood' being timber taxable at 8 per cent under the Sixth Schedule to the Act is not eligible for concessional rate.

This concession is also not applicable to the sale of mineral oil and lubricating oil which are taxable at 12 per cent under Entries 23 and 24 respectively of Part E of First Schedule to the Act.

By a notification dated 26 March 1981, as amended, issued under Section 17 of the Act, the rate of tax was reduced to four per cent on sale of any goods specified in the First Schedule except Petrol, Diesel and Cement and on sale of any goods specified in the Fifth Schedule to the State and Central Government departments including Indian Railways. Accordingly, the reduced rate cannot be applicable to furniture which is taxable under Entry 13 of the Sixth Schedule at twelve per cent.

(a) In three assessment circles, on sale of goods falling under Sixth Schedule, concessional rate of tax was erroneously allowed on the turnover of Rs.89.73 lakhs involving five dealers during the year 1994-95 resulting in short-levy of tax amounting to Rs.5.77 lakhs as detailed below:

Sl. No	Assessment circle	Year of assessment/ No. of dealers	Name of goods	Taxable turnover (Rs. in lakhs)	Amount short-levied (Rs. in lakhs)
1	Mettupalayam	1994-95/ three	Pulpwood, timber sizes	43.73	2.51
2	Sathyamangalam	1994-95/ one	Pulpwood	30.09	1.73
3	Choolai, Chennai	1994-95/ one	Furniture	15.91	1.53
TOTAL				89.73	5.77

The cases were reported to the department (July/August/December 1996) and the Government (between August 1996 and May 1997). The Government contended (April 1997) in one case (serial number 2) that the collection of tax by the Forest Department at the concessional rate was in accordance with the clarification (June 1995) of the Commissioner of Commercial Taxes and added that the assessment was also not finalised. The reply of the Government is not tenable since (i) the said clarification is not in conformity with the provisions of the Act and (ii) the Tamil Nadu General Sales Tax Act, 1959 and Rules made thereunder do not provide for finalisation of assessment and passing of any orders in respect of the Government departments but provide only for scrutiny of returns to ensure the correctness of rate of tax charged and as seen from the records, the returns were scrutinised by the Assessing Officer.

The replies of the department/Government in respect of the other two cases have not been received (October 1997).

(b) In Nandanam Assessment Circle, Chennai, on sale of lubricating oil additive (a consumable falling under the category of mineral oil) made by a dealer during 1993-94 for Rs.3081.10 lakhs, tax was erroneously levied at the concessional rate of 3 per cent instead of 12 per cent. This resulted in short-levy of tax of Rs.332.76 lakhs (inclusive of surcharge and additional surcharge).

This was pointed out to the department and the Government (April/June 1997); their replies have not been received (October 1997).

2.6 Turnover escaping assessment

Cardamom is taxable at the rate of five per cent at the point of last purchase in the State under Entry 195 upto 12 March 1993 and under Entry 6 of Part B of the First Schedule thereafter.

Under the Central Sales Tax Act, 1956, on inter-State sale of goods (other than declared goods) which are not covered by valid declarations in the prescribed form, tax is leviable at the rate of 10 per cent or at the rate applicable to sale of such goods within the State, whichever is higher.

In Bodinayakanur Assessment Circle, it was noticed that the exemption claimed by two dealers during 1992-93 on the turnover of Rs.33.49 lakhs on account of consignment sales of cardamom to a dealer in Delhi was allowed. However, as noticed from the records of another dealer in the same assessment circle, the transferee was found by the Enforcement Wing to be a bogus dealer and therefore the exemption granted was not in order. This resulted in non-levy of tax amounting to Rs.3.35 lakhs.

On this being pointed out (March 1996), the department revised (August 1996) the assessment and raised an additional demand for Rs.3.35 lakhs, besides levying penalty of Rs.5.02 lakhs for suppression. The department further stated (January 1997)

that the appeal preferred by the dealer before the Appellate Assistant Commissioner (Commercial Taxes) was pending.

The Government to whom the case was reported (May 1996) accepted (December 1996) the audit view. Report on recovery had not been received (October 1997).

2.7 Short-levy due to mis-classification of turnover

As per Section 3(2) of the Tamil Nadu General Sales Tax Act, 1959, in the case of goods falling under parts 'B', 'C' and 'D' mentioned in the First Schedule, tax shall be payable at the rates 3, 5 and 8 per cent respectively at the point specified therein.

In Central Assessment Circle III, Chennai, sales turnover of Rs.107.55 lakhs, Rs.16,044.87 lakhs and Rs.144.63 lakhs of an assessee relating to the year 1993-94 and taxable at the rates of 3, 5 and 8 per cent respectively under the First Schedule to the Act were incorrectly reckoned as Rs.160.24 lakhs, Rs.15,991.91 lakhs and Rs.144.90 lakhs respectively, thereby amounts taxable under higher rate slab were taxed under lower rate slab. This resulted in short-levy of tax amounting to Rs.80,322 (inclusive of surcharge and additional surcharge).

On this being pointed out (October 1996), the department revised (October 1996) the assessment and raised an additional demand for Rs.79,555 out of which an amount of Rs.55,542 was collected (October 1996) and the balance was stated to have been covered by deferral scheme.

The case was reported to the Government (April/May 1997); their reply has not been received (October 1997).

2.8 Non-levy/short-levy of additional sales tax

Under the Tamil Nadu Additional Sales Tax Act, 1970, additional sales tax is leviable at a fixed percentage as prescribed from time to time on the taxable turnover of the dealer if it exceeds rupees ten lakhs subject to the condition that no additional sales tax is leviable for the first ten lakhs. The levy is also subject to the condition that the aggregate of the sales tax and additional sales tax on declared goods should not exceed four per cent.

In three assessment circles, on the taxable turnover of Rs.1208.84 lakhs during the years 1989-90 and 1994-95 involving three dealers, additional sales tax was either not levied or levied short resulting in short-realisation of additional sales tax amounting to Rs.6.44 lakhs as detailed below:

Sl No	Assessment circle	Year of assessment/ No.of dealer	Taxable turnover (Rs. in lakhs)	Non-levy/ short-levy (Rs. in lakhs)	Remarks
1	2	3	4	5	6
1	Central Assessment Circle I, Coimbatore	1989-90/ one	533.15	2.67	Additional sales tax was erroneously levied at the rate of 1.5 per cent instead of at 2 per cent. The case was reported to the department (October 1996) and the Government (January/May 1997); their replies have not been received (October 1997).
2	Perundurai	1994-95/ one	588.10	2.61	Additional sales tax was erroneously levied as Rs.8.48 lakhs instead of Rs.11.09 lakhs. The case was reported to the department (March 1997) and the Government (June 1997). The department revised (March 1997) the assessment and raised an additional demand of Rs.2.61 lakhs. The collection particulars and the reply of the Government have not been received (October 1997).

1	2	3	4	5	6
3	Sriperumbudur	1994-95/ one	87.59	1.16	Additional sales tax was omitted to be levied. The case was reported to the department (February 1997) and the Government (June 1997). The department revised (February 1997) the assessment and raised an additional demand of Rs.1.16 lakhs which was covered by deferral scheme. The reply of the Government has not been received (October 1997).
TOTAL			1208.84	6.44	

2.9 Affording of excess credit

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

In six* assessment circles, while finalising the assessments of eight dealers, the total tax paid by the dealers in the respective years (1986-87, 1988-89 to 1991-92, 1993-94 and 1994-95) was taken as Rs.1273.96 lakhs against Rs.1257.23 lakhs resulting in affording of excess credit to the dealers to the tune of Rs.16.73 lakhs.

This was pointed out to the department (between December 1995 and March 1997) and the Government (April/June 1997); their replies have not been received (November 1997).

* Central Assessment Circle III (Chennai), Central Assessment Circle IV (Chennai), Central Assessment Circle II (Coimbatore), Egmore (Chennai), Podanur (Coimbatore) and Ramnagar (Coimbatore).

2.10 Non-levy of interest for belated payment of tax

Under the provisions of the Tamil Nadu General Sales Tax Act, 1959, on any amount remaining unpaid after the date specified for its payment, the dealer or person shall pay, in addition to the amount due, interest at two per cent of such amount for the entire period of default.

In seven* assessment circles, involving 10 dealers, tax of Rs.21.87 lakhs for the years 1986-87, 1989-90 to 1994-95 was paid belatedly for which interest of Rs.8.43 lakhs was not levied.

On these being pointed out (between March 1994 and June 1997), the department levied interest in respect of 5 dealers amounting to Rs.3.48 lakhs, the collection particulars of which have not been received (October 1997). The replies of the department in respect of other cases have not been received (October 1997).

The cases were reported to the Government (between September 1996 and June 1997); their replies have not been received (October 1997).

