



**REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR
1981-82**

(REVENUE RECEIPTS)

GOVERNMENT OF ORISSA

TABLE OF CONTENTS

	Reference to	
	Paragraph	Page
Prefatory Remarks	..	vii
CHAPTER 1		
GENERAL		
Trend of Revenue Receipts	.. 1.1	1
Analysis of Revenue Receipts	.. 1.2	1
Variation between Budget estimates and actuals	1.3	3
Cost of collection	.. 1.4	6
Taxation proposals	.. 1.5	6
Arrears in assessment of sales tax	.. 1.6	7
Uncollected revenue	.. 1.7	7
Analysis of arrears of revenue pending collection	1.8	8
Write off and remission of claims to revenue	.. 1.9	10
Outstanding Inspection Reports	... 1.10	10
CHAPTER 2		
SALES TAX		
Results of test audit in general	.. 2.1 ✓	12
Non-levy of Central sales tax on branch transfer	2.2 ✓	12
Irregular exemption	... 2.3 ✓	13
Irregular avilment of tax concession in inter-state sales	2.4 ✓	14
Irregular application of concessional rate of Central sales tax	2.5 ✓	15
Irregular exemption of Central sales tax	.. 2.6 ✓	16

	Reference to	
	Paragraph	Page
Inadmissible benefit of concessional rate of Central sales tax	2·7 ✓	16
Non-levy of tax at first point of sale ..	2·8 ✓	18
Under assessment due to breach of declarations	2·9 ✓	18
Allowance of inadmissible deductions to registered dealers	2·10 ✓	19
Incorrect computation of taxable turnover ...	2·11 ✓	20
Inter-State sales wrongly exempted as commission sales	2·12 ✓	21
Application of incorrect rate of Orissa sales tax	2·13 ✓	22
Short-levy of tax on sale of rice ..	2·14 ✓	23
Short demand of tax due to arithmetical error	2·15 ✓	24
Incorrect determination of purchase turnover	2·16 ✓	24
Escapement of turnover due to non-accountal of sale prices receivable	2·17 ✓	25
Non-levy of tax on balance of stock ..	2·18 ✓	26
Non-levy of interest on belated payment of tax	2·19 ✓	27
Non-levy of penalty ..	2·20 ✓	28
Non-levy of penalty for excess collection of tax	2·21 ✓	28

CHAPTER 3

TAXES ON MOTOR VEHICLES AND PASSENGERS

Results of test audit in general ..	3·1 ✓	30
Non-levy of tax from the date of purchase/ acquisition	3·2 ✓	30

	Reference to	
	Paragraph	Page
Non-realisation of tax for the period for which off-road declarations were not accepted	3·3 ✓	31
Non-recovery of tax for intervening periods ..	✓3·4 ✓	31
Under-assessment of tax in respect of stage carriages	3·5 ✓	32
Short levy of tax in respect of vehicles operated by a fleet owner	✓3·6 ✓	33
Short levy of tax in respect of dumpers and tippers	3·7 ✓	34
Issue of tax tokens without realisation of arrears	3·8 ✓	34
Non-levy of tax in respect of standing passengers	✓3·9 ✓	35
Under assessment and short-realisation of passengers tax	3·10 ✓	36
Short realisation of composition fees ..	3·11 ✓	36
Time barred cases of passenger tax ..	3·12 ✓	37
Under-charge of application fees due to non-application of revised rates	3·13 ✓	38
Non-realisation of tax at enhanced/revised rates on goods vehicles of other States permitted to ply in Orissa	3·14 ✓	39
Non-collection of tax under the national and zonal permit scheme	3·15 ✓	39
Irregular issue of no-objection certificates in respect of vehicles migrated to other State without realisation of arrear tax	3·16 ✓	40
Non-levy of trade certificate fees/tax ..	3·17 ✓	40
Under-assessment of tax in respect of vehicles plying without permit	3·18 ✓	41

	Reference to	
	Paragraph	Page
Failure to levy penalty for non-submission of passenger tax returns	3-19	42
Short-levy of penalty	3-20	42
Non-levy of penalty in respect of vehicles violating conditions of permit	3-21	43

CHAPTER 4

LAND REVENUE

Results of test audit in general	4-1	45
Non-assessment and non-recovery of premium and rent for conversion of agricultural lands	4-2	46
Lease of Government lands	4-3	47
Non-assessment of rent and cess	4-4	52
Non-realisation of revenue for use of Government property	4-5	53
Loss of revenue due to non-realisation of dues	4-6	54
Ceiling on land	4-7	55

CHAPTER 5

STATE EXCISE

Results of test audit in general	5-1	59
Non-realisation of fees towards cost of excise staff employed in bonded foreign liquor warehouses	5-2	59
Low yield of rectified spirit from molasses	5-3	60

Reference to	
Paragraph	Page

CHAPTER 6 OTHER TAX RECEIPTS

A—ENTERTAINMENT TAX

Non-levy of show tax ..	6·1 ✓	62
Non-levy of penalty for delay in payment of show tax	6·2 ✓	62

B—STAMP DUTY AND REGISTRATION FEES

Irregular exemption of stamp duty and registration fee	6·3 ✓	63
Short levy of stamp duty and registration fee	6·4 ✓	64

CHAPTER 7 FOREST RECEIPTS

Results of test audit in general ..	7·1 ✓	66
Resale of forest coupes ...	7·2 ✓	66
Loss of revenue due to unrealistic fixation of upset price	7·3 ✓	67
Application of incorrect rate of grazing fee	7·4 ✓	68
Non-realisation of compensation ..	7·5 ✓	69
Loss of forest produce ..	7·6 ✓	70
Loss of revenue in the sale of forest produce	7·7 ✓	71
Non-levy of interest on belated payment of consideration money/royalty	7·8 ✓	72
Non-realisation of extension fees ..	7·9 ✓	73
Bamboo lease ..	7·10 ✓	73

APPENDIX

Statement showing the cost of collection under the principal heads of revenue		85
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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Orissa for the year 1981-82 is presented in a separate volume. The material in the Report has been arranged in the following order:—

- (i) Chapter I deals with trends of revenue receipts classifying them broadly under tax revenue and non-tax revenue. The variations between Budget estimates and actuals in respect of the principal heads of revenue, the position of arrears of revenue, etc., are discussed in this Chapter.
 - (ii) Chapters 2 to 7 deal with certain cases and points of interest which came to notice in the audit of Sales Tax, Taxes on Motor Vehicles and Passengers, Land Revenue, State Excise, other Tax Receipts and Forest Receipts.
2. The points brought out in this Report are those which have come to notice during the course of test audit. They are not intended to convey any general reflection on the financial administration of the departments concerned.

CHAPTER 1

GENERAL

1.1. Trend of Revenue Receipts

The total receipts of the Government of Orissa for the year 1981-82 was Rs. 601.54 crores against anticipated receipts of Rs. 569.31 crores. The receipts during the year were lower by Rs. 19.81 crores (3.2 per cent) as compared to those for 1980-81 (Rs. 621.35 crores). Out of the total receipts of Rs. 601.54 crores, revenue raised by the State Government amounted to Rs. 258.57 crores, of which Rs. 165.40 crores represented 'Tax Revenue' and the balance 'Non-Tax Revenue'. Receipts from the Government of India (Rs. 342.97 crores) accounted for about 57 per cent of total receipts during the year as against 57.2 per cent of the total receipts during the year 1980-81.

1.2. Analysis of Revenue Receipts

(a) An analysis of the receipts during 1981-82 along with the corresponding figures for the preceding two years is given below :

	1979-80	1980-81	1981-82
	(In crores of rupees)		
I. Revenue raised by the State Government—			
(a) Tax Revenue ..	112.10	132.68	165.40
(b) Non-Tax Revenue	61.27	133.44	93.17
Total ..	173.37	266.12	258.57
II. Receipts from the Government of India—			
(a) State's share of divisible Union Taxes	144.36	159.99	180.74
(b) Grants-in-aid ..	150.17	195.24	162.23
Total ..	294.53	355.23	342.97
III. Total receipts of the State (I+II).	467.90	621.35	601.54*
IV. Percentage of I to III	37.0	42.8	42.9

*For details please see statement No. II—Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of Government of Orissa, 1981-82.

(b) Tax revenue raised by the State

Receipts from tax revenue during 1981-82 constituted about 63.9 per cent of the State's own revenue receipts. An analysis of the tax revenue for the year 1981-82 and for the preceding two years is given below :—

	1979-80	1980-81	1981-82	Increase(+) / Decrease(—) in 1981-82 with reference to 1980-81
	(In crores of rupees)			
1. Taxes on Agricultural income	0.02
2. Land Revenue ..	4.68	7.06	11.11	(+)4.05
3. Stamps and Registration fees	7.21	7.82	9.28	(+)1.46
4. State Excise ..	7.82	9.17	11.02	(+)1.85
5. Sales Tax ..	65.95	76.64	94.29	(+)17.65
6. Taxes on vehicles ..	8.29	9.70	12.10	(+)2.40
7. Taxes on goods and passengers	2.76	2.34	1.29	(—)1.05
8. Taxes and Duties on Electricity	12.55	16.92	22.86	(+)5.94
9. Other Taxes and Duties on commodities and services	2.82	3.03	3.45	(+)0.42
Total ..	112.10	132.68	165.40	(+)32.72

(i) The increase of Rs. 4.05 crores under 'Land Revenue' was mainly due to more receipts of rates and cess on land and other receipts.

(ii) The increase of Rs. 17.65 crores under 'Sales Tax' was attributed to more receipts on account of rationalisation of rates and system of assessment, etc.

(iii) The increase of Rs. 5.94 crores under 'Taxes and Duties on Electricity' was due to collection of additional duty on the revised Electricity tariff.

(c) *Non-tax revenue of the State*

Interest, Forest, Multipurpose River Projects, Mines and Minerals and Education were the principal sources of non-tax revenue of the State. Receipts from non-tax revenue during 1981-82 constituted about 36 per cent of the revenue raised by the State. An analysis of non-tax revenue for the year 1981-82 and the preceding two years is given below:

	1979-80	1980-81	1981-82	Increase(+) / Decrease(-) in 1981-82 with reference to 1980-81
	(In crores of rupees)			
1. Interest ..	4.88	8.55	7.04	(-)1.51
2. Forest ..	27.97	37.27	46.62	(+)9.35
3. Multi-purpose River Projects	0.42	0.11	0.79	(+)0.68
4. Mines and Minerals	4.99	5.36	6.53	(+)1.17
5. Education ..	4.36	3.97	4.61	(+)0.64
6. Others ..	18.65	78.18	27.58	(-)50.60
Total ..	<u>61.27</u>	<u>133.44</u>	<u>93.17</u>	<u>(-)40.27</u>

(i) The increase of Rs. 9.35 crores under 'Forest' was mainly due to more receipts on account of revision of royalty of forest produce and sale of timber, etc.

(ii) The decrease of Rs. 50.60 crores under 'Others' was mainly due to the fact that during the year 1980-81 central loans for non-productive purposes to the tune of Rs. 56.70 crores were written off and taken specifically as receipts; but there were no such receipts during the year 1981-82.

1.3. Variation between Budget Estimates and Actuals

(a) The total variation of Rs. 22.05 crores between Budget Estimates and Actuals during 1981-82 was made up of excess of Rs. 13.49 crores (61.2 per cent) in tax revenue and excess of

Rs. 8.56 crores (38.8 per cent) in non-tax revenue. Comparative figures for the three years from 1979-80 to 1981-82 with percentage of variations are given below:

	Year	Budget Estimates	Actuals	Variation increase (+) decrease (-)	Percentage of variation
(In crores of rupees)					
A. Tax Revenue	1979-80	105.51	112.10	(+)6.59	(+)6.2
	1980-81	128.72	132.68	(+)3.96	(+)3.1
	1981-82	151.91	165.40	(+)13.49	(+)8.9
B. Non-Tax Revenue	1979-80	55.25	61.27	(+)6.02	(+)11.0
	1980-81	69.68	133.44	(+)63.76	(+)91.5
	1981-82	84.61	93.17	(+)8.56	(+)10.1

(b) Variations between Budget Estimates and Actuals under the principal heads of revenue are given below :

Heads of Revenue	Year	Budget Estimates	Actuals	Variation Increased(+) Decreased(-)	Percentage of variation
(In crores of rupees)					
1. Land Revenue	1979-80	6.58	4.68	(-)1.90	(-)28.9
	1980-81	8.56	7.06	(-)1.50	(-)17.5
	1981-82	8.88	11.11	(+)2.23	(+)25.1
2. Stamps and Registration Fees	1979-80	6.33	7.21	(+)0.88	(+)13.9
	1980-81	7.64	7.82	(+)0.18	(+)2.4
	1981-82	8.10	9.28	(+)1.18	(+)14.5
3. State Excise	1979-80	7.65	7.82	(+)0.17	(+)2.2
	1980-81	8.20	9.17	(+)0.97	(+)11.8
	1981-82	11.77	11.02	(-)0.75	(-)6.4
4. Sales Tax	1979-80	57.58	65.95	(+)8.37	(+)14.5
	1980-81	71.22	76.64	(+)5.42	(+)7.6
	1981-82	83.09	94.29	(+)11.20	(+)13.5
5. Taxes on vehicles	1979-80	7.48	8.29	(+)0.81	(+)10.8
	1980-81	8.97	9.70	(+)0.73	(+)8.1
	1981-82	11.64	12.10	(+)0.46	(+)3.9
6. Taxes on goods and Passengers	1979-80	3.82	2.76	(-)1.06	(-)27.7
	1980-81	2.95	2.34	(-)0.61	(-)20.7
	1981-82	3.16	1.29	(-)1.87	(-)59.1

Heads of Revenue	Year	Budget Estimate	Actuals	Variation Increased(+) Decreased(—)	Percentage of variation
7. Taxes and duties on Electricity	1979-80	13.08	12.55	(—)0.53	(—)4.0
	1980-81	17.97	16.92	(—)1.05	(—)5.8
	1981-82	21.80	22.86	(+)1.06	(+)4.8
8. Interest ..	1979-80	4.86	4.88	(+)0.02	(+)0.4
	1980-81	7.71	8.55	(+)0.84	(+)10.9
	1981-82	13.95	7.04	(—)6.91	(—)49.5
9. Forest ..	1979-80	23.50	27.97	(+)4.47	(+)19.0
	1980-81	30.48	37.27	(+)6.79	(+)22.3
	1981-82	37.54	46.62	(+)9.08	(+)24.1
10. Multipurpose River Projects	1979-80	0.55	0.42	(—)0.13	(—)23.6
	1980-81	0.55	0.11	(—)0.44	(—)80.0
	1981-82	..	0.79	(+)0.79	(+)79.0
11. Mines and Minerals	1979-80	5.55	4.99	(—)0.56	(—)10.0
	1980-81	5.53	5.36	(—)0.17	(—)3.1
	1981-82	7.44	6.53	(—)0.91	(—)12.2
12. Education ..	1979-80	3.61	4.36	(+)0.75	(+)20.7
	1980-81	4.34	3.97	(—)0.37	(—)8.5
	1981-82	4.56	4.61	(+)0.05	(+)1.1

Variation between the Budget Estimates and Actuals for 1981-82 were more than 10 per cent under the following heads of revenue—

Heads of Revenue	Variations Increase(+) Decrease(—)	Reasons for variation
1. Land Revenue ..	(+)2.23	Reasons for variation have been indicated against paragraph 1.2 (b).
2. Sales Tax ..	(+)11.20	Reasons for variation have been indicated against paragraph 1.2 (b).
3. Forest ...	(+)9.08	Reasons for variation have been indicated against paragraph 1.2 (c).
4. Stamps and Registration fees	(+)1.18	Information awaited (November 1982).
5. Interest ..	(—)6.91	Ditto

1.4. Cost of collection

Expenditure incurred in collecting the receipts under the principal heads of revenue during the three years from 1979-80 to 1981-82 is given in Appendix.