2.11 Non-levy/short-levy of penalty

Under the provisions of the Tamil Nadu General Sales Tax Act, 1959, as amended with effect from 12 March 1993, if the return filed by a dealer is found to be incorrect or incomplete, the assessing authority shall assess the dealer to the best of its judgement. In addition, it may also levy penalty depending on the percentage of difference between the tax assessed and tax paid as per the returns. The above provisions apply to levy of penalty on surcharge, additional surcharge and additional sales tax also.

* Chithode (Erode), Hosur (North), Nandanam (Chennai), Park Town II (Chennai), Red Hills (Chennai), Sowcarpet II (Chennai) and Tiruvanmiyur (Chennai).

In seven* assessment circles, for short-payment of tax by seven dealers during the years 1993-94 and 1994-95, penalty amounting to Rs.5.94 lakhs was either not levied or levied short.

On these being pointed out (between June 1996 and February 1997), the department levied (February/March 1997) penalty, in respect of three dealers, amounting to Rs.1.58 lakhs, the collection particulars of which have not been received (October 1997). The reply of the department in respect of other cases have not been received (October 1997).

The Government to whom the cases were reported (between December 1996 and June 1997) accepted (July 1997) the audit observation in one case and stated that the assessee had preferred an appeal and obtained stay. The replies of the Government in respect of other cases have not been received (October 1997).

2.12 Non-levy of penalty under Central Sales Tax Act, 1956

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

* Central Assessment Circle II (Coimbatore), Loansquare I (Chennai), Nandanam (Chennai), Ranipet, Tiruppur (Central I), Tiruppur (South) and Vadapalani II (Chennai).

In Sowcarpet I Assessment Circle, Chennai, a dealer of asafoetida purchased sticker labels amounting to Rs.8.32 lakhs during the years 1993-94 and 1994-95 from other States against 'C' Forms even though the commodity was not covered by his certificate of registration. For misuse of 'C' Forms, penalty upto a maximum of Rs.1.25 lakhs was leviable.

The case was pointed out to the department (September 1996) and the Government (March/May 1997); their replies have not been received (October 1997).

CHAPTER 3

AGRICULTURAL INCOME TAX

3.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, short-levy of tax, etc., amounting to Rs.211.03 lakhs in 60 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Short-levy due to errors in computation of income	17	134.85
2	Short-levy due to incorrect exemption	11	28.37
3	Short-levy due to errors in computation of holding of agricultural lands	2	0.71
4	Others	30	47.10
TOTAL		60	211.03

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.2.26 lakhs involved in 7 cases pointed out during earlier years. A sum of Rs.2 lakhs involved in 3 cases have been recovered upto October 1997.

An illustrative case highlighting important audit observation of Rs.1.18 lakhs is mentioned below.

3.2 Incorrect computation of income

As per provisions of the Tamil Nadu Agricultural Income Tax Rules, 1955, the computation made by the Income Tax Office shall be accepted by the Agricultural Income Tax Officer and the agricultural income so computed assessed after allowing admissible deduction, if any, under the Agricultural Income Tax Act. It has been judicially

held* that in the light of definition of 'Agricultural income', the entries relating to opening stock and closing stock had no relevance to eligibility to tax.

In Pollachi Assessment Circle, the department after taking into account the value of opening and closing stocks, assessed the net taxable income of a firm for the assessment period 1992-93 as Rs.72.65 lakhs instead of Rs.74.46 lakhs which resulted in short-levy of tax of Rs.1.18 lakhs.

On this being pointed out (February 1995), the department revised (March 1996) the assessment raising an additional demand of Rs.1,17,835 which was recovered by adjustment against the refund due to the assessee.

The Government to whom the case was reported (October 1996) accepted (December 1996) the audit observation.

* 100 ITR 14 (SC) 1975 - Sheveroy Estates Ltd. Vs. Government of Madras

CHAPTER 4

LAND REVENUE

4.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, non-levy of tax, etc., amounting to Rs.113.97 lakhs in 109 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Non-levy/short-levy of local cess and local cess surcharge	18	26.19
2	Non-levy of water cess and betterment contribution	2	0.97
3	Non-recovery of penalty and interest	6	3.96
4	Short-recovery of value or rent in respect of Government lands assigned, alienated or encroached	69	75.69
5	Others	14	7.16
TOTAL		109	113.97

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.32.22 lakhs involved in 30 cases, of which one case was pointed out in 1996-97 and the rest in earlier years. A sum of Rs.2.65 lakhs involved in 27 cases had been recovered upto September 1997.

A few illustrative cases highlighting important audit observations of Rs.29.46 lakhs are mentioned below.

4.2 Non-levy of penalty on arrears of land revenue collected

According to the orders issued by the Government in July 1974, commencing from 1 July 1974 (i.e. fasli year 1384), if any land holder fails to pay land revenue in the fasli in which it has fallen due and also in the fasli that followed, then in the third fasli he should be charged a penalty at the rate of five per cent per year of default for the period subsequent to the period of grace.

In four taluks*, on arrears of land revenue relating to different periods between 1 July 1973 and 30 June 1993 (i.e. between fasli years 1383 and 1402) collected during 1 July 1993 to 30 June 1995 (i.e. fasli years 1403 and 1404) penalty aggregating Rs.28.67 lakhs was not levied.

This was pointed out to the department (February/March 1996) and the Government (January/June 1997). Their replies have not been received (October 1997).

4.3 Omission to levy local cess and local cess surcharge on the lease amount

Under Tamil Nadu Panchayat Act, 1958, local cess and local cess surcharge at the rates of 45 paise and Rs.2.50 respectively are leviable on every rupee of land revenue payable to the Government in respect of any land. Land Revenue for this purpose, includes lease rent payable to the Government in respect of land held on lease from the Government.

* Bhavani, Gobichettipalayam, Pollachi and Udumalpet.

In Ambarampalayam village in Pollachi Taluk, 0.43 hectare of Government land was leased out (September 1989) to an Industrial Co-operative Society for 9 years from 21 January 1987 on an annual lease rent of Rs.8922 (renewable after 3 years). Even though lease rent of Rs.26,766 for the period from 21 January 1987 to 20 January 1990 was demanded (May 1994) from the Society, local cess and local cess surcharge aggregating Rs.78,960 was omitted to be levied. Also the lease rent was not revised (May 1997).

On this being pointed out (March 1996), the department stated (December 1996) that demand of Rs.78,960 towards local cess and local cess surcharge for the first three years has since been raised; but the Society had expressed inability to pay due to continued loss incurred by it. However, as reported by the Tahsildar (December 1995), the Society was not functioning for a long time.

The matter was reported to the Government (February/June 1997); their reply has not been received (October 1997).

CHAPTER 5

TAXES ON VEHICLES

5.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, short-levy, etc., of tax amounting to Rs.50.04 lakhs in 66 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Short-collection/non-collection of tax	37	12.91
2	Short-collection/non-collection of fees	18	33.68
3	Non-levy/short-collection of penalty	2	0.10
4	Incorrect refund of tax	2	0.58
5	Others	7	2.77
TOTAL		66	50.04

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.1.34 lakhs involved in 12 cases. A sum of Rs.1.24 lakhs had been recovered.

A review on 'Issue of National Permits and Operation of Inter-State Vehicular Traffic Schemes' and a few illustrative cases highlighting important audit observations involving the financial effect of Rs.149.38 lakhs are mentioned below.

5.2 Issue of National Permits and Operation of Inter-State Vehicular Traffic Schemes

5.2.1 Introduction

The National Permit Scheme (NPS) was introduced in December 1975 under the provisions of the Motor Vehicles Act, 1939, for facilitating speedy and economical transportation of goods throughout the country or in a minimum of four contiguous States including the home State. For issue of National Permit to goods carriages, the intending operators are required to pay, by crossed bank drafts Composite Fee due to other States in which permission to operate the vehicle is granted. This is in addition to the motor vehicle tax and the authorisation fee due to the home State.

5.2.2 Organisational set-up

The National Permit Scheme is administered and monitored in Tamil Nadu by the Transport Commissioner-cum-Secretary, State Transport Authority (STA). The Collector of a district is the Regional Transport Authority (RTA) who has delegated powers to issue permits, levy and collect composite fee and is assisted by Regional Transport Officer (RTO) as Secretary to the Regional Transport Authority. There are 37 Regional Transport Officers and 19 check-posts in the State.

5.2.3 Scope of Audit

With a view to verify the compliance to the provisions of the Act, Rules and administrative orders, the records relating to the National Permit Scheme including bilateral agreements maintained in the office of the State Transport Commissioner, Chennai and twelve Regional Transport Authorities including ten offices having border check-posts for the period from 1993-94 to 1995-96 were test-checked (November 1996 to March 1997).

5.2.4 Highlights

- Composite fee of Rs.47.54 lakhs in respect of 5421 vehicles plying under National Permit Scheme was not collected.

[Paragraph 5.2.5(i)]

- Composite fee to other States under National Permit Scheme amounting to Rs.7.08 lakhs was not realised.

[Paragraph 5.2.5(ii)]

- Failure of the Government to implement the suggestion of the Head of the Department in respect of granting concession to multi-axle vehicles resulted in revenue foregone to the extent of Rs.15.90 lakhs.

[Paragraph 5.2.6]

- Grant of irregular concession to a State Transport Undertaking resulted in short-levy of Rs.32.74 lakhs under inter-State Vehicular Traffic Scheme.

[Paragraph 5.2.10]

5.2.5 Short-realisation of composite fee

(i) Consequent to the decision taken (October 1993) by the Transport Development Council to enhance the composite fee with effect from 1 September 1993, the Government of Tamil Nadu enhanced (March 1994) the composite fee from Rs.1500 to Rs.3000 per annum from 1 September 1993. The Government also clarified that if any State levied composite fee on Tamil Nadu based goods carriages at a rate more than Rs.3000, the vehicles coming from those States would be subject to such higher rates. The composite fee is payable annually or in two equal instalments.

During the test-check of the registers of bank drafts received from 10* States in the Office of the Transport Commissioner, it was noticed that in respect of 5421 goods carriages of other States, composite fee due for the period from 1 September 1993 to 31 March 1996 was not collected at the higher rates fixed by these States. The omission resulted in short-realisation of revenue of Rs.47.54 lakhs which included the following five major States involving the amount of Rs.39.90 lakhs:

Sl. No.	State	No. of vehicles	Tax to be levied	Tax collected	Short-collection
			Rs.	Rs.	Rs.
1	Rajasthan	1492	36,13,216	18,83,626	17,29,590
2	Andhra Pradesh	1383	12,55,408	5,42,936	7,12,472
3	Madhya Pradesh	519	13,03,500	7,58,000	5,45,500
4	Gujarat	670	12,77,546	7,43,259	5,34,287
5	Haryana	458	11,63,000	6,95,250	4,67,750
TOTAL		4522	86,12,670	46,23,071	39,89,599

No action was taken (March 1997) by the department to get the amount recovered by the respective States.

(ii) The Transport Commissioner, Chennai issued (January 1994 and November 1995) instructions to all the Regional Transport Officers in Tamil Nadu to revise the composite fee in respect of Tamil Nadu based goods vehicles covered by National Permits and authorised to ply in other States at the rates specified for each State with effect from 1 September 1993.

* Assam, Bihar, Goa, Haryana, Kerala, Madhya Pradesh, Nagaland, Punjab, Rajasthan and Uttar Pradesh.

It was noticed during the audit of nine* Regional Transport Offices that composite fee due to other States and Union Territories** for the period from September 1993 to March 1996 was collected at the rate of Rs.3000 instead of Rs.5000 per annum. The omission resulted in short-collection of composite fee aggregating to Rs.7.08 lakhs, of which the fee due to Haryana accounted for Rs.4.09 lakhs.

5.2.6 Revenue foregone due to non-implementation of uniform policy in granting concession to multi-axle vehicles

According to the orders issued by the Government in March 1994, composite fee is leviable at Rs.3000 per annum with effect from 1 September 1993 on vehicles of other States holding National Permit, provided the other States also levy the same rate (Rs.3000) of composite fee on the vehicles of Tamil Nadu as a reciprocal measure. Otherwise, the fee had to be raised on National Permit in respect of vehicles of other States by an amount equal to that levied by other States on Tamil Nadu based vehicles, to maintain parity between the fees leviable in Tamil Nadu and in other States.

* Chennai (North), Dharmapuri, Gobichettipalayam, Kancheepuram, Nagercoil, Namakkal, Tirunelveli, Udhamandalam and Vellore.

** Andhra Pradesh, Assam, Bihar, Chandigarh, Delhi, Gujarat, Goa, Haryana, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Pondicherry, Punjab, Rajasthan, Uttar Pradesh and West Bengal.

On an earlier occasion in July 1992, the Government granted 25 per cent concession on the composite fee to all multi-axle vehicles of other States with National Permit and plying in Tamil Nadu, without insisting on a reciprocal concession by the other States in respect of Tamil Nadu based vehicles. This unilateral concession was continued even after the issue of the Government Order of March 1994 stipulating parity on composite fee, despite the fact that some of the other States had not extended similar concession for multi-axle vehicles on reciprocal basis.

Test-check of the bank draft registers in the office of the Transport Commissioner revealed that in respect of 2641 multi-axle vehicles belonging to Haryana, Maharashtra, Orissa and Rajasthan States, the composite fee was collected after extending 25 per cent concession, even though these States had not extended the reciprocal concession to the Tamil Nadu based vehicles plying in their States.

This resulted in Government foregoing revenue to the extent of Rs.15.90 lakhs for 1994-95 and 1995-96.

5.2.7 Non-levy of penalty for belated payment of composite fee

(i) Test-check of bank draft registers in the office of the Transport Commissioner, Chennai revealed that the composite fee payable to Tamil Nadu was paid belatedly by the vehicle owners of six* States in 2777 cases. The delay ranged between one and nine months. However, penalty of Rs.4.35 lakhs, though leviable, was not levied. No action was also taken up with the respective States to get the penalty levied and recovered.

* **Delhi, Goa, Haryana, Kerala, Punjab and Rajasthan.**

(ii) According to the instructions issued by the Joint Transport Commissioner in January 1994, the difference of composite fee for the period from September 1993 to March 1994 on account of enhancement of fee due to other States in March 1994 with retrospective effect from September 1993 should be collected by the Regional Transport Officers on or before December 1993 and thereafter with a penalty of Rs.100 per month or part thereof.

It was noticed during the test-check of the connected records maintained in six* Regional Transport Offices that in 502 cases penalty amounting to Rs.4.32 lakhs was not levied and collected for the belated payment of composite fee.

5.2.8 Delay in realisation/non-realisation of bank drafts

(i) The bank draft remittance registers maintained in the Office of the Transport Commissioner revealed that 18,900 bank drafts involving Rs.64.36 lakhs were credited to the Government account after a delay of one to eight months from the date of their presentation to the banks.

(ii) It was further noticed that 68 bank drafts involving Rs.15.46 lakhs received from various States for the period from 1993-94 to 1995-96 remained unrealised as of March 1997. Failure of the department to ensure timely credit of the bank drafts to Government account resulted in retention of Rs.15.46 lakhs outside the Government accounts. The department did not take any effective steps for timely realisation of the bank drafts.

* Chennai (North), Gobichettipalayam, Periyakulam, Nagercoil, Namakkal and Tirunelveli.

5.2.9 Inadequate internal control mechanism

Under the Motor Vehicles Rules, 1989, the authority which granted authorisation of National Permits shall inform the State Transport Authorities of the States concerned the details of registration numbers of the vehicle, name and address of the permit holders and validity period of permits. Receipt of such information is required to watch the periodical recoveries and the reasons for non-recovery. It was noticed in audit that no register was maintained in office of the Transport Commissioner to record such basic information and monitor the recovery of the dues from other States. Consequently, the office of the Transport Commissioner could not indicate as to the total number of vehicles of other States with National Permits plying in the State of Tamil Nadu at any given time. The department stated (March 1997) that action to call for these details from other States will be taken.

5.2.10 Operation of Inter-State Vehicular Traffic Scheme

(i) By an order (October 1995), the Government reduced the bilateral road tax from Rs.450 to Rs.50 per seat per quarter in respect of all stage carriages operated by a State Transport Undertaking (STU) within its jurisdiction, with headquarters at Udthagamandalam in Nilgiris district on the grounds of reducing its recurring losses on account of plying of their transport vehicles, mostly in the hilly track zones. Therefore, it follows that this concession was not applicable to vehicles operating outside the jurisdiction of the STU. However, it was noticed in audit that this concession was erroneously granted to 27 vehicles operating on inter-State routes from November 1995 to March 1997 by the STU. This resulted in short-levy of Rs.32.74 lakhs.

On this being pointed out (March/May 1997), the department stated (March 1997) that a clarification had been sought for from the Government which was still awaited (October 1997).

(ii) According to Tamil Nadu Motor Vehicles Rules, 1989, Motor Vehicles Inspectors are empowered to issue temporary permits to contract carriages (other than omni buses) of other States entering into Tamil Nadu through border check-posts and also collect an additional fee of Rs 200 each for issue of State-wide permit in respect of these carriages.

Test-check of the temporary permits issued in 13* check-posts revealed that additional fee of Rs.200 per permit was not collected for the period from April 1994 to December 1996 in respect of 1635 vehicles, resulting in short-levy of Rs. 3.27 lakhs.

The department stated (July 1997) that additional fee of Rs.200 had to be collected only in cases where permits were issued under Section 74 and not in the cases where temporary permits were issued under Section 87 of the Motor Vehicles Act, 1988. The contention of the department is not tenable, as reported (November 1997) to them for the following reasons:

(a) Permit issued to a contract carriage vehicle by other State Transport Authority is not valid in Tamil Nadu; therefore a temporary permit is issued under Section 87 of the Act for allowing the vehicle to enter into Tamil Nadu.