1.5. Taxation proposals

Government proposed to raise an additional revenue of Rs. 18.98 crores per annum during the year 1981-82. The measures proposed, additional revenue anticipated, actual amount realised during the year and reasons for variation as reported by the department are given below :

Measures	Date of implementation	Revenue anticipated	Revenue realised	Reasons for variation
		(In crores of rupees)		
1. Revision of water rate ✓	24th September 1981.	3.00	1.00	Reasons for variation are awaited
2. Excise duty (Revision of rates of duty)	7th April 1981 ..	2.98	1.32	Ditto
3. Mining Receipts (Revision of rates of mining royalty)	23rd July 1981	2.00	1.01	Ditto
4. Motor Vehicles Tax—				
(i) Revision of rates of tax on contract carriages	1st July 1981 ..	0.50	0.50	..
(ii) Revision of tax on heavy goods vehicles	1st January 1982	1.00	0.25	Same as against Serial No. 1
5. Forest Receipts (Revision of rates of royalty on forest produce including Kendu leaves)	4th May 1981 ..	3.00	3.00	..
6. Sales Tax (Rationalisation of rates and system of assessments and levy of sales tax)	1st August 1981	2.25	2.05	..
7. Revision of rate of valuation for assessment of duty on captive power generation	*	1.75	2.47	Same as against Serial No. 1
8. Levy of tax on consignment, etc.	Not implemented	2.50	..	Reasons for non-implementation are awaited
	Total ..	18.98	11.60	

* Exact date of implementation is awaited (December 1982)

1.6. Arrears in assessment of sales tax

The arrears in assessment of sales tax at the end of 1981-82 and the preceding two years are given below:—

Year	Arrear cases pending at the beginning of the year	Current cases	Total number of cases for assessment	Number of cases actually assessed	Number of pending cases	Percentage of pending cases to total number of cases
1979-80	94,086	1,33,812	227,898	1,33,219	94,679	42
1980-81	94,679	1,51,691	246,370	1,45,444	100,926	41
1981-82	1,00,926	1,47,478	248,404	1,47,208	101,196	40.7

The year-wise breakup of the pending cases as on 31st March 1982, called for from the department in September 1982 is still awaited (November 1982). The number of assessments completed in the month of March 1982 was 30,957 which constituted 21 per cent of the total number of assessments made during the year.

1.7. Uncollected revenue

The details of arrears pending collection and percentage of arrears to collection as on 31st March 1982 in respect of some of the principal sources of revenue are given below:

Heads of account	Amount collected in 1981-82	Arrears pending collection	Percentage of arrears to collection
(In lakhs of rupees)			
1. Land Revenue ..	1,110.35	7,00.69	63.1
2. Sales Tax ..	9,428.76	3,080.93	32.6
3. Taxes on vehicles ..	1,210.13	7,62.28	63.0
4. Taxes on Goods and Passengers	1,29.26	2,67.56	207.0
5. Mines and Minerals	6,53.30	1,07.26	16.4
6. Police ..	1,68.12	1,79.38	106.7

1.8. An analysis of arrears of revenue pending collection as on 31st March 1982 in respect of certain departments is given below:

(a) *Land Revenue*

According to the information furnished by the department (December 1982) the arrears of land revenue (including water rate) as on 31st March 1982 were Rs. 700.69 lakhs as against Rs. 7,78.01 lakhs outstanding at the end of March 1981. The year-wise break up of these arrears is awaited from the department (December 1982). The item-wise break up of the above arrears is as follows:

	(Rupees in lakhs)
Rent ..	70.20
Cess ..	153.68
Water rate ..	302.05
Nistar cess ..	4.40
Sairat ..	15.16
Miscellaneous revenue ..	1,55.20
Total ..	<u>7,00.69</u>

(b) *Sales Tax*

Sales Tax demands, raised but not collected at the end of 31st March 1982 was Rs. 3,080.93 lakhs as against Rs. 3,403.41 lakhs outstanding at the end of March 1981. Yearwise break up of the outstanding amount is awaited from the department (December 1982).

According to the information furnished by the department (September 1982) the amount of arrears as on 31st March 1982 was in the following stages of action:

Stage of action	Amount of arrears (In lakhs of rupees)
(i) Amount covered by stay orders	
(a) issued by Supreme Court/High Court ..	1,51.86
(b) issued by departmental authority ..	4,88.77
(ii) Amounts covered by certificate proceedings	4,35.24
(iii) Amounts covered by notice of penalty and notices to third parties	17,38.37
(iv) Amounts proposed to be written off ..	2,66.69
Total ..	<u>30,80.93</u>

Out of the arrears mentioned above Rs. 1,546 lakhs are outstanding against five assesseees viz.,—

	(Rupees in lakhs)
Hindusthan Aeronautics Limited ..	980
Central Fertiliser Pool ..	272
Metals and Minerals Trading Corporation ..	131
Orissa Mining Corporation ..	74
Steel Authority of India Limited ..	89

During the year 1981-82 Sales Tax demands were raised for Rs. 930.78 lakhs, of which Rs 602.24 lakhs fell due for collection. In addition, demands for 285.57 lakhs which were raised during the previous years also fell due for collection. Out of the total demand of Rs. 887.81 lakhs due for collection during the year Rs. 386.86 lakhs only were realised. Thus, Rs. 500.95 lakhs were added to the arrears during the year.

(c) Police

According to the information furnished by the department (December 1982) the arrears on account of receipts for police supplied to other Governments/departments and parties as on 31st March 1982 amounted to Rs. 179.38 lakhs as against Rs. 147.81 lakhs outstanding at the end of March 1981. Out of the above arrears amounts exceeding Rs. 5 lakhs are outstanding against Government of India (Rs. 61.45 lakhs), (ii) Government of Assam (Rs. 16.92 lakhs), (iii) Government of Bihar (Rs. 18.47 lakhs), (iv) Post and Telegraphs, (Rs. 5.50 lakhs), (v) South-Eastern Railway (Rs. 19.23 lakhs), (vi) Government of Andhra Pradesh (Rs. 28.51 lakhs) and (vii) Government of West Bengal (Rs. 5.59 lakhs).

(d) The yearwise details of arrears under Taxes on vehicles, Taxes on Goods and Passengers, State Excise and Mines and Minerals called for from the departments (May 1982) are awaited (December 1982).

1.9. Write off and remission of claimss to revenue

Details of amounts written off and remissions allowed during 1981-82 as furnished by certain departments are given below:—

Department	Particulars	Number of cases	Amounts (In lakhs of rupees)
1. General Administration (Rent).	Remission of house rent by way of rent free accommodation.	315	1.62
2. Commerce and Transport (Transport).	Irrecoverable motor vehicles tax.	*	45.70
3. Revenue and Excise.	Irrecoverable luxury tax.	1	0.21

1.10. Outstanding Inspection Reports

Important irregularities and defects in the assessment, demand and collection of State receipts noticed during local audit are intimated through inspection reports to the departmental officers, heads of departments and also to Government where necessary.

At the end of September 1982, 1,910 inspection reports containing 8,835 paragraphs (money value of objections Rs. 1,982.01 lakhs) were awaiting settlement. Some of the outstandings dated back to 1965-66. 670 inspection reports containing 2,623 paragraphs (money value of objections Rs.493.84 lakhs) were more than five years old.

In respect of 107 reports, issued between 1976-77 and 1981-82, even preliminary replies have not been sent to Audit (November 1982).

* Information awaited.

The departments with heavy outstandings are the following:

Department	Number of reports	Number of paragraphs	Money value of objections (In lakhs of rupees)
Finance	408	2,562	1,28.78
Revenue and Excise	847	2,500	4,84.47
Commerce and Transport	314	2,328	1,22.41
Forest	263	1,126	45.68
Mining and Geology	78	319	12,00.67

The matter was reported to Government in December 1982; their reply is awaited (December 1982).

CHAPTER 2

SALES TAX

2.1. Results of test audit in general

During the period 1st April 1981 to 31st March 1982 test audit of sales tax assessments/refunds files and other connected documents of Commercial Tax Officers disclosed under-assessments of tax and losses of revenue of Rs. 86.06 lakhs in 900 cases. These are broadly classified as follows:

Nature of irregularity	Number of cases	Amount (Rupees in lakhs)
1. Incorrect computation of taxable turnover	107	14.43
2. Application of incorrect rates ..	22	2.19
3. Irregular exemptions ..	60	15.88
4. Non-levy of interest ..	425	4.04
5. Others ..	286	49.52
Total ..	900	86.06

Some important cases are mentioned in paragraphs 2.2 to 2.21

2.2. Non-levy of Central sales tax on branch transfer

Under the Central Sales Tax Act, 1956, transfer of goods, not by reason of sale, by a registered dealer to any other place of his business outside the state is exempted from tax on production of declaration in the prescribed form 'F' duly filled in and signed by the principal officer of the other place of business alongwith the evidence of despatch of such goods. Under the Central Sales Tax (Registration and Turnover) Rules, 1957, a single declaration may cover transfer of goods effected during a period of one calendar month.

It was noticed in audit (September 1981) that in Mayurbhanj Circle, declarations pertaining to the year 1974-75 for the transfer of goods of Rs. 20.42 lakhs covering transactions of

more than one month (ranging from two to eight months) were incorrectly accepted during fresh assessment after appeal in respect of a dealer and exemption was allowed. The tax involved in these transactions amounted to Rs. 2.04 lakhs.

When this was pointed out in audit (September 1981) the assessing officer stated (November 1982) that the case had since been sent for *suo motu* revision. Further report is awaited (January 1983).

The matter was reported to Government (January 1982); reply is awaited (January 1983).

2.3. Irregular exemption

According to an exemption notification, dated 1st September 1976, issued under the Orissa Sales Tax Act, 1947, sales of dal and besan are exempted from tax with effect from 1st September 1976 provided these are obtained from pulses that have suffered tax under the Act. Otherwise, tax at the rate of 4 per cent is leviable. Under another notification, dated 9th September 1977, purchase of raw materials, i. e., goods which directly go into the composition of finished products made by a registered dealer who is a manufacturer inside the State and where such manufacturing units started production before 1st April 1977 is exempted from tax for a period of 5 years on furnishing necessary declarations in Form I.

In the course of audit of two circles (Cuttack I East and Puri II) it was noticed (June 1980 to December 1981) that four dealers were given exemptions from sales tax in respect of sales of dal and besan worth Rs. 26.26 lakhs during 1978-79 and 1979-80 on the ground that these items were obtained from pulses that had paid tax. However it was noticed in audit that these dealers had obtained exemption from payment of tax on the purchase of pulses under the notification dated 9th September 1977 and had not paid tax on these purchases. They were, thus, not eligible to get tax exemption on the sale of dal and besan. The inadmissible tax concession involved in these cases amounted to Rs. 1.05 lakhs.

On this being pointed out in audit (June 1980 to December 1981) both the assessing officers reopened/agreed to reopen the cases (June 1980 to January 1982). A demand of Rs. 0.12 lakh was later on (November 1981) raised in one case by the assessing officer of Cuttack I East. Further reports in respect of other cases are awaited (November 1982).

The cases were reported to Government (August 1980 to July 1982); their replies are awaited (January 1983).

2.4. Irregular availment of tax concession in inter-state sales.

Under Central Sales Tax Act, 1956, a registered dealer is permitted to transfer his goods to any other place of his business outside the State or to his agent or principal in another State without payment of sales tax subject to the production of prescribed declarations in Form 'F'. As per instructions of the Commissioner of Commercial Taxes, Orissa (July 1963 and May 1976) each case of such branch transfers should be scrutinised and disposed of with due care and circumspection by the assessing officer. Cases requiring enquiry should be referred to the vigilance department/investigation wing at Calcutta promptly on receipt of the return without waiting for completion of assessment.

In the course of audit of Balasore-I Circle it was noticed (January 1980) that a dealer was allowed (August 1978) deduction of Rs. 20.99 lakhs on his turnover for 1975-76 on account of transfer of goods to his branch office outside the State on the basis of declarations in Form 'F'. The case was referred for inquiry by the investigation wing of the department only in October 1978, i.e., after completion of the assessment (August 1978). The report of the Investigation Wing was received by the department on 31st March 1979 and according to their report, goods worth Rs. 8.26 lakhs out of the aforesaid goods had been sold in the course of inter-State trade and were, therefore, liable to tax. The tax involved on such sales was Rs. 82,566 calculated at the general rate of ten *per cent*.

When this was pointed out in audit (January 1980) the Assessing Officer stated (February 1980) that the report of the Investigation Wing had been received by him on 31st March 1979 and the assessment had become time barred on the next day and hence no action could therefore be taken. The delayed action to refer the case for inquiry thus resulted in loss of revenue of Rs. 82,566.

The case was reported to Government (March 1980); reply is awaited (January 1983).

2.5. Irregular application of concessional rate of central Sales Tax.

Under the Central Sales Tax Act, 1956, tax payable by any dealer on inter-State sales is at the concessional rate of 4 *per cent* if the sales are supported by valid declarations in Form 'C' with full particulars obtained from the purchasing registered dealers. Otherwise the tax payable after 1st July 1975 is for declared goods at twice the rate applicable to sale or purchase of such goods inside the State and for other goods at the rate of 10 *per cent* or the rate applicable to sale or purchase of such goods inside the State, whichever is higher.

(i) In the course of audit of one Circle (Bhubaneswar) it was noticed (May 1981) that inter-state sales of rice, wheat and gunny bags worth Rs. 18.52 lakhs by a registered dealer which were not supported by prescribed declarations in Form 'C' were taxed at the concessional rate of 4 *per cent* during 1977-78 instead of 8 *per cent* (twice the State rate) for rice and wheat being declared goods and 10 *per cent* for gunny bags, not being declared goods. The irregular application of concessional rate resulted in under-assessment of tax of Rs. 0.74 lakhs, calculated at the minimum differential rate of 4 *per cent*,

On this being pointed out in audit (May 1981) the assessing officer agreed (May 1981) to rectify the mistake. Further report is awaited (January 1983).

The matter was reported to Government in July 1981; reply is awaited (January 1983).

2.6. Irregular exemption of Central Sales Tax

Under the Central Sales Tax Act, 1956, the rate of tax in respect of inter-State sale of any goods would be nil if those goods are exempted from tax generally under the sales tax law of the State concerned. A sale of goods would not be deemed to be exempted from tax generally under the sales tax law of the State concerned, if, under the state law the sale of such goods is exempted only under specified conditions.