(b) For allowing the vehicle to ply all over Tamil Nadu, additional fee of Rs.200 is to be collected while granting State-wide permits in the check-posts.

(iii) Under the bilateral agreement entered into by the State of Tamil Nadu with certain States/Union Territories,* a vehicle operator of any other State desirous

* Ambarampalayam, Bannari, Gudalur, Kaliakkavallai, Katpadi, K.G. Chavadi, Kumuli, Nadugani, Pichanur, Puliyarai, Serkadu, Thirutani and Zuzuvadi.

of plying his vehicle in Tamil Nadu has to obtain a permit from his home State and get it countersigned by the State Transport Authority in Tamil Nadu. According to Government Order dated 30 March 1993, the bilateral tax payable under this agreement to Government of Tamil Nadu is Rs.1500 annually on each goods carriage with effect from 1 April 1993 (Prior to 1 April 1993, the tax payable was Rs.500 per annum). This tax is payable in advance and in lump sum on or before 15 April every year by crossed bank drafts to the Transport Authority of the home State granting permits. Subsequently, such bank drafts are required to be transmitted to the Transport Authority of Tamil Nadu.

During the check of Demand Collection and Balance (DCB) registers in five* Regional Transport Offices, it was noticed that in respect of 151 vehicles covered by valid counter-signature of permits, bilateral tax amounting to Rs. 2.33 lakhs for the period from 1992-93 to 1995-96 was not collected.

The case was reported to the Government (May 1997); their reply has not been received (November 1997).

5.3 Non-realisation of transfer fee of Rs.29.40 lakhs for the transfer of buses to a newly formed transport corporation

Under Section 82(1) of the Motor Vehicles Act, 1988, a permit shall not be transferable from one person to another except with the permission of the transport authority which granted the permit and shall not, without such permission, operate to confer on any person to whom a vehicle covered by the permit is transferred any right to use that vehicle in the manner authorised by the permit. To effect any such transfer of permit, a fee of Rs.2000 per bus as transfer fee and Rs.500 per bus as continuous endorsement fee was leviable.

* Chennai (North), Coimbatore (South), Nagercoil, Udthagamandalam and Vellore.

The Government of Tamil Nadu have ordered (March 1993) formation of a new transport corporation namely Dr. Ambedkar Transport Corporation Ltd. (DATC) at Chennai by bifurcating the existing Pallavan Transport Corporation Ltd. (PTC). By way of allocating the assets and liabilities of PTC to the new corporation, 1176 buses were transferred from PTC to DATC in January 1994. Subsequently, DATC commenced its operation with effect from 19 January 1994.

It was noticed in audit (October 1996) that although 1176 buses were transferred to DATC and also operated by them, no transfer of permits was effected in the records of the concerned Regional Transport Office, contrary to the provisions of the Motor Vehicles Act, 1988. Consequently, transfer fee amounting to Rs.29.40 lakhs could not be realised by the Government so far (October 1997).

The matter was brought to the notice of the department and the Government (January/December 1997); their replies are awaited (December 1997).

5.4 Short-collection of tax in respect of non-transport/transport vehicles

(i) Under the Tamil Nadu Motor Vehicles Taxation Act, 1974, tax is levied on every motor vehicle used or kept for use in the State at the rate specified for such vehicle in the Schedule to the Act. By a notification issued in May 1993, the Government enhanced the rates of tax payable in respect of Indian made (non-transport) vehicles owned by individuals and others. The Government also granted time for payment of difference of tax for the year 1993-94, till the payment of regular annual tax for the year 1994-95.

Test-check in audit of the used tax tokens in Virudhunagar transport region revealed that the difference of tax for the year 1993-94 was not collected in April 1994 along with tax collection made for 1994-95 in 297 cases, leading to short-collection of tax aggregating Rs.1.44 lakhs.

On bringing the matter to the notice of the department (February 1996) and the Government (May 1997), the department stated (June 1997) that in the absence of full name and address of the owners in these tax tokens, there was difficulty in realisation of the arrears of tax. The department further stated that action had however been initiated to collect the difference of tax. Further reply is awaited (December 1997).

(ii) In a similar case of revision of tax in respect of transport vehicles effective from 1 April 1990 as per orders of the Government issued in July 1990, the Government permitted payment of difference of tax for the year 1990-91 without penalty by 26 July 1990.

Test-check in audit of Demand Collection and Balance (DCB) registers at Regional Transport Office, Vellore, revealed (May 1991) that in 8 cases, the difference of tax was omitted to be collected before the extended date. Arrears of tax due and penalty leviable in these cases worked out to Rs.1.01 lakhs.

The matter was brought to the notice of the Government (November 1995); they stated (June 1997) that the entire tax with penalty due had been collected.

CHAPTER 6

STATE EXCISE

6.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, short-levy of tax, etc., amounting to Rs.5.58 lakhs in 4 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Non-levy/short-levy of excise duty	1	1.47
2	Others	3	4.11
TOTAL		4	5.58

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.1.06 lakhs involved in 6 cases including those pointed out in earlier years and the entire amount had been recovered.

A few illustrative cases highlighting important audit observations involving Rs.14.64 lakhs are mentioned below.

6.2 Short-levy of administrative service charges on the quantity of spirit produced

Under the provision of Tamil Nadu Distillery Rules, 1981, as amended in June 1990, Administrative Service Fee (ASF) at the rate of 50 paise per bulk litre of spirit produced in a distillery was leviable with effect from 4 June 1990 before the spirit is issued from the distillery. On the issue relating to levy and collection of ASF, the Government clarified in their letter of 31 January 1995 that ASF should be levied and collected on the entire quantity of spirit produced in the distillery with effect from 4 June 1990. The

Government further directed to collect the arrears of revenue, if any, in this regard and also inform the Audit accordingly.

Test-check of records of two distilleries in Erode and Trichy during 1995-96 disclosed that ASF was collected on the quantity issued instead of the quantity produced. This resulted in non-realisation of revenue of Rs.9.87 lakhs.

Distillery at	Quantity of spirit produced (Litres)	ASF leviable (Rs.)	ASF levied (Rs.)	Amount of ASF recoverable (Rs.)
Erode	1,62,97,750	81,48,875	79,12,094	2,36,781
Trichy	1,56,96,852	78,48,426	70,97,834	7,50,592
TOTAL	3,19,94,602	1,59,97,301	1,50,09,928	9,87,373

Further, in a distillery at Chingleput, no ASF was levied on 1,59,712 litres of spirit produced between June 1990 and March 1991 on the plea that the quantity related to wastage or storage loss. This resulted in non-realisation of revenue of Rs.79,856.

On this being pointed out (March, April and May 1996), the department stated (May and November 1996, February and August 1997) that clarification had been sought (July 1997) from the Government and that further action would be taken on receipt of the same. The Government stated (July 1997) that the matter was under examination.

These contentions are not tenable as the Government Order of 31 January 1995 was quite clear regarding levy and collection of ASF.

The matter was reported to the department (March 1996) and the Government (January/December 1997); their replies have not been received (December 1997).

6.3 Non-levy of excise duty on the end product

In terms of Medicinal and Toilet Preparation (Excise Duty) Act, 1955 and Rules made thereunder, excise duty shall be levied on all medicinal preparations containing alcohol, at the rates specified in the Schedule to the Act

During the audit of the excise branch of a pharmaceutical company at Mettur Dam, it was noticed (March 1995) that one of their end products namely Chloroform contained alcohol which was used as a stabilising agent. However, excise duty at the rate of 20 per cent *ad valorem* on 79,310 kgs. of chloroform manufactured during 1993-94 (valued at Rs.25 per kg.) was not levied resulting in non-realisation of revenue of Rs.3.97 lakhs.

The matter was brought to the notice of the department and the Government in June and December 1995 respectively. The Government, however, did not accept (January 1997) the audit observation on the plea that the chloroform manufactured by the company was only an intermediate product and as such was not covered under the above Act. The contention was not tenable as the chloroform manufactured by the company was indeed an end product as per the records of the company. Hence, Audit advised (April 1997) the Government to re-examine their stand. Consequently, the Government consulted Director, Forensic Science Department and Deputy Drugs Controller who confirmed that the chloroform manufactured by the company came under the purview of the above Act and therefore was liable to excise duty. The Government

accepted (November 1997) their finding and stated that action would be taken to realise the excise duty.

Report regarding recovery of Rs.3.97 lakhs for 1993-94 as also for the previous and subsequent periods is awaited (December 1997).

CHAPTER 7

STAMP DUTY AND REGISTRATION FEES

7.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, short-levy of tax, etc., amounting to Rs.72.68 lakhs in 235 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs.in lakhs)
1	Short-levy due to under-valuation of property	119	48.95
2	Short-levy due to incorrect classification of documents	24	6.89
3	Others	92	16.84
TOTAL		235	72.68

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.9.21 lakhs involved in 28 cases, of which 3 cases were pointed out in 1996-97 and the rest in earlier years. A sum of Rs.0.76 lakh involved in 2 cases had been recovered upto October 1997.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.184.44 lakhs are mentioned below.

7.2 Non-realisation of revenue due to non-levy of differential stamp duty

In terms of Section 30(2) of the Registration Act, 1908, the Registrar of a district in which any of the Presidency towns is located could register an instrument, even though the immovable property mentioned in such instrument is situated anywhere in India. In respect of instruments registered outside a State, any difference in stamp duty

could be collected under Section 19A(i) of the Indian Stamp Act, 1899. To facilitate such collection, the concerned District Registrar of the State in which the property is located receives a copy of the registered instrument in terms of Section 67 of the Registration Act from the registering authorities of the State in which the instrument was registered. In addition, Section 19B(2) of the Indian Stamp Act provides for valuation of such property at the market rate and levy of stamp duty on any under-valuation of such property.

(i) It was noticed in audit that between April 1992 and May 1993, 23 instruments of sale and 4 instruments of mortgage of immovable properties situated in Tamil Nadu were registered in Delhi (4 mortgage) and Mumbai (23 sale) where the rates of stamp duty were lower as compared to the rate (12/13 per cent) of stamp duty leviable in Tamil Nadu. In all the 27 cases, the consideration aggregating Rs.1600.63 lakhs set forth in the instruments was adopted by the registering authorities and charged duty accordingly. The differential stamp duty leviable on these documents worked out to Rs.149.23 lakhs.

No action was initiated either for levy of the differential stamp duty or to refer these cases to the Collector under Section 47A of the Indian Stamp Act to ascertain the correct valuation, on the plea that copies of registered instruments were not received (September 1997) from Delhi and Mumbai. In one of these cases, the consideration adopted was lesser by Rs.15.40 lakhs as compared to the market value (based on the departmental guidelines). However, the possibility of collection of stamp duty amounting to Rs.5.45 lakhs on the under-valuation is ruled out, as the maximum time limit of 4 years to refer the case to the Collector for ascertaining the correct valuation had already expired.

(ii) In respect of another 59 instruments (52 sale, 1 exchange and 6 mortgage) registered in Delhi and Mumbai during 1994 to June 1996, stamp duty was levied at the rates prevailing in the States of registration which were lower than those in Tamil Nadu. In all these cases, consideration aggregating Rs.827.08 lakhs as per the

instruments was adopted by the registering authorities. However, in 19 cases of sale, consideration was found to be lower by Rs.49.03 lakhs (based on the departmental guidelines) involving differential stamp duty of Rs.29.08 lakhs chargeable on these documents.

No action had been initiated either for levy of differential stamp duty in the 59 cases or refer the 19 cases of sale to the Collector under Section 47A of the Indian Stamp Act to ascertain the correct valuation, on the plea of non-receipt of copy of registered instruments from Delhi and Mumbai.

On these being pointed out in audit, the Government stated (October 1997) that the Inspector General of Registration had written to his counterpart in Mumbai to obtain copy of the registered instruments. The Government further stated that the matter was also under examination by spot inspection of the properties and enquiries with the parties concerned.

The matter was again reported to the Government (December 1997); their reply has not been received (December 1997).

7.3 Short-levy due to under-valuation of properties

(i) Under Section 27 of the Indian Stamp Act, 1899, as adopted by Tamil Nadu, the consideration and all other facts and circumstances affecting the chargeability of any instrument shall be fully and truly set forth therein. Under Section 64 of the Act, if any person, who, with intent to defraud the Government, executes any instrument in which all the facts and circumstances required to be set forth in such instrument are not fully and truly set forth, he shall be punishable with fine.

It was noticed (September 1993) in Sub-Registry, Idaikal (Tirunelveli district) that in the case of a document (registered on 15 June 1990) of sale of lands (7.08 acres), for the purposes of computation of value, the rate applicable to agricultural lands

were adopted. However, a scrutiny of previous documents relating to the same property revealed that the property consisted of a chamber brick works factory, well, office building, etc., the fact of which was suppressed in the instant document. The department failed to detect suppression of facts by the registrants which resulted in under-valuation and consequent short-levy of stamp duty and registration fees amounting to Rs.2.59 lakhs.

On this being pointed out (September 1993), the department determined (October 1994) the value of the property as Rs.20.78 lakhs (factory building as Rs.2.89 lakhs and land value as Rs.17.89 lakhs).

The Government to whom the case was reported (March 1996) stated (August 1997) that the department had been directed to recover the deficit stamp duty. Since the case had already become time-barred, the chances of recovery were remote.

(ii) Under the Indian Stamp Act, 1899 and the Indian Registration Act, 1908, stamp duty and registration fees on instruments of sale are leviable on the market value of the property sold. Guidelines have been issued by the department to enable the registering officers to determine the market value of the properties. According to these instructions, buildings involving special type of construction are required to be referred to the departmental engineer for proper valuation.

In Sub-Registry, Annur (Coimbatore District), a sale deed was registered in February 1994 through which certain land and building were conveyed by a private textile firm. While determining the market value of the properties (i) the market rate of Rs.6.00 per square feet fixed by Deputy Inspector General of Registration was adopted only for the built up area of 23,524 square feet instead of for the entire extent of 65,340 square feet and the building was also not valued by the departmental engineer and (ii) the well was valued at Rs.3000 instead of Rs.25,000 determined by the departmental engineer. This resulted in short-levy of stamp duty and registration fees amounting to Rs.1.81 lakhs.

On this being pointed out (December 1994), the department re-fixed (July 1995) the market value of the property as Rs.39.88 lakhs by the departmental engineer.

The case was referred (April 1996) to the Government and the Government replied (October 1996) that as the executant did not agree to pay the deficit stamp duty and registration fees on the revised value of the property, the instrument was referred to the Collector (March 1996) for determining the market value of the property.

The case was again reported to the Government (May/November 1997). Report on further development has not been received (November 1997).

7.4 Short-levy due to misclassification of deeds

(i) Under the Indian Stamp Act, 1899, any instrument relating to several distinct matters shall be chargeable with the aggregate amount of duties with which separate instruments, each relating to one of such matters would be chargeable.

Classification of a document is determined by the recitals of the document and it is the substance of the transaction as embodied in the instrument that determines the stamp duty.

In District Registry, Ooty, it was noticed (November 1992) that property consisting of 1.20 acres of land and factory buildings was assigned by a registered partnership firm in favour of a company for a period over 96 years for a consideration of Rs.7 lakhs and was registered as 'transfer of lease by way of assignment'. The document was classified 'assignment of leasehold rights' and charged duty accordingly.

Since the document executed contained two distinct matters viz., (1) 'Release of leasehold rights' by the confirming party and (2) Transfer of lease by way of 'assignment', it had to be treated as a dual document under Section 5 of the Indian Stamp Act. The incorrect classification resulted in short-levy of stamp duty and registration fees of Rs.91,000.

On this being pointed out in audit (September 1994) and to the Government (April 1996), the Government stated (December 1996) that the department had been directed to collect the deficit stamp duty and fees under Revenue Recovery Act.

Report on recovery has not been received (December 1997).

(ii) Under the provision of Mohammedan Law, when the father is alive, children have no right over the ancestral or self-earned properties of the father. This has also been reiterated by the department in their clarification issued in December 1988.

In Sub-Registry, Srivilliputhur, it was noticed that in a document registered in February 1994, the ancestral and self-earned properties of a Muslim were divided among the father and the children (three sons and a daughter) and the document was treated as partition. As the partition was between a father and children belonging to a Muslim family, the deed was classifiable as settlement. This resulted in short-levy of stamp duty and registration fees by Rs.41,350.

On this being pointed out (June 1994), the department accepted and initiated action to recover the deficit duty and fees (August 1996).

The case was reported to the Government (November 1996/May 1997); their reply has not been received (December 1997).

(iii) Under the Indian Stamp Act, 1899, an instrument of partition is one by which co-owners of any property divide or agree to divide such property in severality and where all co-owners are bound by the division or agreement to divide. If, however, one or more of the parties to the instrument had no right or title in respect of the properties, the document shall be treated as partition-cum-settlement deed.

In Sub-Registry, Puduchatram, Salem district, three deeds were executed as partition deeds in March 1994 through which immovable properties valued at Rs.3.33 lakhs belonging to members of Hindu undivided family were divided into four parts and one each of them was allotted to widow, son, daughter-in-law and three grandsons. The deeds were classified as partition. Since daughter-in-law and grandsons were not co-owners, properties allotted to them were to be treated as family settlement and classified as partition-cum-settlement deeds.

Mis-classification of the deeds resulted in short-levy of stamp duty and registration fees by Rs.41,295.

On this being pointed out (July 1994), the department replied (July 1996) that action had been initiated to collect the deficit duty and registration fees.

The Government to whom the case was reported (December 1996/May 1997) accepted (July/August 1997) the audit observation. Report on recovery was awaited (October 1997).