In the course of audit of two circles (Bolangir-II and Kalahandi) it was noticed (January 1979, September and November 1980) that in the case of three dealers, inter-State sales of bran worth Rs. 9.34 lakhs during May 1976 to March, 1979 were exempted from tax on the ground that sales of bran were tax-free during this period under the Orissa Sales Tax Act. As per notification dated 23rd April, 1976 issued under the Act, 'bran' was exempt from tax only if sold for use as Cattle feed. Thus 'bran' was exempted only under specified conditions and there was no general exemption from tax. The exemption granted to the three dealers under the Central Sales Tax Act was, therefore, irregular. This resulted in an under-assessment of tax of Rs. 0.63 lakh.

On this being pointed out in audit (January 1979, September and November 1980) the cases were reopened/sent for *suo motu* revision. Demands for Rs. 0.27 lakh were raised in the case of two dealers (January and October 1981). Further reports are awaited (January 1983).

The cases were reported to Government (March 1979, December 1980 and March 1981); their reply is awaited (January 1983).

2.7. Inadmissible benefit of concessional rate of Central Sales Tax.

Under the Central Sales Tax Act, 1956, a concessional rate of tax (of 4 *per cent*) is allowed on inter-State sales to registered dealers, subject to the production of declarations from the purchasing dealers in the prescribed form 'C'. In the case of sales to Government departments, the concession is subject to the

production of form 'D'. The form 'C' provides a money column for noting the amount of transaction for which the concessional rate is sought by the dealer. The rules made under the Act also provide that a single declaration in form 'C' should not cover more than one transaction in case the total of such transactions exceeds Rs. 5,000 and separate declarations are required to be furnished in respect of goods so delivered in each financial year.

In the course of audit of 5 circles (Keonjhar, Bolangir-II, Cuttack II, Koraput II and Bhubaneswar) it was noticed (May 1981 to March 1982) that in 9 cases, sales of Rs. 80.45 lakhs during 1976-77 to 1979-80 were not supported by valid declarations. The benefit of concessional rate of tax was not admissible in these cases for one reason or the other as indicated below :

- (a) No declaration forms were obtained in support of sales and kept on record.
- (b) True copies of form 'C' and form 'D' were accepted instead of originals.
- (c) Declarations covered more than one transaction of sale exceeding Rs. 5,000.
- (d) Sales were effected prior to the date of registration of the purchasing dealers.
- (e) Dates of registration of the purchasing dealers were not mentioned in declarations.
- (f) Declarations related to delivery of goods made in different financial years.
- (g) Declarations related to a State other than the State in which goods were delivered.
- (h) Duplicate copies of declarations were accepted though defective.
- (i) Amounts of inter-State sales for which concessional rates were allowed were not fully covered by the amount stated in the respective declarations.
- (j) Amounts of sales stated in the declarations were more than those taken in assessment, and
- (k) Incomplete declarations without containing all requisite particulars.

Acceptance of defective declarations and allowance of the concessional rate without valid declarations involved a tax concession of Rs. 4.73 lakhs.

On this being pointed out in audit, the assessing officers concerned sent the cases for *suo motu* revision/reopened the cases/agreed to examine and rectify the defects (May 1981 to March 1982). Further reports are awaited (January 1983).

The matter was reported to Government between July 1981 to June 1982; reply is awaited (January 1983).

2.8. Non-levy of tax at first point of sale

Under the Orissa Sales Tax Rules, 1947, sale of hydrogenated Oils was taxable at the first point of sale with effect from 1st April 1979.

It was noticed in audit (January 1982) of Cuttack I (East) Circle that sale of Vanaspati ghee ("Vansada") worth Rs. 19.33 lakhs by a manufacturer dealer was not taxed at the first point of sale during 1979-80. This resulted in an underassessment of tax of Rs. 1.35 lakhs.

When this was pointed out (January 1982) in audit, the assessing officer issued (January 1982) notice to the dealer. Further progress is awaited (January 1983).

The matter was reported to Government in July 1982; reply is awaited (January 1983).

2.9. Under assessment due to breach of declaration

Under the Orissa Sales Tax Act, 1947, purchase of raw materials by a new manufacturer is exempted from tax on fulfilment of certain prescribed conditions. One of these conditions is that the finished product should be sold by him inside Orissa or in the course of inter-State trade or export and he should furnish a declaration accordingly in the prescribed form.

Where a registered dealer purchases raw materials free of tax for use by him in the manufacture on furnishing a declaration in the prescribed form but utilises the same for any other purpose, he is liable to pay tax on such purchases.

(a) In the course of audit of Sambalpur III circle, it was noticed (May 1981) that a registered dealer purchased raw gums worth Rs. 13.03 lakhs during 1978-79 and 1979-80 out of which purchases worth Rs. 8.98 lakhs were exempted from tax on the strength of his declarations in the prescribed form that these were used as raw materials in manufacture. It was seen that the manufactured gum was not sold in Orissa and total value of sales outside the State was Rs. 18.49 lakhs out of which sales worth Rs. 13.26 lakhs were made through Commission agents, and the rest in inter-State trade. Since the dealer sold the finished products outside the State through commission agents, he was not eligible to get exemption on the raw materials required for the manufacture of finished gum worth Rs. 13.26 lakhs. The inadmissible tax concession involved in this case amounted to Rs. 62,850.

On this being pointed out by Audit (May 1981), the assessing officer reopened the case (May 1981). Further report is awaited (January 1983).

The matter was reported to Government (July 1981); reply is awaited (January 1983)

(b) Similarly, it was noticed by Audit (June 1980) that a registered dealer of Balasore II circle purchased wheat during 1978-79 free of tax on production of prescribed declaration but resold the finished products worth Rs. 9.61 lakhs on commission sales outside the State. This involved under-assessment of tax of Rs. 34,600 (4 per cent on the value of raw materials : Rs. 8.65 lakhs).

On this being pointed out by Audit (June 1980), the case was reopened and a demand of Rs. 38,957 (inclusive of penalty) was raised by the assessing officer (June 1980) and was realised.

2.10. Allowance of inadmissible deductions to registered dealers

Under the Orissa Sales Tax Act, 1947, a registered dealer is entitled to deduct from his gross turnover, sales to other registered dealers on obtaining declarations from them in the prescribed form to the effect that the goods so purchased are specified in purchasing

dealer's registration certificates and are intended for resale within Orissa. Under Orissa Sales Tax Rules, 1947 no single declaration shall cover more than one transaction of sale in excess of Rupees ten thousand during a quarter and the declaration marked 'original' should be obtained from the purchasing dealer for furnishing to the assessing authority before the completion of assessment.

In the course of audit of five circles (Dhenkanal, Rourkela, Ganjam-I, Mayurbhanj and Ganjam-II), it was noticed (between March 1981 to December 1981) that deductions totalling Rs. 10.28 lakhs were irregularly allowed to five dealers during 1977-78, 1978-79 and 1979-80 towards their sales to registered dealers. Such sales were not supported by the prescribed declarations (Rs. 3.87 lakhs) or were supported by inadequate declarations, such as, declarations in which the goods sold were not specified in the purchasing dealers registration certificate (Rs. 2.57 lakhs), photostat copies of declarations in lieu of original declarations (Rs. 0.85 lakh), indemnity bonds in lieu of declarations (Rs. 2.44 lakhs) and declarations covering more than one transaction of sales in excess of rupees ten thousand during a quarter (Rs. 0.55 lakh). Irregular allowance of deductions in these cases involved a tax effect of Rs. 0.64 lakh.

On this being pointed out in audit, (March to December 1981) a demand of Rs. 0.18 lakh was raised (January 1982) in one case (Dhenkanal Circle), in four other cases, the assessing officers agreed to reopen or to send the cases for revision of the assessments (March to December 1981). Further reports are awaited (January 1983).

The matter was reported to Government (between May 1981 and March 1982); reply is awaited (January 1983).

2.11. Incorrect computation of taxable turnover

As per a notification dated 23rd April 1976 issued under the Orissa Sales Tax Act, 1947, the rate of tax on sales of mineral was 10 per cent with effect from 1st May 1976.

In the course of audit of Keonjhar circle, it was noticed (March 1982) that the taxable turnover of a dealer in minerals for the years 1978-79 and 1979-80 were determined on the basis of revised

returns. The returns were supported by reconciliation statements explaining the differences between the original returns and the revised returns. A review of the reconciliation statements by Audit showed that

(a) two transactions of sale (1978-79) amounting to Rs. 1.03 lakhs initially excluded from the taxable turnover, were included later but were again excluded therefrom by mistake;

(b) three transaction of sales worth Rs. 0.64 lakh (1978-79 and 1979-80) in respect of which fresh bills were issued in lieu of cancelled bills, were not included in taxable turnover, and

(c) a transaction (March 1980) of sales worth Rs. 0.21 lakhs was excluded from the taxable turnover of 1979-80 on the ground that railway wagon containing minerals had not been received by the purchasing dealer, even though the bill had not been cancelled.

The exclusion of these transactions amounting to Rs. 1.88 lakhs from the turnovers of 1978-79 and 1979-80 resulted in under assessment of sales tax of Rs. 18,815.

On this being pointed out by Audit (March 1982) the assessing officer reopened the case (March 1982). Further reports are awaited (January 1983).

The matter was reported to Government (June 1982); reply is awaited (January 1983).

2.12. Inter-State sales wrongly exempted as commission sales

Under the Central Sales Tax Act, 1956, transfer of goods, not by reason of sale, by a registered dealer to any other place of his business outside the State or to his agents in other States, is exempted from tax on production of declaration in the prescribed form 'F' duly filled in and signed by the principal officer of the place of business or his agent, as the case may be. In the case of inter-State sales of goods other than declared goods, the dealer is liable to pay tax at the usual rate of ten *per cent* if such sales are not supported by valid declarations in Form 'C' obtained from the

purchasing registered dealers. 'Sale' means a transfer of property in goods by one person to another for a price paid or promised to be paid.

In the course of audit of one circle (Sambalpur I), it was noticed (June, 1982) that despatch by a dealer of timber and sized wood, valued at Rs. 2.38 lakhs during 1979-80 was exempted from tax on production of declaration in Form 'F' in support thereof, duly filled in and signed by the commission agent outside the State. A scrutiny of sale *patties*, submitted in respect of such commission sales, however, revealed that the commission agent had made initial payment of Rs. 1.62 lakhs in the shape of bank hundies against the value of goods worth Rs. 1.82 lakhs while releasing Railway receipts for taking delivery of goods. When payment had to be made for taking delivery of goods, the transaction was essentially a 'Sale' and not transfer, where no such payment was needed. Erroneous treatment of these inter-State sales as commission sales resulted in under-assessment of tax to the extent of Rs. 0.18 lakh computed at the rate of 10 per cent in the absence of any declaration in Form 'C'.

On this being pointed out by Audit (June 1981) the assessing officer reopened the case (July 1981). The matter was reported to Government in October 1981. While accepting the factual position, Government intimated (October 1982) that extra demand for the above amount and also for other cases of such payment in bank hundies had been raised after completion of reassessment (July, 1982) and the same was in the process of collection. Report of actual realisation is awaited (January 1983).

2.13. Application of incorrect rate of Orissa Sales Tax

As per a notification, dated the 23rd April 1976 issued by Government under the Orissa Sales Tax Act, 1947, the rate of sales tax payable by a dealer who sells machineries and component parts and accessories thereof shall be 10 per cent from 1st May 1976. No specific rate of tax for sale of pumpsets has been prescribed in the said notification. As pumpsets fall within the meaning of "machineries and component parts" and 10 per cent rate of tax is applicable to those goods.

It was noticed in audit (November 1981) that turnover of Rs. 1.91 lakhs of one dealer (in Bolangir Circle) in pumpsets for 1979-80 (September 1979 to March 1980) was taxed at a lower rate of 4 *per cent.* This resulted in a short levy of tax of Rs. 11,458.

On this being pointed out in audit (November 1981), the assessing officer agreed (November 1981) to reopen the case. Further report is awaited (January 1983).

The matter was reported to Government (March 1982); their reply is awaited (January 1983).

2.14. Short levy of tax on sale of rice

Under the Orissa Sales Tax Act, 1947, all purchases of paddy inside the State were taxable at 4 *per cent* during the year 1977-78. Paddy purchased inside the State for conversion into rice/broken rice was, however, tax free. Sale of rice/broken rice inside the State was taxable at 4 *per cent* during the year 1977-78 except sale of rice/broken rice converted from paddy purchased for other purposes (other than for conversion) on which purchase tax at the above rate had been levied. From 1st April 1978 all sale of rice/broken rice inside the State were taxable at the said rate provided that the sales tax payable on such rice would be reduced by the amount of purchase tax paid, if any, on paddy from which such rice was converted.

In the course of audit of a circle (Sambalpur I), it was noticed (June and July 1981) that in the case of two dealers a total reduction of Rs. 1.15 lakhs from sales tax, leviable on sale of rice inside the State, was allowed during 1978-79 on account of purchase tax already paid on its paddy equivalent. The total sales of rice on which such reduction was allowed, however, included the closing stock of rice as well as rice converted from the closing stock of paddy as on the last day of the previous year 1977-78 on which no purchase tax had been paid. The quantity of such rice sold inside the State during the year 1978-79 was found to be 2,786 quintals (2,323 quintals in one case and 463 quintals in the other).

The allowance of reduction in respect of such rice sold inside the State resulted in short levy of tax of Rs. 0.14 lakh, calculated on the basis of the value of its paddy equivalent at prevailing rate.

On this being pointed out in audit (June and July 1981) the assessing officer agreed to reopen the cases (July 1981) and intimated later (September 1982) that the short levy had been demanded and realised.

The cases were reported to Government in October 1981; reply is awaited (January 1983).

2.15. Short demand of tax due to arithmetical error

Under the Orissa Sales Tax Act, 1947, "tax payable" means tax assessed less the sum, if any, already paid by the dealer in respect of a particular period.

In the course of audit of an assessment case of a dealer in one Commercial Tax office (Cuttack I East Circle), it was noticed (January 1982) that in computing the tax payable for 1979-80 a sum of Rs. 1,54,241 was deducted as tax already paid as against the actual payment of Rs. 1,40,779. As a result the tax payable was short computed by Rs. 13,462.

On this being pointed out in audit (January 1982), the case was reopened (January 1982) by the assessing officer. Information regarding demand of tax is awaited (January 1983).

The case was reported to Government (July 1982); their reply is awaited (January 1983).

2.16. Incorrect determination of purchase turnover

In Orissa Sal seeds are taxable at purchase point. In the course of audit of one circle (Kalahandi), it was noticed (December 1981) that a dealer had purchased 2,506.13 MT. of Sal seeds during 1977-78 from two units of Tribal Development Co-operative Corporation (2,104.68 MT. from Kesinga Unit and 401.45 MT. from Narla Road Unit) at a total value of Rs. 17.67 lakhs (at the rate of Rs. 705 per MT). In his sales tax return, the dealer, however, indicated a purchase turnover of Rs. 15.51 lakhs only, being

the value of 2,199.87 MT. of Sal seeds. The assessing authority accepted the figures of turnover as returned by the assessee. Further, the assessing authority, while computing purchase tax payable on the purchase value of Rs. 15.51 lakhs as returned by the dealer, took this figure as sale value and deducted 5 *per cent* towards profit margin to arrive at a purchase value of Rs. 14.73 lakhs. These two mistakes led to a short demand of tax of Rs. 11,738 (calculated at 4 *per cent*).

On this being pointed out in audit (December 1981) the assessing officer initiated action (January 1982) for *suo motu* revision. Further reports are awaited (January 1983).

The matter was reported to Government in March 1982; reply is awaited (January 1983).

2.17. Escapement of turnover due to non-accountal of sale prices receivable

"Turnover" of sales is defined under the Orissa Sales Tax Act, 1947, as the aggregate of the amount of sale prices and tax, if any, received and receivable by a dealer in respect of sale or supply of goods other than goods liable for purchase tax.

In the course of audit, it was noticed (April 1981) that a dealer (Koraput II Circle) in ferromanganese was taxed on a turnover of Rs. 1,19.68 lakhs during 1978-79. This turnover included a sum of Rs. 23.88 lakhs representing the value of 90 *per cent* payment received in respect of some sales. The balance of 10 *per cent* payment aggregating to Rs. 2.65 lakhs which was receivable was not included in the turnover of sales. This exclusion of Rs. 2.65 lakhs from the turnover resulted in an under-assessment of sales tax of Rs. 10,615 (at the concessional rate of 4 *per cent*).

On this being pointed out in audit (April 1981), the assessing officer stated (May 1981) that the balance payment of 10 *per cent* was subject to final analysis and thus might not be received at all and hence the question of escapement of turnover might not arise. This contention is, however, not correct as sale value is to include deferred payment also.

Similarly, in another case (Keonjhar Circle) of inter-State sale of iron and manganese ore by a dealer, tax was assessed during 1979-80 on the basis of a turnover which included Rs. 25.49 lakhs being 90 *per cent* value of bills, the balance 10 *per cent* amounting to Rs. 2.83 lakhs escaped from taxable turnover. The under-assessment of tax owing to the exclusion of the 10 *per cent* deferred payment amounted to Rs. 11,327 (at the concessional rate of 4 *per cent*).

When this was pointed out in audit (March 1982) the assessing officer reopened the case (March 1982). Actual realisation of tax is awaited (January 1983).

These cases were reported to Government (September 1981 and June 1982); reply is awaited (January 1983).

2.18. Non-levy of tax on balance of stock

Under a notification dated 7th February 1976 (which had retrospective effect from 1st October 1970), where changes are made on the levy of tax on goods from sales point to purchase point and vice-versa, deductions shall be allowed from the gross turnover of the dealer subject to the production of a declaration by the said dealer that tax has been paid on the stock on hand on the date of change over. Government declared (1st October 1974 and 20th March 1975) certain goods which were till then subject to sales tax as liable to purchase tax.

In the course of audit of assessment of a dealer for the year 1974-75 completed in March 1978 it was noticed (January 1979) that a dealer of Ganjam I Circle had a balance of stock valuing Rs. 4.81 lakhs (Rs. 4.49 lakhs as on 20th March 1975 in respect of the goods brought to purchase tax with effect from 20th March 1975 and Rs. 0.32 lakh as on 1st October 1974 of goods brought to purchase tax with effect from 1st October 1974). They were liable to purchase tax but were not assessed to purchase tax although there was no evidence that sales tax thereon had been paid. This resulted in escapement of tax of Rs. 0.14 lakh for the assessment year 1974-75.

When this was pointed out in audit (January 1979) the case was sent for *suo motu* revision and a demand of Rs. 0.14 lakh was raised (January 1982). Further reports are awaited (January 1983).

The matter was reported to Government (June 1979); their reply is awaited (January 1983).

2.19. Non-levy of interest on belated payment of tax

Under the Orissa Sales Tax Act, 1947, as amended from 1st June 1976 if a dealer defaults in payment of any amount of tax by the due date specified in the notice issued to him, he would be liable to pay interest on the amount due at 6 per cent per annum for the first three months and 12 per cent per annum thereafter, provided that no interest would be charged in respect of any amount lying unpaid at any time prior to 1st January 1971 under the Orissa Sales Tax Act and 1st July 1971 under the Central Sales Tax Act.

In the course of audit of 15 sales tax circles, it was noticed (between April 1981 and March 1982) that in 353 cases State sales tax demands of Rs. 16.58 lakhs outstanding on 1st January 1971 and thereafter were subsequently settled without levying or collecting interest due thereon. Interest forgone from 1st January 1971 till the dates of settlement amounted to Rs. 3.54 lakhs.

Similar non-levy of interest on the outstanding Central sales tax (which is leviable from 1st July 1971) were noticed in 72 cases and the interest leviable on the outstanding (Rs. 6.91 lakhs) for the period from 1st July 1971 to the dates of settlement amounted to Rs. 0.70 lakh.

When this was pointed out in audit (between April 1981 and March 1982) the assessing officers agreed (between May 1981 and March 1982) to raise necessary demands. Further developments are awaited (January 1983).

The matter was reported to Commissioner of Commercial Taxes, Orissa and to Government (between July 1981 and June 1982); their replies are awaited (January 1983).

2.20. Non-levy of penalty

Under the Central Sales Tax Act, 1956 a registered dealer may purchase goods at the concessional rate of 4 *per cent* (as against the general rate of 10 *per cent*) by furnishing declaration in Form 'C' provided that such goods have been specified in his certificate of registration as being intended for resale/use in the manufacture/processing of goods for sale/use in mining/use in the generation or distribution of power/use in packing of goods for sale/resale by him. But if a registered dealer, falsely represents when purchasing the goods that such goods are covered by his certificate of registration, he shall be liable for prosecution. The taxing authority may, however, impose a penalty not exceeding one and a half times the tax which would have been levied in respect of the sale made to him, in lieu of prosecution.

In the course of audit of Sambalpur-III and Bolangir-I circles it was noticed (May and November, 1981) that 10 registered dealers purchased (during the period 1975-76 to 1980-81) goods valued at Rs. 6.08 lakhs paying tax at the concessional rate even though such goods purchased were not covered by their certificates of registration. The taxing authorities did not take any action to prosecute the dealers nor did they impose any penalty for false representation. The maximum penalty leviable in these cases was Rs. 0.91 lakh.

On this being pointed out in audit (May and November 1981) the assessing officer of Sambalpur-III circle agreed to examine the matter (May 1981) and the assessing officer of Balangir-I circle reopened the cases (November 1981). Further report is awaited (January 1983).

The matters were reported to Government (July 1981 and March 1982); reply is awaited (January 1983).

2.21. Non-levy of penalty for excess collection of tax

Under the Orissa Sales Tax Act, 1947, where any person being a registered dealer realises any amount by way of tax in excess of

the amount payable by him as tax under the Act, the Commissioner may direct that such person shall pay by way of penalty, a sum not exceeding twice the amount so realised by such person.

As per a notification, dated the 16th June 1971 issued under the Act, "batteries" (dry cell) were included under 'luxury goods' and a tax rate of 12 per cent was applicable to these goods with effect from 1st July 1971. This notification was quashed on 8th July 1975 by the Orissa High Court on the ground that dry batteries fell within the meaning of "All other articles" and accordingly attracted only the general rate of tax of 5 per cent applicable.

It was noticed in audit (July 1979) that tax at the rate of 12 per cent was collected by a dealer of Ganjam I circle during 1974-75 and 1975-76 on his sales of dry cell batteries worth Rs. 4.17 lakhs and the same was paid as admitted tax. The assessments for the years 1974-75 and 1975-76 were made by the taxing authority (December 1977) and the dealer was taxed at lower rate of 5 per cent and was also allowed (March 1978) a refund of Rs. 28,673 (Rs. 16,388 for 1974-75 and Rs. 12,285 for 1975-76). As the dealer had realised tax in excess of the amount payable by him as tax, the Commissioner had the power to direct him to pay by way of penalty, a sum not exceeding Rs. 57,346 in this case.

When this was pointed out by audit (July 1978), the assessing officer stated (October 1978) that it was necessary to establish *mens rea* in order to impose a penalty and no such *mens rea* could be established in this case. According to the Supreme Court*, however, the notion that a penalty or a punishment cannot be cast in the form of an absolute or no fault liability but must be preceded by *mens rea* is not correct.

The matter was reported to Government (January 1979); their reply is awaited (January 1983)

* Sales Tax Officer, Gujurat Vrs. Ajit Mills Limited, 1977, 40 STC 497, Supreme Court.

CHAPTER 3

TAXES ON MOTOR VEHICLES AND PASSENGERS

3.1. Results of test audit in general

A test audit of accounts of receipts and refunds in the office of the State Transport Authority and other Regional Transport Offices during the period 1st April 1981 to 31st March 1982 disclosed under-assessment/losses of revenue to the extent of Rs. 29.51 lakhs in 2,774 cases.

The cases are broadly categorised as below:—

Category	Number of cases	Amount (Rupees in lakhs)
1. Non-levy of motor vehicles tax ..	1,600	4.36
2. Non-levy of passenger tax ..	331	18.14
3. Short levy of motor vehicle tax/fees	434	2.68
4. Under-assessment of passenger tax/ composition fees	119	0.38
5. Loss of revenue due to other reasons	290	3.95
Total ..	<u>2,774</u>	<u>29.51</u>

Some of the important cases are mentioned in paragraph 3.2. to 3.21.

3.2. Non-levy of tax from the date of purchase/acquisition

Under the Orissa Motor Vehicles Taxation Act, 1975, tax at the prescribed rates is leviable on all motor vehicles used or kept for use in the State.

In the course of audit of one region (Bhubaneswar) it was noticed (August 1981) that tax at the prescribed rates was not realised in respect of four newly registered vehicles (purchased in April 1980), for the period from April, 1980 to quarter ending September 1981. This resulted in non-levy and non-collection of tax to the extent of Rs. 0.27 lakh.

When this was pointed out in audit (August 1981) the Taxing Officer agreed (August 1981) to issue demand notice for realisation of the tax. Further report is awaited (January 1983).

The matter was reported to Government in November, 1981; reply is awaited (January 1983).

3.3. Non-realisation of tax for the period for which off-road declarations were not accepted

No tax is payable on any motor vehicle not intended to be used for any period if a declaration to that effect is given by the owner prior to the commencement of such temporary discontinuance to the registering authority in the prescribed form surrendering therewith, the vehicle's registration certificate, fitness certificate, permit and current tax token and the same is accepted by registering authority. No such declaration can be accepted unless the above mentioned documents are surrendered therewith. In the absence of any accepted off-road declaration, the motor vehicle shall be deemed to have been used or kept for use within the State and hence liable to pay tax.

In the course of audit of one region (Phulbani), it was noticed (July 1981) that though such off-road declarations in respect of six vehicles for the periods between April 1980 and September 1981 were not accepted due to non-surrender of relevant document, tax for that period amounting to Rs. 0.23 lakh was neither demanded nor paid.

On this being pointed out in audit (July 1981) the taxing authority agreed (July 1981) to issue demand notices for realisation of the arrear tax. The information about actual issue of demand notice and realisation of the dues is awaited (January 1983).

The matter was reported to Government in October 1981; reply is awaited (January 1983).

3.4. Non-recovery of tax for intervening periods

Owners of motor vehicles may make payment of road tax in any region in the State according to their convenience. The taxing authorities who receive tax in respect of vehicles,

registered in other regions of the State, are required to forward particulars of tax payments in respect of these vehicles to the original registering authorities or the taxing authorities of the regions in which the tax was last paid to enable them to note the same in their taxation records.

In the course of audit of the records of three regions (Sundergarh, Sambalpur and Balasore) it was noticed (December 1981 and February 1982) that in forty-six cases the tax for intermediary periods (July 1970 to December 1981) had remained unrealised even though the tax in respect of earlier and later periods was collected. The taxation records showed that the intervening periods were neither covered by exemptions on grounds of temporary discontinuance of the use of vehicles nor by intimations of payments of tax in any other region. This resulted in non-levy of tax to the extent of Rs. 0.89 lakh.

When this was pointed out in audit (December 1981 and February 1982) the taxing officers agreed (December 1981 and February 1982) to realise the tax. Further developments are awaited (January 1983).

The matter was reported to Government (February, March and June 1982); their reply is awaited (January 1983).

3.5. Under-assessment of tax in respect of stage carriages

The tax payable in respect of a stage carriage is to be determined on the basis of permitted seating capacity and the total distance permitted to be covered by the vehicle in a day. According to a clarification issued by the State Transport Authority in October 1974, if a stage carriage having a permanent permit is granted also a temporary permit, the combined distance of both the permits should be taken for computation of tax.

In the course of audit of Balasore region, it was noticed (February 1982) that in respect of 22 stage carriages having permanent permits, which were also granted temporary permits, tax was not realised on the combined distance of permanent

and temporary permits. This resulted in under-assessment and short realisation of tax amounting to Rs. 64,743 for the period from April 1980 to March 1981.

On this being pointed out in audit, the taxing authorities agreed (February 1982) to realise the outstanding dues and to review the other cases accordingly. Further reports are awaited (January 1983).

The matter was reported to Government (June 1982); reply is awaited (January 1983).

3.6. Short levy of tax in respect of vehicles operated by a fleet owner

Under the Orissa Motor Vehicles Taxation Act, 1975, tax in respect of a reserve stage carriage or spare bus of an operator is charged at concessional rate, if taxes for the relevant period in respect of all his regular stage carriages covered by valid permits have been paid irrespective of the stoppage or otherwise of the vehicles. According to the executive instructions issued by the State Transport Authority in October 1974, one vehicle for every four vehicles belonging to a fleet can be taxed as a spare bus.

In the course of audit of one region (Sundergarh), it was noticed (December 1981) that a fleet owner (Orissa State Road Transport corporation) had actually been operating vehicles in excess of the permissible number of buses inclusive of reserve stage carriages (spare buses) in different quarters during 1980-81 and also operating on a route which was not permitted. But taxes at concessional rate only as admissible for spare buses were realised in respect of such unauthorisedly operated buses. Further, no tax was assessed and collected (between July 1980 to March 1981) in respect of three vehicles, off-road declarations in respect of which had been rejected. These defaults resulted in total short levy of tax of Rs. 37,711.

When this was pointed out in audit (December 1981) the taxing authority agreed (December 1981) to realise the dues. Report regarding actual realisation is awaited (January 1983).

The matter was reported to Government (February 1982); reply is awaited (January 1983).

3.7. Short levy of tax in respect of dumpers and tippers

Tax in respect of vehicles constructed or adapted for use and solely for the transport of goods in the course of trade is based on the laden weight. Laden weight means the maximum safe laden weight as notified by Government. The State Government with the approval of the Central Government notified (January 1959) that the maximum safe laden weight should be taken as $112\frac{1}{2}$ per cent of the gross vehicle weight certified by the manufacturers in respect of vehicles of 1952 and earlier models of all make and as 125 per cent in respect of vehicles of 1953 and later models.

It was noticed in audit (December 1979) that in Dhenkanal region in respect of 21 cases of transport vehicles (tippers and dumpers) of 1953 and later models, tax for the period June 1975 to March 1980 was assessed and collected on the basis of gross vehicle weight certified by the manufacturer instead of the revised laden weight prescribed in the Government notification of January 1959. This resulted in short levy of tax of Rs. 31,262.

On this being pointed out in audit (January 1980), the taxing authority stated (January 1980) that as per the specific instructions (March 1977) of the State Transport Authority the laden weight of the vehicles was not revised. Neither the Motor Vehicle Taxation Law nor the Government notification contemplate any exemption in respect of dumpers and tippers and as such the instructions issued by the State Transport Authority were not regular.