CHAPTER 8

OTHER TAX RECEIPTS

URBAN LAND TAX

8.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments/non-levy of tax, etc., amounting to Rs.117.92 lakhs in 103 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Under-assessment/non-levy of urban land tax	61	101.31
2	Incorrect grant of exemption	28	9.10
3	Others	14	7.51
TOTAL		103	117.92

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.27.75 lakhs involved in 6 cases pointed out during earlier years. A sum of Rs.22.45 lakhs involved in one case had been recovered upto September 1997.

A few illustrative cases highlighting important audit observations of Rs.63.24 lakhs are mentioned below.

8.2 Omission to assess urban lands

(a) Under the Tamil Nadu Urban Land Tax Act, 1966, as amended from time to time, urban lands in the peripheral areas of Madurai city and urban lands in Udthagamandalam are assessable to tax from 1 July 1981 (fasli 1391) and 1 July 1991 (fasli 1401) onwards respectively at the prescribed rates on the market value of lands as on 1 July 1981. Similarly, urban lands in the city of Coimbatore are assessable to tax from

1 July 1971 (fasli 1381) onwards on the basis of the market value of lands as on 1 July 1971 upto 30 June 1991 (fasli 1400) and thereafter on the market value of land as on 1 July 1981, in terms of Tamil Nadu Urban Land Tax (Amendment) Act, 1991.

In three assessment divisions, urban lands were not brought to tax from the date of application of Urban Land Tax Act to these areas. This resulted in non-levy of urban land tax amounting to Rs.26.59 lakhs on an area of 1396 grounds and 1049 square feet as given below:

Sl. No.	Name of the assessment division/ Status of the assessee	Total land held by the assessee	Area assessable to tax (after statutory exemption) but not assessed	Period for which ULT leviable	Tax not levied (in Rupees)
1	Madurai/ Autonomous body	815 grounds & 1584 sq.ft.	801 grounds & 1584 sq.ft.	Fasli 1391 to 1404	22,44,648
2	Udhaga-mandalam/An Association and a Co-operative Society	144 grounds & 230 sq.ft.	136 grounds & 230 sq.ft.	Fasli 1401 to 1405	2,06,685
3	Udhaga-mandalam/ Individual	516 grounds & 11 sq.ft.	368 grounds & 1931 sq.ft.	- do -	1,21,705
4	Coimbatore/Co-operative Housing Society	91 grounds & 2104 sq.ft.	89 grounds & 2104 sq.ft.	Fasli 1388 to 1406	86,237
Total		1567 grounds & 1529 sq.ft.	1396 grounds & 1049 sq.ft.		26,59,275

On this being pointed out to the department (between August 1993 and March 1996) and the Government (between March 1996 and June 1997), the Government stated (April 1997) that a sum of Rs.22.45 lakhs had been recovered from the autonomous body (Madurai). Further, the department stated (March 1997) that a sum of Rs.42,000 had been remitted by the assessee of Coimbatore. Report on recovery of the balance amount and replies in respect of other cases are awaited (October 1997).

(b) Under the Tamil Nadu Urban Land Tax Act, 1966, as amended, urban lands in the areas notified under the Act are assessable to urban land tax at the rates prescribed from time to time.

By an order (June 1981), the Government exempted payment of tax on urban lands owned by Tamil Nadu Housing Board (TNHB). This exemption was withdrawn (June 1991) from fasli 1401 (1 July 1991) onwards. Consequently urban land tax was leviable on the urban lands held by TNHB.

In Tondiarpet Assessment Division, Chennai, 3153 grounds and 623 square feet of urban lands held by TNHB in Kodungaiyur village were not assessed to tax from fasli 1401 (1 July 1991) onwards. This resulted in non-levy of tax amounting to Rs.35.86 lakhs.

On this being pointed out (October 1996), the Divisional Assessment Officer stated (October 1996) that action would be taken to assess the lands and action reported to Audit. Despite reminders (November 1996/March and September 1997) from Audit and repeated reminders from the department as reported (February and June 1997), details of follow up action were not reported by the Division. The case was reported to the Government (December 1997); their reply is awaited (December 1997).

8.3 Incorrect adoption of market value

Under the Tamil Nadu Urban Land Tax Act, 1966, as amended, the urban lands in peripheral area of Salem are assessable to tax from 1 July 1981 (i.e., fasli 1391) onwards at the prescribed rates on the market value of the lands.

(i) In Salem Assessment Division, while assessing (March 1992) 23 grounds and 992 square feet of land owned by an assessee in a single survey number in a village, the assessing officer incorrectly adopted the lower rate of Rs.1.50 per square foot as against the market value of Rs.4.79 per square foot as on 1 July 1981. This resulted in short-computation of tax of Rs.37,191 for 11 years from 1 July 1981 to 30 June 1992 (i.e., fasli years from fasli 1391 to fasli 1401).

(ii) Similarly, while assessing (June 1990 and March 1992) 42 grounds and 764 square feet owned by a company in two different survey numbers in another village, the assessing officer erroneously adopted a lower rate of Re.1 per square foot as against the market value of Rs.3.27 per square foot, as on 1 July 1981. This resulted in short-computation of tax by Rs.41,140 for 11 years from 1 July 1981 to 30 June 1992 (i.e., fasli years from fasli 1391 to fasli 1401).

On this being pointed out (March 1994) in audit, the department rectified (October 1996) the mistake by issuing a revised assessment order. Report on recovery of the additional demand of Rs.78,331 had not been received (October 1997).

The cases were reported to the Government (March 1997); their reply has not been received (October 1997).

CHAPTER 9
NON-TAX RECEIPTS
A. MINES AND MINERALS

9.1 Results of Audit

Test-check of records of departmental offices conducted in audit during the period from April 1996 to March 1997 revealed under-assessments, non-levy of tax, etc., amounting to Rs.53.48 lakhs in 37 cases which broadly fall under the following categories:

Sl. No.	Category	No. of cases	Amount (Rs. in lakhs)
1	Non-levy/short-levy of royalty, dead rent and seigniorage fee	11	16.67
2	Non-levy of local cess and local cess surcharge	3	3.09
3	Other items	23	33.72
TOTAL		37	53.48

During the course of the year 1996-97, the concerned department accepted under-assessments, etc., of Rs.0.96 lakh involved in two cases pointed out in earlier years. A sum of Rs.0.41 lakh involved in one case had been recovered upto September 1997.

A few illustrative cases highlighting important audit observations of Rs.61.15 lakhs are mentioned below.

9.2 Non-realisation of stamp duty on registration of mining lease amounting to Rs.60.20 lakhs

Section 17(1)(d) of Indian Registration Act, 1908, provides for compulsory registration of a lease document for a term exceeding one year. The rate of stamp duty leviable on registration of such instrument is specified under Article 35 of the Schedule I to the Indian Stamp Act, 1899.

In September 1994, Neyveli Lignite Corporation Limited, a Central Government Company, was granted renewal of their first mining lease for lignite, fire-clay, bale-clay and china-clay over an extent of 259 square kilometres covered by 69 villages in Panruti and Virudhachalam taluks for a period of 20 years from December 1976. The renewal application was submitted by the Company during 1996.

When the Company enquired (March 1995) about the value of the stamp duty in this regard, the Collector, South Arcot district asked (August 1996) them to furnish the lease deed in duplicate in a non-judicial stamp paper to the value of Rs.20 only, even though the correct rate of stamp duty was 7 per cent of double the value of the royalty paid by the Company. The Company paid Rs.4.30 crores as royalty during 1995-96. On this basis, the stamp duty worked out to Rs.60.20 lakhs.

It was only in November 1996 that the need to pay stamp duty with reference to the royalty amount was intimated to the Company by the Collector. The Company represented (December 1996) to the Government for exemption from payment of stamp duty. The lease deed was also executed on 5 December 1996 on the stamp paper to the value of Rs.20 only, after obtaining (December 1996) an undertaking from the Company to pay the stamp duty along with interest at 24 per cent per annum from the date of signing the lease deed, in case the Government turned down the request.

Government did not agree (April 1997) for exemption of the stamp duty. The Government also directed the Company to get the mining lease registered on payment of proper stamp duty.

The Company however, did not create any liability in this regard in their accounts for 1996-97 on the plea that the lease period already expired and consequently there was no need to register the deed. When the omission was pointed out (July - September 1997) during the audit of the Company's accounts for 1996-97, the Company

agreed to incorporate the liability of Rs.60.20 lakhs towards payment of stamp duty in the books of accounts and reduced the profit. Still no action was taken to demand and realise the revenue (December 1997).

On this being pointed out, the department stated that the matter was being examined (December 1997).

9.3 Short-levy of dead rent

Under Section 9A of the Mines and Minerals (Regulation and Development) Act, 1957, the holder of a mining lease was required to pay royalty or dead rent whichever is higher at the rate prescribed therein. Dead rent is a minimum guaranteed sum as royalty whether minerals are excavated or not from the leasehold mines. Under Section 25(2) of the Mines and Minerals (Regulation and Development) Act, 1957 and Rule 64 A of the Mineral Concession Rules, 1960, the dues under mining leases are payable to the Government by the lessees at such time and in such manner as prescribed by the State Government and are recoverable as arrears of land revenue with interest thereon.