The matter was reported to Government in March 1980. The Government, accepted the factual position and directed (September 1981) realisation of the differential amount of tax. Report of actual recovery is awaited (January 1983).

3.8. Issue of tax tokens without realisation of arrears

Under the Orissa Motor Vehicles Taxation Act, 1975, tax tokens are to be issued only when all the arrear taxes and penalties are paid along with the tax for the current period.

In the course of audit of five regions (Sundargarh, Phulbani, Rourkela, Mayurbhanj and Cuttack) it was noticed (June 1981 to December 1981) that tax tokens had been issued in 44 cases even though dues to the extent of Rs. 0.79 lakh were outstanding.

When this was pointed out in audit (between June 1981 and December 1981) the Taxing Officer of one region (Sundargarh) stated (December 1981) that the tax tokens were issued due to oversight at the time of heavy rush and action would be taken to realise the dues. The other taxing officers stated (June 1981 to November 1981) that the position would be verified and steps taken to realise the tax. Further reports are awaited (January 1983).

The matter was reported to Government between October 1981 and February 1982; their reply is awaited (January 1983).

3.9. Non-levy of tax in respect of standing passengers

Under the Orissa Motor Vehicles Rules, 1940, passengers may be carried standing on the deck of any public service vehicle. The taxing authority should examine the vehicle and fix the number of standees, permitted to be carried and levy tax in respect of the standees as per the rates prescribed in the taxation schedule.

Mention has been made in the successive Audit Reports of the Comptroller and Auditor General of India of non-levy of tax in respect of standing passengers vide paragraph 28 of 1973-74, 3.4 of 1975-76, 3.1 of 1976-77, 3.10 of 1978-79, 3.3 of 1979-80 and 3.3 of 1980-81 Reports.

In the course of audit of one region (Phulbani) it was again noticed (July 1981) that in respect of 24 public service vehicles, tax in respect of standing passengers was not demanded for different periods between April 1980 to March 1981 although all such vehicles had necessary arrangements to carry standees and had been granted registration certificates accordingly. Three of those vehicles were actually carrying standees as detected (between April 1980 to March 1981) by the Department's enforcement branch. Revenue lost on account of tax on standees being not demanded in these cases amounted to Rs. 0.23 lakh.

When this was pointed out in audit (July 1981) the Taxing Officer agreed (July 1981) to issue demand notice for realisation of the dues. Further information regarding actual realisation of the tax is awaited (January 1983).

The matter was reported to Government in October 1981 and their reply is awaited (January 1983).

3.10. Under-assessment and short realisation of passenger tax

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, a tax on all passengers carried by stage carriages, is leviable at the rate of 15 paise in the rupee on the passenger fares, payable to the operators of such public vehicles subject to certain conditions. Where the seating capacity of a stage carriage is increased by issue of a revised permit the passenger tax has also to be revised on the basis of increased seating capacity by keeping a note in the relevant records relating to passenger tax. Under the Act, the passenger tax cannot however, be recovered after a lapse of three years.

In the course of audit of one Regional Transport Office (Balasore) it was noticed (February, 1982) from the records relating to motor vehicles tax that revision of the seating capacity of a stage carriage was allowed (February 1975), but the passenger tax was not correspondingly increased, and the tax was continued to be levied on the original seating capacity up to March 1980 when the vehicle migrated to West Bengal. This resulted in a short levy of tax of Rs. 25,264, out of which a sum of Rs. 20,209 (representing tax up to the period February 1979) is time barred.

When this was pointed out in audit (February 1982) the taxing authority stated (February 1982) that the tax was assessed as per the original seating capacity as the revised seating capacity was not noted on the permit. The matter was brought to the notice of Government in April 1982; reply is awaited (January 1983).

3.11. Short-realisation of composition fees

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, the prescribed authority may permit an operator of a public service vehicle to compound the tax, by paying in lieu thereof a

composition fee. The composition fee payable in respect of ordinary stage carriages was fixed (November 1975) by Government at the rate of Rs. 1.85 per passenger per year per kilometer of permitted distance.

In the course of audit of two regions (Sundargarh and Sambalpur) it was noticed (November 1981 and December 1981) that the composition fees payable at the rate prescribed by Government in respect of 103 cases (2 in Sundargarh and 101 in Sambalpur) for the period July 1979 to September 1981 was Rs. 1,02,341. The fee levied was Rs. 85,190 only. There was thus a short levy of Rs. 17,151. The short levy was due to arithmetical mistakes in calculation (9,424) and due to adoption of lesser distances for purposes of computation of tax (Rs. 7,727).

When this was pointed out in audit (November and December 1981) the taxing officer, Sundargarh stated (December, 1981) that necessary demand notices were being issued while the taxing officer, Sambalpur stated (November and December 1981) that all the cases of short levy were being reviewed and action would be taken to realise the amount. Report regarding recovery is awaited (January 1983).

The matter was reported to Government (March 1982); reply is awaited (January 1983).

3.12. Time barred cases of Passenger Tax

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, any Passenger tax which has escaped assessment or has been under-assessed, can be assessed or re-assessed by the taxing authority within a period of three years from the expiry of the month for which it was due; it is barred by limitation thereafter.

In the course of audit of Phulbani Region (July 1981), it was noticed that in three cases, even though the fact of non-assessment of Passenger tax was pointed out by audit well in time (May 1977) the Taxing Officer had not taken any action to assess and realise the tax due and the case had become time barred by April 1980, leading to irrecoverable loss of Government revenue to the extent of Rs. 15,181.

In the case of another region (Keonjhar), it was seen in audit (September 1981) that though the under-assessment in two cases due to less distance taken into assessment from January 1974 onwards was pointed out by audit in March 1980, the Taxing Officer conducted physical verification of the distance in June 1980 and realised the differential tax after re-assessment from January 1980.

The tax due from April 1977 to December 1979 amounting to Rs. 10,494 was not realised, of which tax of Rs. 6,530 relating to the period from April 1977 to September 1978 had become time barred.

The matter was reported to Government (September 1981) and January 1982; reply is awaited (January 1983).

3.13. Under charge of application fees due to non-application of revised rates

The rates of fees in respect of applications for grant of extension, renewal etc., of permits were revised with effect from 1st May 1980 by a notification, dated 23rd April 1980. The fees in respect of contract carriages *inter alia* were revised from Rs. 20 to Rs. 50 per vehicle.

In the course of audit of a region (Mayurbhanj) it was noticed (November 1981) that application fees for grant of permits to contract carriages during the period May 1980 to March 1981 were not charged at the revised rates in 1,127 cases (48 belonging to the State and 1,079 belonging to other States) resulting in a loss of revenue of Rs. 33,770.

When this was pointed out in audit (November 1981) the Taxing Officer stated (November 1981) that action was being taken to realise the dues to the extent possible. The progress made in realisation of dues is awaited (January 1983).

The matter was reported to Government (February 1982); reply is awaited (January 1983).

3.14. Non-realisation of tax at enhanced/revised rates on goods vehicles of other States permitted to ply in Orissa

According to a Government notification (March 1980) the rate of tax, payable by goods vehicles of other States allowed to ply in the State of Orissa under the National Permit and Central Zone Permit Schemes, was increased from Rs. 700 to Rs. 1,000 with effect from 1st April 1980.

In the course of audit of State Transport Authority (May 1981) it was noticed that in respect of fifty nine goods vehicles belonging to other States, permitted to ply in Orissa under the National Permit Scheme (forty-eight vehicles) and Central Zone Permit Scheme (eleven vehicles), tax at the revised and enhanced rates was not realised for the period from April 1980 to March 1981. This resulted in non-realisation of revenue amounting to Rs. 0.14 lakh.

When this was pointed out (May 1981) in audit, the State Transport Authority stated (May and June 1981) that steps would be taken to demand the differential amount of tax. Report of the recovery of the balance tax is awaited (January 1983).

The matter was reported to Government in October 1981; their reply is awaited (January 1983).

3.15. Non-collection of tax under the National and Zonal Permit Schemes

Under the National Permit Scheme and the Central Zone Permit Scheme, tax at the rates of Rupees one thousand per annum is recoverable from an operator intending to ply his vehicle in the State. The payment of such tax at the option of the operator, can be made in two equal instalments covering the two six monthly periods of the financial year, the first before 15th March to cover the period from following April to September and the second before 15th September (of the current financial year) to cover the period from following October to March.

In the course of audit of the records of the State Transport Authority, Orissa, it was noticed (May 1981) that the second instalment of tax (from October 1980 to March 1981) amounting to

Rs. 38,000 due from 76 operators of the 15 signatory States under the National and Central Zone Permit Schemes was not remitted to the State of Orissa.

On this being pointed out in audit (May 1981), it was stated by the State Transport Authority, Orissa (June 1981) that steps would be taken to realise the tax. Report of realisation is awaited (January 1983).

The matter was reported to Government (October 1981); reply is awaited (January 1983).

3.16. Irregular issue of no-objection certificate in respect of vehicles migrated to other State without realisation of arrear tax

Under the provisions of the Motor Vehicles Act, 1939, before granting a no objection certificate for the assignment of a new registration mark in another State, the registering authority is to obtain a formal clearance report from the police that no case relating to the theft of the concerned vehicle has been reported or is pending and to see that all dues of Government including road tax have been duly realised.

In the course of audit of one region (Sundargarh) it was noticed (December 1981) that in respect of two stage carriages migrated to other States, no objection certificates were issued (September 1980 and October 1981) without obtaining any clearance report from the police and without collecting the arrear tax amounting to Rs. 0.28 lakh pertaining to different periods between January 1979 and March 1981.

On this being pointed out in audit (December 1981), the Registering Authority while noting for future guidance the requirement of police clearance report, stated (December 1981) that steps would be taken to realise the arrear dues. Report regarding actual realisation of the arrears is awaited (January 1983).

The matter was reported to Government in February 1982; reply is awaited (January 1983).

3.17. Non-levy of trade certificate fees/tax,

Under the Orissa Motor Vehicles Rules, 1940, a dealer in Motor Vehicles need not get the vehicles registered so long as these are used under the authorisation of a trade certificate, granted by the

registering authority on payment of the prescribed annual fee. With effect from 1st October 1975, the Orissa Motor Vehicles Taxation Act, 1975 levied tax also on vehicles covered by trade certificates granted under the Rules.

In the course of audit, it was noticed (between August 1981 and November 1981) that in three Regional Transport Offices (Sambalpur, Bhubaneswar and Baripada) in respect of 19 dealers trade certificate fees and tax to the extent of Rs. 25,363 (Rs. 7,800 + Rs. 17,563) were not levied for the period April 1976 to March 1982.

On this being pointed out in audit (between August 1981 and November 1981) the taxing authorities stated (August 1981 and November 1981) that notices were being issued for realisation of the dues. Report regarding recovery is awaited (January 1983).

The matter was reported to Government (November 1981, February 1982 and March 1982); reply is awaited (January 1983).

3.18. Under-assessment of tax in respect of vehicles plying without permit

In respect of motor vehicles plying for hire and used for conveyance of passengers, different rates of tax are laid down depending on the total distance permitted to be covered by the vehicle in a day. For this purpose, the Act provides that in the case of a vehicle plying without permit, the distance covered per day will be reckoned as exceeding 320 kilometres.

In the course of audit of one region (Balasore) it was noticed (February 1982) that the enforcement Branch of the department had detected nineteen vehicles plying on hire and used for conveyance of passengers without permits during the period January 1980 to December 1980. The tax leviable in respect of those vehicles (reckoning the distance as exceeding 320 kilometres per day) amounted to Rs. 85,637, but tax collected was Rs. 59,482 only. This resulted in an under-assessment of tax of Rs. 26,155.

When this was pointed out in audit (February 1982) the taxing officer stated (February 1982) that the cases would be re-examined and action taken for realisation of the dues. Report regarding recovery is awaited (January 1983).

The matter was brought to the notice of Government in June 1982; reply is awaited (January 1983).

3.19. Failure to levy penalty for non-submission of passenger tax returns

According to the Motor Vehicles (Taxation of Passengers) Rules, operator of every stage carriage carrying passengers has to file monthly returns in the prescribed form within a period of 15 days of the close of the month to which the return relates. Failure to submit the return would render him liable for prosecution and payment of maximum fine of Rs. 1,000 in each case, which can be compounded on payment of a minimum composition fee of Rs. 200 on each occasion.

In the course of audit of the records of four regional transport officers (Phulbani, Cuttack, Dhenkanal and Kalahandi) and of State Transport Authority, Orissa, Cuttack it was noticed (between June 1981 to August 1981) that in 239 cases, no returns were filed during the period August 1978 to May 1981 but no penal action was taken against the operators concerned.

The maximum amount of fine leviable in these cases would amount to Rs. 2.39 lakhs. In case the offences were compounded a fee of Rs. 0.48 lakh would be realisable.

On this being pointed out in audit (between June 1981 to August 1981) all the taxing officers including State Transport Authority agreed (between June 1981 and August 1981) to initiate action. Further reports are awaited (January 1983).

The matter was reported to Government (between August 1981 to October 1981); reply is awaited (January 1983).

3.20. Short Levy of Penalty

Under Orissa Motor Vehicles Act 1975, where the tax for any period in respect of a motor vehicle has not been paid and continues to remain unpaid for a period of 15 days from the due date of payment, the Taxing Officer may, in respect of such vehicle impose a penalty of an amount equal to the quarterly tax for the first quarter

together with twice the quarterly tax for every subsequent quarter falling within the period. Government in an earlier clarification stated (November 1965) that while the Taxing Officers have discretion to waive the penalty, they do not have the power to impose penalty less than what has been prescribed in the Act.

In the course of audit of the records of a region (Sambalpur) it was noticed (November 1981) that during the period April 1980 to November 1981 the amount of penalty realised by the Taxing Officer was less than the amount prescribed in the Act in respect of fifty-four cases of non-payment of taxes within the prescribed period. The short levy of penalty in these cases was Rs. 0.21 lakh.

On this being pointed out in audit (November 1981) the Taxing officer agreed (November 1981) to review the cases and to impose penalty. Further developments are awaited (January 1983).

The matter was reported to the Transport Commissioner and the Government in March 1982 and their reply is awaited (January 1983).

3.21. Non-levy of penalty in respect of vehicles violating conditions of permit

The Motor Vehicles Act, 1939, provides for cancellation and suspension of a permit on breach of any condition, contained in the permit. It also provides that if the holder of the permit agrees to pay a certain sum of money as composition fee the offence can be compounded. The Act also contemplates punishment for the first offence with a fine which may extend to one thousand rupees and for second and subsequent offences with imprisonment up to six months or with fine which may extend to Rs. 2,000 or with both.

In the course of audit of State Transport Authority, it was noticed (May 1981) that out of 29 cases of violation of permit conditions as were reported during 1978-79 to 1980-81 by the departmental staff, in 6 cases only show-cause notices were issued within the validity of the permits. These were also not pursued. In 10 cases, show-cause notices were issued after the expiry of the

permits and in the remaining 13 cases, show-cause notices were not issued at all. Ultimately all the 29 cases were dropped for the reason that permits had already expired. The maximum fine leviable under the Act in respect of these 29 cases was Rs. 33,000.