In Chengalpattu district, a mining lease was granted (October 1987) to a Government undertaking for excavating limeshell over an extent of 190 hectares in a village for a period of 20 years from 16 June 1988 and the lease deed was executed on 16 June 1988. It was noticed (January 1995) in audit that the department collected royalty instead of dead rent (being higher of the two) resulting in short-levy of dead rent amounting to Rs.40,830 for the period from 16 June 1991 to 25 July 1994. Interest for belated payment amounting to Rs.23,890 was also not levied.

On this being pointed out (January 1995), the department stated (April 1996) that the short-levy of Rs.40,830 for the period 16 June 1991 to 24 July 1994 had since been remitted (April 1996) by the lessee. The department further stated

(October 1996) that a proposal for surrender of the lease hold area had been sent (July 1994) to the Government and therefore dead rent was restricted upto 24 July 1994. Recovery of interest amounting to Rs.23,890 and acceptance of the surrender proposal by the Government was awaited (March 1997).

The case was reported to the Government (March 1995/ April 1997); their reply has not been received (October 1997).

9.4 Incorrect levy of seigniorage fee

Under the Tamil Nadu Minor Mineral Concession Rules, 1959, as amended from time to time, the holder of a mining lease shall, effective from 9 December 1988, pay for the period of lease, seigniorage fee or dead rent whichever is higher in respect of minor minerals removed or consumed by him at such rates as may be specified in the Rules. The rate of dead rent in force is Rs.5000 per hectare per annum for white/multi-coloured granites.

In Madurai district, from 18 February 1994 to 17 February 1995, in respect of a mining lease granted to a Government undertaking for quarrying coloured granite over an extent of 10.82 hectares in a village, the department collected seigniorage fee though dead rent was higher. This resulted in short-levy of Rs.31,448.

On this being pointed out (January 1996), the department stated (February 1996) that demand notice was issued to the lessee to remit the amount. Report on recovery has not been received (October 1997).

The case was reported (September 1996/February 1997) to the Government; their reply has not been received (October 1997).

B. ENVIRONMENT AND FORESTS DEPARTMENT

9.5 Non-realisation of lease rent, land cost and interest

The Government, in July 1993, prescribed norms to govern forest lands given to the Tamil Nadu Electricity Board (TNEB) and other organisations. These norms prescribed that:-

- (i) Lease rent shall not to be collected upto March 1961.
- (ii) For the period of five years from April 1961 to March 1966, lease rent at the rate of Re.1 per acre shall be collected.
- (iii) From April 1966, the land value, lease rent, etc., shall be calculated at the actual value that prevailed at the time, taking into consideration the date of transfer of forest land. The dues shall be collected with cumulative interest till the date of payment of the dues.

The Government also ordered the Principal Chief Conservator of Forest (PCCF) to calculate the dues from TNEB and other user departments and ensure collection within a reasonable time.

A test-check of the records of District Forest Officer, Kanyakumari Division at Nagercoil and Wildlife Warden, Indira Gandhi Wildlife Sanctuary, Pollachi revealed that 1973.27 acres of forest lands were placed at the disposal of TNEB during 1960-61 to 1981-82 for the execution of three hydro electric projects. In terms of 1993 instructions, the Forest department did not calculate the amount due on account of lease rent payable in respect of these lands. Scrutiny of records disclosed that only an amount of Rs 16.97 lakhs was collected as against the dues of Rs 3.80 crores as of March 1997.

The matter was referred to the department and the Government (June 1997); replies have not been received (October 1997).

C. INDUSTRIES AND HIGHWAYS DEPARTMENT

9.6 Short-realisation of seigniorage fee

The Tamil Nadu Minor Mineral Concession Rules, 1959, provide for quarrying of earth, gravel, blue metal, etc., from the Government land on payment of seigniorage fee fixed by the Government from time to time.

A scrutiny of the records of East Coast Road Project Divisions, Marakkanam and Mahabalipuram revealed that the Divisional Engineers (DEs) arranged the Government quarries for quarrying earth, gravel and blue metal by the contractor who executed the project. The lease agreements entered into with the District Collector, Cuddalore, stipulated that the DEs had to obtain transport permits on payment of seigniorage fee in advance. While the Deputy Director (Geology and Mining), Kancheepuram was authorised to issue the permit after collection of seigniorage fee and was to watch the progress periodically, the DEs had to maintain accounts for the quantity of material quarried and transported and maintain register regarding issue of despatch slips for each and every day.

The DEs collected Rs.40.56 lakhs from the contractor towards seigniorage fee during August 1992 to February 1997 for the quantity of quarry materials used in the project. However, from the claims made by the contractor against the department, it transpired that the amount of seigniorage fees worked out to Rs.134.87 lakhs. Thus, there was the short-realisation of revenue of Rs.94.31 lakhs. Audit could not verify the actual quantity quarried by the contractor in the absence of records which were required to be maintained by the DEs as per the agreements. The Deputy Director (Geology and Mining), Kancheepuram also did not demand this amount.

The matter was referred to the department and the Government (June 1997); their replies have not been received (October 1997).

D. INDUSTRIES DEPARTMENT

9.7 Short-realisation of seigniorage fee

The Tamil Nadu Minor Mineral Concession Rules, 1959, prescribe the rates of seigniorage fees to be collected for quarrying any mineral and the Deputy Director (Geology and Mining), has been entrusted with the collection of such fees for quarrying earth from the Government lands.

Two contractors 'A' and 'B' executed the works of 'filling up low lying areas' entrusted to them by Tamil Nadu Housing Board (Board) and the agreements entered into by the contractors with the Board provided that royalty would be charged for the materials obtained from the Government quarries; the contractors were to spread it on the scheme areas and compact it by using heavy machinery. The two contractors quarried earth from the Government lands during 1991-95. The fee in respect of contractor 'A' had been recovered by the Board and remitted to the department whereas the fee was directly remitted by contractor 'B' to the department.

It was noticed (November 1996) that the contractor/Board had paid/recovered seigniorage fee for the quantity of compacted earth measured by the Board instead of for the earth actually excavated. Besides, it was also noticed that contractor 'A' who executed the work during February to July 1994 paid the fee at the rate of Rs.1.50 per cubic metre (cu.m.) though the fee was revised to Rs.7.50 per cu.m. from August, 1992. This resulted in short-collection of seigniorage fee of Rs.35.19 lakhs (vide Annexure III).

The matter was reported to the Government in April 1997; their reply has not been received (October 1997).

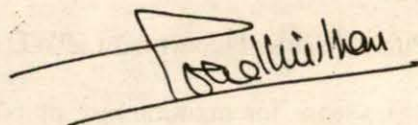
9.8 Short-realisation of lease rent and non-realisation of local cess and local cess surcharge on royalty

In July 1981, the Government allotted 461.24 acres of land belonging to Public Works Department (PWD) in Mullakkadu village in Tuticorin taluk, to a firm on 25 years lease for manufacture of salt. On a representation from the firm, the Government in November 1990 waived the arrears of rent upto 1984-85 and ordered collection of standard rates of lease rent and royalty fixed by the revenue department in June 1982 from 1985-86 for the land under possession of the firm and collection of Local Cess (LC) and Local Cess Surcharge (LCS) from 1985-86 on lease rent. This order of the Government was, however, inconsistent with the provisions of Tamil Nadu Panchayat Act which provided for collection of LC and LCS on royalty also.

Based on 384.11 acres of land actually occupied by the firm, the division collected the lease rent, royalty, and LC and LCS on the lease rent from 1985-86 to 1995-96. It was seen that the lease rent was collected at Rs. 2 per acre per annum fixed by the Revenue department in June 1982, though the Revenue department had revised the standard lease rent to Rs.60 per acre per annum in March 1993. The short-realisation of revenue on this account worked out to Rs.4.68 lakhs upto March 1996. Besides, there

was non-realisation of LC and LCS on royalty from April 1985 to March 1996 which worked out to Rs.6.79 lakhs. The details of revenue realised from April 1996 were awaited.

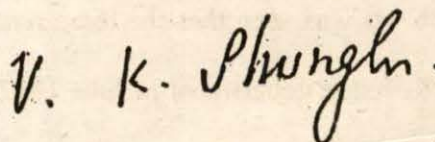
The matter was reported to the department and the Government (May 1997); their replies have not been received (October 1997).