When this was pointed out in audit (May 1981), it was stated by the State Transport Authority, Orissa (June 1981) that steps would be taken to comply with the audit observations. Further report is awaited (January 1983).

The matter was reported to Government (October 1981); reply is awaited (January 1983).

CHAPTER 4
LAND REVENUE

4.1. Results of test audit in general

The test audit of assessment and collection of land revenue conducted during the period 1st April 1981 to 31st March 1982 revealed losses of revenue and non-assessments/under-assessments of revenue to the extent of Rs. 1,34.13 lakhs in 8,098 cases broadly categorised as follows :—

Category	Number of cases	Amount (Rupees in lakhs)
1. Non-realisation of premium and rent on conversion of agricultural lands	56	21.60
2. Non-collection of premium and rent, etc., for lands occupied by local bodies/Government undertakings/private parties and individuals	38	26.74
3. Non-assessment/short assessment/delay in assessment of land revenue and cess	108	1.35
4. Non/short assessment and collection of water rates	51	52.24
5. Non-lease/irregular lease of <i>Sairat</i> and other miscellaneous revenue.	205	2.74
6. Non-lease/non-realisation of revenue from surplus Government lands	610	11.44
7. Others ..	7030	18.02
	<hr/> 8098	<hr/> 1,34.13

A few cases of interest are mentioned in paragraphs 4.2 to 4.7.

4.2. Non-assessment and non-recovery of premium and rent for conversion of agricultural lands

Under the Orissa Land Reforms Act, 1960, a raiyat using agricultural land for any non-agricultural purpose without prior permission of the competent authority is liable to eviction. However, according to the orders issued by Government (December 1970) such land, on the request of the raiyat can be resettled with him on non-agricultural lease on payment of premium equal to two-thirds of the amount of increment in value of the land arising out of the commercial and industrial use, rent being reassessed at one *per cent* of the market value of non-agricultural holding.

Mention has been made in successive Audit Reports of the Comptroller and Auditor General of India on the revenue receipts of the Government of Orissa vide paragraph 4.6 of 1976-77, 4.2 of 1977-78, 4.4 of 1978-79, 4.2 of 1979-80 and 4.2 of 1980-81 thereof about non-assessment and non-demand of revenue aggregating to Rs. 26.59 lakhs on account of premium and rent in respect of 107 acres of land.

In the course of audit of Khurda Tahasil in Puri district it was noticed again (June 1980) that although 5.070 acres of agricultural lands were converted (between 1965 to 1973) for non-agricultural purposes by installing saw mills, rice mills and weaving factories, etc., no action has been taken by the department either to evict the raiyats or to resettle the lands. Consequently, premium amounting to Rs. 1.18 lakhs (calculated on the basis of market value of agricultural lands reported by the Tahasildar), payable on resettlement had not been assessed and demanded. Rent of Rs. 0.29 lakh up to the end of 1980-81 had also not been assessed and demanded.

On this being pointed out in audit (June 1980), the Tahasildar stated (May 1982) that the proceedings under section 8 of the Orissa Land Reforms Act had since been started during 1982 and after resettlement of the case premium and rent dues would be realised. Further developments are awaited (January 1983).

The matter was reported to Government in August 1980; their reply is awaited (January 1983).

4.3. Lease of Government land

4.3.1. Lease of land for industrial purposes

(i) In pursuance of the Industrial policy of the Government announced in April 1977 (effective from 1st April 1977 to 31st March 1979) new industries were to be given lease of land at $\frac{1}{3}$ rd of the market value payable in five annual instalments, the first instalment being payable at the time of taking possession of the land. This concession was also given to Orissa Small Industries Corporation (OSIC) and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) who were expected to allot lands on the same terms to the eligible new industries assisted by them.

(ii) With a view to obviating the procedural delays in determining the market value of the land through the normal processes of Revenue Department, the Government in their Industries Department Resolution dated 12th December 1975, set up a Committee to determine the rate for lands situated in selected growth centres for industries in the State. It was stipulated therein that the area rate approved by the Government on the basis of the recommendations of the Committee would be valid for a period of one year in the first instance after which the rates will be re-fixed for a further period of three years subject to revision thereafter once in three years. Accordingly, the rates for 6 growth centres including Dhenkanal, Chatrapur, Berhampur and Gopalpur areas were fixed by Government in May 1976 and the rates for other 7 growth centres including Jagatpur, Chowdwar areas were fixed in August 1976. These rates were required to be revised once in May 1977/August 1977 and again in May 1980/August 1980 as stipulated in the Government resolution of 12th December 1975. However, no such revision has been made so far (September 1982).

By a subsequent resolution in February 1980 the rates of premium in respect of small scale industries were reduced to $\frac{1}{4}$ th of the market value or area rate as fixed by Government with 10 per cent down payment and the balance payable in 5 annual instalments, the first instalment commencing after a period of moratorium for 24 months.

4.3.2. A test check conducted (May 1981 to September 1981 and January 1982 to March 1982) in 17 Tahasils revealed the following—

4.3.3. *Lease of land in favour of Orissa Small Industries Corporation (O. S. I. C.)*

(i) A lease of land measuring 13,138 acres in Berhampur Industrial Estate was sanctioned by Government in April 1980 in favour of the Orissa Small Industries Corporation Limited (O. S. I. C.) on payment of premium of Rs. 16,422.50 being one-fourth of the market value assessed (May 1976) at Rs. 5,000 per acre. In accordance with the Government resolution dated 12th December 1975 the market value fixed in May 1976 was valid only up to May 1977 and was required to be revised in May 1980 (after 3 years). Hence adoption of the rate of Rs. 5,000 per acre which was the assessed rate in May 1976 to determine the market rate for this lease which was given in April 1980 was not correct and the market rate that prevailed in April 1980 should have been adopted. It was seen in audit that the Revenue Divisional Commissioner had indicated (August 1979) the market rate as Rs. 73,258.37 per acre while recommending the lease. By working out the premium on the basis of Rs. 5,000 per acre instead of at the rate of Rs. 73,258.37 per acre Government lost a revenue of Rs. 2.24 lakhs in this case.

It may also be mentioned that the said lands were acquired by the Government in 1959-60 from private parties at a cost of Rs. 1.08 lakhs giving an average rate of Rs. 8,236 per acre. As such the valuation of market rate in May 1976 at Rs. 5,000 per acre itself was unrealistic.

(ii) In another case where 53.05 acres of land in Jagatpur-Chowdwar growth centres were leased (September 1978) to O.S.I.C., the market value as fixed in August 1976 at Rs. 5,000 per acre was adopted for determining the premium and the annual rent. As already stated the rates fixed in August 1976 were valid only for a period of one year and were required to be revised thereafter. The adoption of the rate of Rs. 5,000 per acre fixed in August 1976 to determine the market rate for lease in September

1978 was irregular and the market rate as in September 1978 should have been adopted. It was seen in audit that the Additional District Magistrate, Cuttack, while recommending this lease had indicated (July 1978) the market rate as Rs. 30,000 per acre. On that basis the premium recoverable would be Rs. 5.30 lakhs as against Rs. 0.88 lakh fixed in this case. This resulted in forgoing of revenue amounting to Rs. 4.42 lakhs. Besides, there was also a recurring short levy of Rs. 13,263 per annum as the annual rent was also based on Rs. 5,000 per acre as against Rs. 30,000 per acre which was actually the market rate at that time.

(iii) The Orissa Small Industries Corporation (O. S. I. C.) was given occupation of 14.75 acres of land at Angul with effect from 26th August 1976. The lease of this land was sanctioned by the Government only in September 1980. The lease amount was fixed at Rs. 59,345 calculated at 1/4th of the recommended market value of Rs. 2,37,379. As the concession of charging at 1/4th market rate was extended by Government resolution dated February 1980 and was applicable in respect of fresh leases granted thereafter the lease amount in the instant case should have been fixed at 1/3rd market rate which was the appropriate basis applicable in August 1976. Besides annual rent, O.S.I.C. was also required to pay solatium at 15 per cent of the market value. The payment of solatium was abolished only with effect from 21st April 1977. In addition, the lessee was also liable to pay interest at 6 per cent per annum on the amount of premium (including on solatium) due from the date of occupation (August 1976) till the date of payment of premium. The revenue forgone due to omission to apply the correct rates (Rs. 0.20 lakh) and due to non-collection of solatium (Rs. 0.36 lakh) and interest (Rs. 0.32 lakh) aggregated to Rs. 0.88 lakh.

4.3.4. Lease of land in favour of Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL).

(i) In May 1978 Government sanctioned a lease of 256.68 acres of land in village Gundichapada (Dhenkanal Tahsil) in favour of IPICOL for establishment of medium and large industries on payment of premium of Rs. 1,28,340 which was determined at 1/3rd

of the market value assessed at Rs. 1,500 per acre. Besides, the lessee was also required to pay Rs. 4,558.40 towards cost of trees and also an annual rent of Rs. 3,850.20 reckoned at 1 per cent of the market value. The market value of Rs. 1,500 per acre which was fixed in May 1976 was required to be revised in May 1977 in terms of Government resolution of December 1975. The adoption of that rate which was valid only up to May 1977 for the lease given in May 1978 was not correct; as the market rate as in May 1978 should have been adopted to determine the lease amount. It was noticed that similar land in the same village and *Khata* was leased to Orissa State Electricity Board in May 1979 at the rate of Rs. 12,000 per acre which was fixed basing on sales statistics reported in December 1977. On that basis, the market rate in May 1978 should have been not less than Rs. 12,000 per acre. Computed with reference to the market rate of Rs. 12,000 per acre, the loss of revenue by adopting an unrealistic market rate of Rs. 1,500 per acre would work out to Rs. 8.98 lakhs. Besides, there is also a recurring short levy of Rs. 26,243 per annum on account of annual rent as it was also fixed on the same unrealistic market rate.

(ii) The lease of Government land measuring 74.55 acres in village Matkambada (coming under Barbil Notified Area Council of Keonjhar district) was sanctioned in July 1979 by Government in favour of IPICOL at a premium of 1/3rd of assumed market value of Rs. 25,000 per acre. This rate of Rs. 25,000 fixed in April 1976, was applicable to for land situated outside the Barbil Notified Area but within 5 miles radius. For the land situated within the NAC area, the rate was fixed even in April 1976 at the rate of Rs. 35,000 per acre. The land which was leased to IPICOL was situated within the N. A. C. area as confirmed (May 1982) by the Tahasildar, Barbil in reply to enquiry made by Audit. The adoption of incorrect rate resulted in forgoing a revenue of Rs. 2.48 lakhs.

4.3.5. *Non-realisation of annual rent and interest*

The Orissa State Housing Board (O. S. H. B.) had been in occupation of 150 acres of land in village Durgapur, Kuanrunda Tahasil since 13th October 1974 with the permission of the

revenue authorities. In October 1977 Government sanctioned lease of this land on payment of premium of Rs. 15 lakhs and annual rent of Rs 15,000. The O. S. H. B. paid Rs. 15.15 lakhs (premium of Rs. 15 lakhs and annual rent Rs. 15,000) in April 1978 and executed the lease deed. As, the O. S. H. B. had been in occupation of the land since October 1974 they were liable to pay the annual ground rent from October 1974 onwards and also interest from that date (October 1974) till the date of payment (April 1978). The non-recovery of these charges resulted in forgoing of revenue to the extent of Rs. 3.15 lakhs (Rs. 2.70 lakhs towards interest in respect of 1975-76 to 1977-78 and Rs. 0.45 lakh towards annual rent).

4.3.6. Other points of interest

(i) According to Government orders issued in May 1977 (in partial modification of earlier orders dated March 1976) while Government lands not exceeding 3 acres may be given free of premium to a private school of secondary standard, for land in excess of 3 acres, full market value is required to be charged as premium. It was noticed in audit that 4 acres of land (1 acre in December 1976 and 3 acres in January 1979) were given to a private educational institution free of premium in Mahisiapat of Dhenkanal town area but full market value (Rs. 20,000) for 1 acre was not realised.

(ii) According to the instructions of Government (March 1965) other departments of Government are required to pay premium equivalent to full market value in respect of Government land given to them for commercial purposes. In respect of 2 acres of Government land in village Jharpokharia in Baripada Tahasil which was given in March 1981 to the Tourism, Sports and Cultural Affairs Department for construction of a motel (which was a commercial purpose) the premium of Rs. 40,000 (at Rs. 20,000 per acre being the market value as ascertained by the Collector in 1981) was recoverable, but the same was not charged.

(iii) An area of 383.32 acres of land (in Raghunathapalli, Durgapur and Chhend in Panpos Subdivision) which was surrendered by the Hindustan Steel Limited, Rourkela was taken

possession of by the Land Organisation office, Rourkela (362.80 acres in March 1958 and 20.52 acres in August 1975). Out of the above area, 37.52 acres were allotted to 17 private industrialists during the period 1960 to 1973 and premium payable was to be equivalent to market value prevailing on the date of taking over possession of land. Possession of land measuring 27.41 acres was given to 13 industrialists between 1969 to 1973. As per sales statistics maintained in the Tahsil office (Kuanrunda) the average market value of land in those area during 1970 to 1972 was Rs. 7,685 per acre. Based on the above market value, premium realisable in those 13 cases, worked out to Rs. 2.11 lakhs.

The other 4 industrialists, who were allotted 10.10 acres of land and took over possession of the same prior to 1969, were recommended to pay a total premium amounting to Rs. 0.69 lakh. Correctness of the premium recommended in these cases could not, however, be checked in the absence of any sales statistics relating to that period. But no amount has been realised from any of these 17 parties so far (January 1983).

(iv) The Government of Orissa order (February 1966) provides that when any instalment of premium is not paid on or before the date when it falls due, the tenant will be liable to pay interest on the arrears at the rate of 6 *per cent* per annum. In the course of audit of Tahsil Panpos (Sundargarh district) it was noticed (March 1981) that 0.91 acre of Government land in village Mahulapali and Durgapur was leased to South Eastern Railways in October 1967 at premium of Rs. 1,13,750 payable before 30th April 1968. The Railway authorities took possession of the land in October 1967 and paid the premium only on 22nd April 1980. The interest for the period from May 1968 to April 1980 at 6 *per cent* amounting to Rs. 0.82 lakh was however, not recovered (January 1983).

The points mentioned above were reported to the departments and to Government in September 1981 and August 1982; their replies are awaited (January 1983).

4.4. Non-assessment of rent and cess

Under the Orissa Estate Abolition Act, 1951, and the rules made thereunder, *Inam lands* held under an intermediary on favourable terms for personal service, vesting in the State free from

all encumbrances from the date of notifications, may be settled with such personal service tenure holders or their successors-in-interest on assessment of fair and equitable rent payable from the date of vesting. Consequently, the *Inam lands* ceased to be held rent free. Government prescribed (March 1964) payment of *Salami* equivalent to three times the annual rent besides the arrear rent payable from the date of vesting. Cess is also payable annually at the prescribed percentage of the annual value under the Orissa Cess Act, 1962.

In the course of audit of a tahsil in Ganjam district, it was noticed (May 1981) that 5,300.703 acres of *Inam lands*, vested in Government between 1953 and 1965 were not settled with the *Inamdars* or their successors-in-interest. Owing to non-settlement of these lands, *Salami* amounting to Rs. 0.92 lakh remained unassessed and unrealised besides non-assessment and non-realisation of rent and cess of Rs. 6.13 lakhs (Rent Rs. 3.30 lakhs and cess Rs. 2.83 lakhs) for the period 1953-54 to 1980-81.

When this was pointed out in audit (May 1981), the Tahasildar agreed (May 1981) to take steps for settlement of these lands. Further report is awaited (January 1983).

The matter was reported to Government in July 1981; reply is awaited (January 1983).

4.5. Non-realisation of revenue for use of Government property

Under the provisions of the Manual of Tahsil Accounts occasional permits are granted by the Tahasildar to individuals for manufacture of bricks on Government lands or for removal of minor minerals from such lands on realisation of prescribed fees (royalty). The field staff (Revenue Inspectors) are to see that any person using any Government land or deriving any benefit therefrom does so with prior permission and on payment of prescribed fees in advance. Unauthorised use of Government property is to be promptly reported and follow up action taken to assess and realise the prescribed fees for such use.

In the course of audit of a Tahsil (district Sambalpur) it was noticed (November 1978 and August 1980) that though unauthorised use of Government lands in 28 cases (6 cases of manufacture

of bricks and 22 cases of removal of minor minerals, viz., boulders, morrum and ballast) was reported by the field staff during 1977 and 1978, no follow up action was taken. This resulted in non-assessment and non-realisation of revenue amounting to Rs. 0.24 lakh.

On this being pointed out in audit (November 1978 and August 1980) the Tahasildar agreed (December 1978 and August 1980) to realise the dues and intimated (July 1980) that demand notice for Rs. 0.16 lakh had been issued in respect of the first 24 cases. Further report on realisation of the dues is awaited (January 1983). Report regarding action taken in respect of the remaining four cases is also awaited (January 1983).

The matter was reported to Government in March 1979 and October 1980; reply is awaited (January 1983).

4.6. Loss of revenue due to non-realisation of dues

According to an order issued by the Revenue Department in June 1974, Fishery *sairat* sources in the State would ordinarily be settled in favour of *bonafide* Co-operative Societies, provided they are non-defaulters and have a generally good record in settling the dues of Government in proper time. The Government had earlier decided (March 1963) that the *sairat* leases, irrespective of their monetary value, should be registered except where the entire lease money is realised in advance.

During the course of audit of a tahsil (Puri) it was noticed (September 1981) that 3 fishery *sairats* were settled in favour of one primary fishery co-operative society in August 1974 for Rs. 17,471. Though the entire lease amount was not realised in advance, the lease was not registered. The society paid during 1974-75 a sum of Rs. 10,375, leaving a balance of Rs. 7,096. Earlier also, right from 1956-57, this society did not have a good record of settling the dues in proper time. *Sairat* lease for the next year 1975-76 was also settled with the same co-operative society for a sum of Rs. 17,800 out of which Rs. 4,450 was paid by the society during 1975-76 leaving a balance of Rs. 13,350. The outstanding dues in respect of both the years 1974-75 and 1975-76 amounted to Rs. 20,446 and certificate proceedings were

instituted in 1976. However, before finalisation of certificate proceedings, Tahasildar recommended (January 1980) to treat the dues as irrecoverable.

In December 1980, it was reported by the Tahasildar that the society was not functioning and was defunct.

The matter was reported to Government (November 1981); reply is awaited (January 1983).

4.7. Ceiling on land

4.7.1. Introduction

The ceiling laws of the Orissa Land Reforms Act, 1960 which came into force, with effect from 7th January 1972, prescribed the ceiling area for a person (except privileged *rai-yats* who were given specific exemption under the Act) as 20 standard acres*. All land held by a person in excess of the ceiling was to be declared as surplus and no landholder was entitled to transfer or partition the land with effect from 26th September 1970.

By an amending Act, effective from 2nd October 1973 the ceiling area for a family consisting of five or less than five members was reduced to 10 standard acres of land and where the members of family exceeded five, the ceiling area in relation thereto was to be increased for each additional member by two standard acres subject to the limitation that it should not exceed eighteen standard acres of land.

4.7.2. Progress of implementation

2.1. The procedure laid down in the Act, for acquisition and distribution of ceiling surplus land envisages the following stages of action:

(i) Submission of returns by the surplus land owners, in the event of non-submission of the return, *suo motu* proceeding by the Revenue Officers on the basis of information available from other sources;

* Standard acre means the unit of measurement equivalent to one acre of class I land (irrigated land in which 2 or more crops are grown); or 1½ acres of class II land (irrigated land in which not more than one crop is grown) or 3 acres of class III land (other than irrigated land in which paddy is grown) or 4½ acres of class IV land (any other land).

(ii) Preparation and publication of draft statement showing the ceiling applying to the case and surplus lands after necessary enquiries by the Revenue Officers;

(iii) Determination of final statement of ceiling and surplus lands by Revenue Officers;

(iv) Taking over possession of surplus land by Revenue Officers from the surplus land holders; and

(v) Settlement of surplus land with the eligible persons by Revenue Officers.

2.2. The position of returns filed, draft statements prepared and finalised, the cases dropped as on 31st March 1982 for the whole State, was reportedly as under:

Total Number of cases registered	..	52,176
Number of cases dropped	..	41,327
Number of cases for effective action	..	10,849
Number of cases disposed off	..	6,351
Number of cases pending for disposal	..	4,498

Even after 7 years of coming into force of the ceiling provisions of the Act, all the ceiling cases have not yet been finalised (September 1982) despite posting of 44 Additional Tahasildars to different Tahsils from time to time. The slow progress has been attributed (August 1981) by the Land Reforms Commissioner to failure to utilise those Officers solely for land reform work, lack of effective supervision, want of timely guidance, perfunctory review of work and lenient treatment to defaulting Officers.

4.7.3. The position of acquisition and disposal of land as on 31st March 1982 was reported to be as follows :

<i>Acquisition</i>		In acres
Area vested in Government	..	1,37,179
Area for which possession was taken over	..	1,20,893
Area locked up in litigation	..	12,457
Land validly transferred	..	779
Balance possession to be taken over	..	3,050

Disposal

Land settled with Scheduled Caste (27,085 numbers)	31,539
Land settled with Scheduled Tribe (31,454 numbers)	44,199
Land settled with others (21,979 numbers) ..	26,476
	<u>1,02,214</u>
Settled area cancelled and re-transferred to owners due to court's decision (1,917 numbers Scheduled Caste : 944 and Scheduled Tribe : 660)	(—) 1,240
	<u>1,00,974</u>

Area remaining unsettled

Unfit for agriculture ..	5,770
Reserved for public purposes ..	4,831 (Y)
Locked up in litigation ...	6,231
Balance to be settled ..	3,087
	<u>19,919</u>

Out of 1,02,214 acres distributed, records of right in respect of 29,629 acres had not (March 1982) been corrected with the result that the department could not assess and collect land revenue in respect thereof. In the absence of details such as those of classification of land, the exact amount of revenue not realised could not be worked out.

4.7.4. Delay in realisation of Salami on settled land

The ceiling surplus land not exceeding 0.70 standard acre can be allotted to eligible persons on payment of *Salami* chargeable at the rate of Rs. 400 per standard acre with effect from 25th October 1976. *Salami* is payable in one instalment within a period of one month from the date of order of settlement of land, unless the revenue officers for specific reasons allow such payment in equal annual instalments not exceeding ten with interest at the rate of four and half *per cent* per annum. The sub-divisional officer has been empowered to defer the date of payment of first instalment by

(Y) Yet to be transferred to the respective departments with the approval of Government.

one year on receipt of an application from the party. The instalment of *Salami* with interest shall be fresh charge on land and shall be recoverable as arrears of land revenue.

As on 31st March 1982 in respect of the 1,00,974 acres of land distributed as above, *Salami* due for realisation amounted to Rs. 99.37 lakhs. Out of which Rs. 45.36 lakhs have been realised leaving a balance of Rs. 54.01 lakhs. No reasons were given for the amount remaining in arrears. In four tahasils (Dhenkanal, Sukinda, Kujang and Salipur) it was noticed that in respect of 420.62 acres of land settled during 1976-77 *Salami* assessed at Rs. 0.77 lakh had not been realised at all.

The points referred to in the foregoing paragraphs were reported to Government (August 1982); reply is awaited (January 1983).

CHAPTER 5 STATE EXCISE

5.1. Results of test audit in general

During the period 1st April 1981 to 31st March 1982, test audit of the accounts of receipts in the offices of Excise Commissioner and Superintendents of Excise revealed losses of revenue/non-realisation of fees to the extent of Rs. 34.74 lakhs in 82 cases, broadly categorised as under:

Category	Number of cases	Amount (Rupees in lakhs)
(1)	(2)	(3)
1. Loss of revenue (Excise duty) due to short supply of country spirit/shortfall in production of spirit	27	13.16
2. Loss of revenue resulting from delayed issue or non-issue of licences	16	4.04
3. Loss of revenue due to non-fixation/non-recovery of fees for cost of establishment engaged in bonded F. L. Warehouses.	10	1.68
4. Loss of revenue due to short supply of ganja by cultivators.	13	10.89
5. Other reasons	16	4.97
Total	82	34.74

A few important cases are mentioned in paragraphs 5.2 to 5.3.

5.2. Non-realisation of fees towards cost of Excise staff employed in bonded foreign liquor warehouses

As per the Board's Excise Rules, 1965, framed under the Bihar and Orissa Excise Act, 1915, licensees of bonded foreign liquor warehouses are to pay to the Government (at the end of each month) fees for the deployment of Excise staff employed on supervision of

the operations carried on in such warehouses. The amounts of fees payable which shall not exceed the cost of the excise staff employed for the purpose, are to be determined from time to time by the Excise Commissioner.

In the course of audit, it was noticed (May and November 1981) that one Excise Inspector and one Excise Constable had been employed exclusively for two bonded foreign liquor warehouses of Puri district since October 1976. Further one Sub-Inspector of Excise and a Constable had been deployed for 3 working days in a week since March 1975 for 5 such warehouses in Sundargarh district for supervision of the operations. No fees from the concerned licensees were demanded and realised. The rate of fees to be realised in these cases was also not determined at any time. The pay and allowances of the staff employed for Puri for the period October 1976 to March 1982 (computed on an average of Rs. 1,000 per month in the absence of records for the entire period) worked out to Rs. 66,000. Similarly, proportionate pay and allowances (50 *per cent*) of the staff of Sundargarh for the period March 1975 to March 1982 amounted to Rs. 42,500 (at the rate of Rs. 500 per month). Thus, an amount of Rs. 1.09 lakhs representing the estimated pay and allowances of the Excise staff employed for the purpose up to 31st March 1982 in the above two cases remained unrealised (November 1982) from the licensees.

On this being pointed out (November 1981 and May 1981) the Superintendent of Excise, Puri stated (July 1982) that the Excise Commissioner had since been moved (January 1982) to issue necessary instructions for realisation of the amounts from the warehouse licensees. The Superintendent of Excise, Sundargarh intimated (June 1982) that for want of separate staff for such warehouses, the work was being managed by the existing staff and the amount of fee to be realised had not been determined by the Commissioner.

The matter was reported to Government in June 1981 and March 1982 ; reply is awaited (January 1983).

5.3. Low yield of rectified spirit from molasses

Molasses, which is a by-product in the manufacture of sugar, is mainly used for distillation of rectified spirit. The all India norm formulated by the Central Molasses Board is 373.5 proof litres per

tonne of molasses. No norms have been laid down either in the Bihar and Orissa Excise Act, 1915 and the rules framed thereunder or by any separate orders of the State Government/Excise Commissioner regarding yield of rectified spirit per unit of molasses used. According to departmental rules, the sample of molasses used in the distilleries and the samples of spirit manufactured therefrom are required to be sent to Chemical Examiner once in July and again in December and at other times, if required for examination. This has been prescribed mainly with a view to determining the yield of rectified spirit per metric tonne of molasses.

In the course of audit of an Excise Office of Koraput district, it was noticed (February 1982) that a sugar factory was granted licence for manufacture of industrial alcohol utilising its own by-product molasses in its distillery. On chemical analysis of molasses of this factory, the Chemical Examiner had determined (28th February 1981), the outturn of alcohol at 303.7 proof litres per tonne as against the All-India norm of 373.5 litres per metric tonne. The actual output accounted for during the period from 27th March 1980 to 14th March 1981 was of the order of 298.3 proof litres per tonne. Out of 1428.57 metric tonnes of molasses the declared production of alcohol was only 4,26,153.90 London proof litres, as against the expected yield of 5,33,570 London proof litres as per the All-India norm and 4,33,857 London proof litres as per the Chemical Examiner's report in respect of this factory. Even on the basis of the latter norm, the shortfall was of the order of 7,703 London proof litres. The excise duty leviable on this quantity at the rate of Rs. 7 per proof litre would be Rs. 52,836.

On this being pointed out in audit (February 1982), the Superintendent of Excise, Koraput stated (February 1982) that the concerned distillery officer had been asked to ascertain the reasons for the shortfall in production. Further report is awaited (January 1983).

The matter was reported to Government in May 1982; their reply is awaited (January 1983).

CHPATER 6
OTHER TAX RECEIPTS
A—ENTERTAINMENT TAX

6.1. Non-levy of show tax

Under the Orissa Entertainment Tax Act, 1946, as amended in October 1976, the tax leviable with effect from 13th October 1976, in respect of cinema shows is Rs. 10 per show in respect of shows held in any local area under a municipal and notified area council having a population of fifty thousand or more and Rs. 5 per show in respect of those held in any other place. Where the seating capacity of a cinema house exceeds 800/400, an extra amount at the rate of Rs. 1/Rs. 0.50 respectively is payable in respect of every additional one hundred seats or part thereof. The rules framed under the Act, prescribe the manner of assessment and collection of tax. The proprietor is required to submit to the taxing authority a monthly return by 15th of the succeeding month enclosing a receipted treasury challan towards full payment of show tax. If return is not submitted on the due date or is incorrectly submitted, the taxing authority shall assess the tax due on best of his judgement after enquiry.

In the course of audit, it was noticed (May and November 1981) that in 2 circles (Bhubaneswar and Cuttack-I West) four show houses did not furnish returns for part of the year 1980-81. No action was also taken by the assessing officers to make assessments on their best judgement. As a result, tax of Rs. 38,898 in the aggregate was not paid nor assessed and demanded in these cases.

When this was pointed out in audit (May and November 1981) the taxing officer agreed to initiate action (May and November 1981). Further reports are awaited (January 1983).

The matter was reported to Government (August 1981 and February 1982); their reply is awaited (January 1983).

6.2. Non-levy of penalty for delay in payment of show tax

Under the Orissa Entertainment Tax Rules, 1947, show tax shall be paid by the proprietor of each show house every month on or before 10th of the succeeding month. If a proprietor of a

show house fails without sufficient cause, to pay the tax due from him within the time prescribed, he shall be liable to pay a penalty amounting to Rs. 250 or double the amount of tax, if any, whichever is greater if so ordered by the Commercial Tax Officer empowered by the State Government.