(S.C.S. GOPALKRISHNAN)
Accountant General (Audit) II
Tamil Nadu

Chennai,
 The 13 MAR 1998

Countersigned



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

New Delhi,
 The 18 MAR 1998

ANNEXURE I

[Referred to in Paragraph 2.2.6(iii)]

Analysis of action taken on implementation of D3 taxation proposals

Category	Fully implemented *		Partly implemented								Fully not implemented						No. of D3 proposals	Total Revenue (Rupees in lakhs)
			Implemented		Pending						Court cases		Other cases		Total			
					Court cases		Other cases		Total									
	No.	Revenue	NAY	Revenue	NAY	Revenue	NAY	Revenue	No.	Revenue	No	Revenue	No.	Revenue	No.	Revenue		
Above Rs.1 crore	35	11006.75	--	--	6	341.27	3	224.45	5	951.56	43	14815.89	16	7965.02	59	22780.91	99	34739.22
Between Rs.50 lakhs and Rs.1 crore	27	1921.77	4	211.42	2	52.02	7	231.68	4	312.39	33	2391.78	21	1557.32	54	3949.10	85	6183.26
Between Rs.10 lakhs and Rs.50 lakhs	127	2794.85	15	223.42	10	63.05	8	106.99	13	274.33	93	2277.36	121	2769.05	214	5046.41	354	8115.59
Below Rs.10 lakhs	271	1140.27	13	52.34	2	6.64	8	30.31	1	5.31	106	443.81	220	916.46	326	1360.27	598	2505.85
Total	460	16863.64	32	487.18	20	462.98	26	593.43	23	1543.59	275	19928.84	378	13207.85	653	33136.69	1136	51543.92

No. - Number of D3 proposals

NAY - Number of Assessment Years

ANNEXEXURE II

[Referred to in Paragraph 2.2.8]

Pending D3 Taxation Proposals, each involving Revenue of Rupees one crore and above

Sl. No.	Assessment Circle	D3 reference	Assessment year	Dealer	Business	Method of detection	Date of detection	Date of first summon by enforcement wing	Date of D3 proposal	Revenue involved (Rupees in lakhs)		Date of first summon by Assessing Authorities	Date of pre-assessment/pre-revision notice	Status	Remarks
										Year	Amount				
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Egmore I, Chennai	79 95-96 Group I (S) dated 30.06.95	1993-94 1994-95	Suman-galam Steel (Pvt) Ltd., Chennai	M.S. Ingots & CTD Bars	Inspection of business premises by enforcement wing	28.11.94 05.12.94	No mention about summon in D3	30.06.95	93-94 94-95 Total	80.35 190.16 270.51	Connected documents not produced to Audit		Pending	---
2	Egmore I, Chennai	280 95-96 Group VII (S) dated 31.10.95	1993-94 1994-95	Showbag-ya Steels Ltd., Chennai	M.S. Ingots & CTD Bars	Inspection of business premises by enforcement wing	05.12.94	Date not mentioned in D3	31.10.95	93-94 94-95 Total	65.19 77.06 142.25	Connected documents not produced to Audit		Pending	---
3	Nungam-bakkam, Chennai	366 95-96 Group II dated 26.12.95	1991-92 to 1994-95	HCL Ltd., Chennai	Plain Paper Photo-copier	Inspection of business premises by enforcement wing	28.10.94	Date not mentioned in D3	26.12.95	91-92 92-93 93-94 94-95 Total	36.08 30.42 32.23 22.35 121.08	No file or connected documents produced to Audit		Pending	Only D3 proposal shown to Audit
4	Nungam-bakkam, Chennai	323 94-95 Group XII dated 11.8.94	1991-92	Sri Ram Fibres Ltd., Chennai	Not mentioned in D3 (main)	Inspection of business premises as also Madura Coats Ltd. by enforcement wing	10.08.92 01.02.94	No mention about summon in D3	11.08.94	91-92	197.15	No file or connected documents produced to Audit		Pending	Only D3 proposal without annexures A to D shown to Audit

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
5	Nungam-bakkam, Chennai	72.91-92	1987-88 to 1989-90	Siemens India Ltd.	No documents produced to Audit					87-88 88-89 89-90 Total	166.67 271.73 55.79 494.19	No files or connected document produced to Audit		D3 was stated (December 1997) to be returned to enforcement wing.	Details for columns 2 to 12 collected from D3 register of Enforcement, Chennai
6	Nungam-bakkam, Chennai	149.95-96 Group X dated 19.7.95	1993-94 1994-95	Allied Photographic India Ltd., Chennai	Photographic materials	Inspection of business premises by enforcement wing	03.01.95	Date not mentioned in D3	19.07.95	93-94 94-95 Total	44.80 58.67 103.47	No file or connected document produced to Audit		Pending	Only D3 proposal shown to Audit
7	Nungam-bakkam, Chennai	553.95-96 Group IV dated 29.3.96	1993-94 to 1995-96	TVS Suzuki Ltd., Chennai	Two wheelers and spares	Inspection of business premises by enforcement wing	05.02.96	No mention about summon in D3	29.03.96	93-94 94-95 95-96 Total	85.60 93.25 76.69 255.54	No file or connected document produced to Audit		Pending	Only D3 proposal shown to Audit
8	Chintadripet, Chennai	58.95-96 Group I dated 29.3.96	1994-95	Time Enterprises, Chennai	CR Steel Sheets, Furniture and Electrical items	Inspection of business premises by enforcement wing	12.02.96	No mention about summon in D3	29.03.96	94-95	125.22	19.4.96	26.06.97	Implemented on 31.10.97	Review was conducted in this circle in January 1997
9	Central Assessment Circle I, Chennai	531.94-95 Group X dated 20.11.94	1993-94	Tractor and Farm Equipments, Chennai	Tractor and parts	Inspection of business premises by enforcement wing	06.08.93	25.08.93	31.10.94	93-94	363.17	03.12.97	---	Pending	The original assessment for 1993-94 itself was pending finalisation, as reported (November 1997) by the Assessing Authority

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
10	Central Assessment Circle-IV, Chennai	637/95-96 Group IV (N) dated 29.2.96	1992-93	IBP Company Ltd.,	Petroleum products	Inspection of business premises by enforcement wing	13.07.95	No mention about summon in D3	29.02.96	92-93	599.67	Date not intimated	---	Pending	Assessing Authority intimated (December 1997) that check of accounts for 1992-93 was in progress
11	Central Assessment Circle IV, Chennai	612/95-96 Group I dated 31.1.96	1993-94	IBP Company Ltd., Chennai	Petrol, diesel, lubricating oil and grease	Inspection of business premises by enforcement wing	13.07.95	No mention about summon in D3	31.01.96	93-94	644.09	Date not intimated	---	Pending	Assessing Authority intimated (December 1997) that check of accounts for 1993-94 was in progress
12	Avinashi Road, Coimbatore	162 to 166 94-95	1989-90 to 1994-95	SKF Bearings India Ltd., Coimbatore	Bearings and Textile machinery spares	Inspection of business premises by enforcement wing	25.07.94 27.07.94	Not available	23.11.95	89-90 90-91 91-92 92-93 93-94 94-95 Total	372.93 602.50 646.46 594.74 238.49 138.07 2593.19	10.06.96	19.06.96 27.06.96 02.09.96	Implemented for 89-90 to 91-92 on 26.03.97; others pending	Irrecoverable loss of Rs.585.24 lakhs towards penalty for 89-90 and 90-91 pointed out in Audit on 12.03.97. Consequently, loss of Rs.387.88 lakhs avoided for 91-92 by implementation of proposal before 31.03.97 as ascertained (December 1997)

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
13	Ram Nagar, Coimbatore	378/95-96 dated 19.03.96	1994-95	Utility Alloys Pvt. Ltd., Coimbatore	Iron and Steel	Inspection of business premises by enforcement wing	24.04.95	Not available	19.03.96	94-95	146.14	06.08.96	Not issued	Pending	Audit party not allowed to copy required evidence from files
14 to 16	Avinashi, Coimbatore	149,151 & 152/94-95 dated 4.1.95	1990-91 1991-92	R. Eswara Moorthy	Arrack	Follow-up on Police (Criminal Branch) raid of premises	19.08.91	05.05.94	04.01.95	90-91 91-92 Total	571.35 1474.79 2046.14	13.01.95	24.03.97	Pending	---

ANNEXURE III
(Referred to in Paragraph 9.7)

	Contractor 'A'	Contractor 'B'
Name of the scheme	Dharapadaveedu Sites and Services Scheme	Kalinjur Sites and Services Scheme
Period of Work	February 1994 to July 1994	Completed in July 1992
A. Seigniorage fee paid		
Compacted quantity for which fee was paid	4,67,454 cu.m.	8,38,146 cu.m.
Rate per cu.m.	Rs.1.50	Rs.1.50
Fee actually paid	Rs.7,01,723	Rs.12,57,221
B. Seigniorage fee payable		
Quantity for which fee is payable including 15 per cent allowance for compaction	5,37,572 cu.m.	9,63,868 cu.m.
Rate per cu.m.	Rs.7.50	Rs.1.50
Fee payable	Rs.40,31,790	Rs.14,45,802
Short-collection (A) - (B)	Rs.33,30,067	Rs.1,88,581