In the course of audit of four circles (Ganjam I, Sambalpur I, Bolangir II, and Mayurbhanj) it was noticed (February and November 1981, January and February 1982) that proprietors of 13 show houses paid show tax for 140 months relating to the years 1979-80 and 1980-81 after delays ranging from 1 day to 324 days reckoned from the due date. No penalty for delay in payment of tax was levied and realised by any assessing officer except one (Sambalpur I Circle) who had levied a penalty of Rs. 250 each in two cases for delay in depositing tax in respect of several months as against penalty of Rs. 3,750 leviable. The penalty leviable in other 11 cases worked out to 30,750.

On this being pointed out by audit (February and November 1981, January and February 1982) 3 assessing officers (Ganjam-I, Sambalpur-I and Bolangir-II) agreed to examine the cases and one assessing officer (Mayurbhanj Circle) stated (February 1982) that no penalty was levied as arrears were collected by persuasion method. Another assessing officer (Ganjam-I Circle) had stated (June 1982) that a demand of Rs. 250 had been raised (January 1982) in one case for delay in depositing tax for several months.

The cases were reported to Government (March, May 1981; January, March and April 1982); replies are awaited (January 1983).

B—STAMP DUTY AND REGISTRATION FEES

6.3. Irregular exemption of stamp duty and registration fee

According to a notification No. 2781, dated 23rd October 1919 which remained unaffected even after the promulgation of Indian Stamp (Orissa Amendment) Act, 1970, all fees payable (under the law of registration) by or on behalf of any co-operative society and all fees payable in respect of any instrument executed by any officer or member of such a society and relating to the business thereof, were remitted.

In the course of audit of records of 13 sub-registrars relating to the years 1979-80 and 1980-81, it was noticed (between October 1979 to May 1981) that stamp duty/registration fee on 176 security bonds executed by the employees of co-operative banks/societies was not charged. In the case of these documents, the execution was for due discharge of duties of executants and did not relate to the business of the co-operative banks/societies. The documents were, therefore, not eligible for the exemption and were chargeable to stamp duty. Incorrect exemption given in those cases resulted in short levy of stamp duty and registration fee aggregating to Rs. 14,705 (stamp duty of Rs. 2,640 and registration fee of Rs. 12,065).

When this was pointed out in audit (between December 1979 to May 1981) the Inspector General of Registration accepted (July 1981 to August 1982) the factual position and stated that action had been initiated to realise the dues. Report on realisation is awaited (January 1983).

The matter was reported to Government between December 1979 and July 1981; reply is awaited (January 1983).

6.4. Short levy of stamp duty and registration fee

The Indian Stamp (Orissa Amendment) Act, 1970, provides that where lease or sub-lease is granted for a premium, the same duty as on a conveyance for a consideration equal to the amount or value of such premium is leviable, while stamp duty on 'agreement' is charged at a lower rate.

In the course of audit of District Registrar, Keonjhar, it was noticed (April 1981) that a mining lease of 141.33 hectares obtained from the Government of Orissa in 1970 for 30 years by 'R' was sub-leased to another party 'D' for the period 9th March 1979 to 31st December 1989 on a premium of Rs. 1,000 per month in addition to the payment of all taxes etc., as per the conditions of the original lease deed of party 'R'. This document was classified as an 'agreement' and charged to stamp duty and registration fee amounting to Rs. 51.50, instead of classifying it as

conveyance for a consideration equivalent to the value of premium of Rs. 1.30 lakhs (for the period of lease). The stamp duty and registration fee chargeable thereon was Rs. 13,259.00. Incorrect classification of the document as 'agreement' resulted in short levy of stamp duty and registration fee of Rs. 13,207.50.

On this being pointed out in audit (June 1981), the District Registrar stated (September 1981) that effective steps were being taken for realisation of the deficit dues. Further progress is awaited (January 1983).

The matter was reported to Government in June 1981; reply is awaited (January 1983).

CHAPTER 7

FOREST RECEIPTS

7.1. Results of test audit in general

During the period 1st April 1981 to 31st March 1982, test audit of records maintained in the forest divisions disclosed non-recovery/short recovery of dues and loss of revenue of Rs. 32.22 lakhs in 7,548 cases which are broadly categorised as follows :

Category	Number of cases	Amount (Rupees in lakhs)
1. Non-recovery of shortfall in price on resale of forest produce	41	3.02
2. Non-realisation of grazing fee . . .	6	1.99
3. Non-realisation of compensation . . .	631	7.89
4. Loss of revenue/revenue forgone due to non-sale of minor forest produce	136	4.65
5. Non-realisation of interest/extension fee.	574	10.54
6. Miscellaneous	.. 6,160	4.13
Total	.. 7,548	32.22

Some important cases are mentioned in paragraphs 7.2 to 7.10

7.2. Resale of forest coupes

According to the terms and conditions prescribed for sale of forest coupes under the Orissa Forest Contract Rules, 1966, a contract can be terminated or a sale can be quashed for breach of any of the conditions laid down therein or in the sale notice respectively and the coupe resold. The shortfall of revenue, if any, on such resale together with interest thereon at the rate of $6\frac{1}{4}$ per cent per annum should be recovered from the defaulting contractor as arrears of land revenue.

In the course of audit of ten forest divisions (Parlakhemundi, Baripada, Keonjhar, Rengali Dam Project, Rairakhol, Puri, Kalahandi, Sundargarh, Bonai and Ghumsar South), it was noticed (between April 1981 and December, 1981) that contracts with outstanding dues of Rs. 7.46 lakhs (1977-78 to 1980-81) were terminated in 34 cases and sales quashed in 7 other cases owing to non-payment of consideration money or security deposit. These coupes were resold (between August, 1980 and August 1981) for Rs. 4.44 lakhs; but the shortfalls of Rs. 3.02 lakhs as per register of demands were not realised from the defaulting contractor. Taking into account the available security deposit of Rs. 0.59 lakh obtained in 32 cases net shortfall of revenue worked out to Rs. 2.43 lakhs.

The irregularity has been persisting despite repeated comments in successive Reports of the Comptroller and Auditor General of India on Revenue Receipts from 1976-77 onwards.

On this being pointed out in audit (between April 1981 and December 1981), the Divisional Forest Officers stated (between, April 1981 and December 1981) that action would be taken to realise the shortfalls by instituting certificate cases. Reports of realisation are awaited (January 1983).

The matter was reported to Government (between June 1981 and March, 1982); reply is awaited (January 1983).

7.3. Loss of revenue due to unrealistic fixation of upset price

The upset price of a forest coupe is the minimum reserve price acceptable to the Government. It is determined taking into account the quantity of timber, results of past sales of similar coupes, market trend and other local factors.

In the course of audit of a Forest Division, (Rairakhol) it was noticed (September, 1981) that one timber coupe containing 11,192 trees (3,269.7 units) was notified (September, 1979) for sale. The upset price for the coupe as calculated and proposed by the Divisional Forest Officer at Rs. 3.27 lakhs was not approved and instead, an enhanced upset price of Rs. 6.52 lakhs was fixed (September 1979), by the Conservator of Forests, Sambalpur

without indicating any reasons for such increase. In the auction (September 1979), the highest offer of Rs. 5.00 lakhs from contractor 'S' was not accepted by the Divisional Forest Officer as it was 23.3 per cent less than the approved upset price.

Without notifying the details of the coupe, the coupe was reauctioned twice (December 1979 and March 1980) but it did not secure any bid. When there was no improvement in the reauction of December 1979, action to recheck and revise the upset price (as contemplated in the Forest departmental codal provisions) was not taken.

The coupe with the same produce was settled (February 1981) with Orissa Forest Corporation on negotiation basis at a royalty of Rs. 3.40 lakhs, fixed (December 1980) by the Conservator of Forests. This resulted in forgoing of revenue of Rs. 1.60 lakhs, computed with reference to the offer of Rs. 5.00 lakhs by a contractor in September 1979. Besides, the regeneration programme in forestry operations was also affected due to delayed working.

On this being pointed out in audit, it was stated (September 1981) by the Divisional Forest Officer that the upset price fixed by the Conservator of Forests was too high and the coupe was given to Orissa Forest Corporation on negotiation basis.

The matter was reported to the Government (October 1981); reply is awaited (January 1983).

7.4. Application of incorrect rate of grazing fee

The Forest Department used to issue permits for grazing of cattle at a fee at the rates varying from 6 paise to 75 paise per year per head under the erstwhile ex-State Rules. The Orissa Forest (Grazing of Cattle) Rules, 1980, came into force from 27th May 1980 (the date of publication in the Official Gazette). These rules, *inter alia*, prescribed different rates of grazing fee ranging from Rs. 3.60 to Rs. 6.00 for each category of village cattle per year per head and the forest officers were required to issue grazing permits to village and professional graziers on collection of prescribed fee, the rate for professional graziers being one and half times that for

the village graziers. However, by a subsequent amendment to the said rules, issued in October 1980, the rates were reduced to 25 *per cent* of the above rates in respect of permits issued on or after 3rd November 1980.

In the course of audit of six forest divisions (Bolangir, Bonai, Ghumsur North, Dhenkanal, Boudh and Angul) it was noticed (between May 1981 and March 1982) that in respect of permits for grazing issued during the period June 1980 to October 1980, the grazing fees were collected at old rates and not at the revised rates which came into force from 27th May 1980. This resulted in short collection of grazing fees of Rs. 1.99 lakhs in the above six divisions for the period June 1980 to March 1981.

On this being pointed out in audit three Divisional Forest Officers (Bolangir, Bonai and Angul) stated (November 1981 to March 1982) that due to late/non-receipt of Government notification, divisions were not aware of the revised rates and hence the same could not be given effect to. It was, however, noticed that in two Divisions (Bolangir and Ghumsur North) the draft notification of Revised Rules 1980 dated 10th April 1980 had been received on 14th April 1980 besides the gazette publication dated 27th May 1980. The other three Divisional Forest Officers stated (May 1981 to March 1982) that action was being taken to realise the balance amount. Further developments are awaited (January 1983).

The matter was reported to Government (between July 1981 and April 1982); reply is awaited (January 1983).

7.5. Non-realisation of compensation

Under the Orissa Forest Contract Rules, 1966, a forest contractor is liable to pay compensation as may be fixed by the Forest Officer, for the damage caused by him in Government forest, for illicit fellings within the contract area or within 20 chains thereof and for other irregularities. In the event of failure to pay compensation, the contract is liable to be terminated. The dues are recoverable from the security deposit of the contractors and the balance, if any, as arrears of land revenue.

In the course of audit of seventeen forest divisions* it was noticed (between April 1981 and March 1982) that in 631 cases, compensation amounting to Rs. 7.89 lakhs for the period 1975-76 to 1980-81 was assessed by the Divisional Forest Officers but no action was taken to realise the dues. Of these, 57 cases involving Rs. 1.49 lakhs covered by security deposit to the extent of Rs. 0.67 lakh, were outstanding against private contractors and the remaining 574 cases involving Rs. 6.40 lakhs were outstanding against the Orissa Forest Corporation Limited, a fully owned Government undertaking, which was exempted from payment of security deposit.

When this was pointed out in audit (between April 1981 and March 1982) the Divisional Forest Officers agreed (between April 1981 and March 1982) to initiate action for realisation of the dues. Reports of realisation are awaited (January 1983).

The matter was reported to Government (between June 1981 and June 1982); reply is awaited (January 1983).

7.6. Loss of forest produce

Under the provisions of the Orissa Forest Department Code, Range Officer is responsible for protection and maintenance of forest and other properties under his jurisdiction.

In the course of audit of Balliguda Forest Division it was noticed (September 1980) that 1,690 logs (16,027 cft.) of *podu* timbers (*), collected and stacked departmentally in Belgarh Range, during March 1978 and March 1979 were allotted (October 1979) to the Orissa Forest Corporation for clearance on payment of royalty of Rs. 19 per cft. Further, 185 stacks of firewood of the same Range were also similarly allotted (March 1979) to that Corporation at a royalty of Rs. 31 per stack. The Corporation reported (January 1980 and May 1980) that 255 logs of *podu* timber (2,533 cft) and 155 stacks of firewood were not delivered to them by the Range Officer and claimed proportionate reduction

*(1) Parlakhemundi, (2) Nayagarh, (3) Ghumsur (North), (4) Ghumsur (South), (5) Balliguda, (6) Dhenkanal, (7) Keonjhar, (8) Rairakhol, (9) Kalahandi, (10) Bonai, (11) Sundargarh, (12) Athgarh, (13) Athmallick, (14) Boudh. (15) Phulbani, (16) Nowrangpur, (17) Puri.

(*) *Podu* timber means timber cut by local Khond inhabitants for their cultivation

of the royalty amounting to Rs. 52,932 (Rs. 48,127 + Rs. 4,805) for such short delivery. The short delivered *podu* timbers were reported by the departmental authorities (March 1980) to have been burnt by fire while the firewood stacks were also not physically available. Poor protection of the forest produce resulted in loss of Rs. 0.53 lakh to the Government.

On this being pointed out in audit (September 1980) the Divisional Forest Officer accepted the factual position and stated (January 1982) that responsibility for the loss would be fixed.

The matter was reported to Government in October 1980; reply is awaited (January 1983).

7.7. Loss of revenue in the sale of forest produce

The Orissa Forest Contract Rules prescribed, *inter alia*, that the value of forest produce removed by a contractor, should not at any time exceed the amount of instalment already paid, and if the contractor defaults in payment of consideration money, the contract should be terminated and the balance of produce lying in the leased area resold and the shortfall in price, if any, together with interest, recovered from the defaulting contractor as arrears of land revenue. These rules form part of the agreement to be executed by a contractor before commencement of operation in the contract area.

In the course of audit of Baripada Forest Division, it was noticed (September 1979) that in respect of 5 lots (3 timber coupes, one lot containing cleaning materials and one for disposal of minor forest produce) no formal agreements were executed before issue of work orders to the contractors concerned. Though the contractors defaulted in payment of instalment of consideration money, no action was taken by the department to terminate the contracts, to resell the lots and recover the shortfall from the contractors as arrears of land revenue. This resulted in a loss of forest revenue of Rs. 0.82 lakh. After adjusting the security deposits of the contractors available with Government, the net loss of revenue worked out to Rs. 0.45 lakh.

On this being pointed out in audit the Divisional Forest Officer stated (in September 1979 and May, 1982) that the contracts in respect of 3 timber coupes were not terminated due to oversight

and reports regarding the balance of the forest produce available on the forest coupes were still awaited from the Range offices. In the case of cleaning materials, the contract was not terminated and put to re-sale as no materials were found to be existing in the contract area. It was further stated by the Divisional Forest Officer that in the case of minor forest produce, the date for payment of last instalment of consideration money as fixed by Government (31st August 1979) fell after the collection season of the crop was over (July 1979) and hence the question of termination of contract and resale did not arise in that case.

The matter was reported to Government (December 1979); reply is awaited (January 1983).

7.8. Non-levy of interest on belated payment of consideration money/royalty

Under the Orissa Forest Contract Rules 1966, forest contractors are liable to pay interest at $6\frac{1}{4}$ per cent per annum on instalments of consideration money for sale of forest coupes, if the instalments are not paid within the due dates prescribed in the agreements, including a grace period of 10 days. According to the orders issued by Government (February 1977) the above provision of the rules is also applicable to leases of coupes given to the Orissa Forest Corporation Ltd., a fully owned Government Company.

In the course of audit of 24 Forest Divisions it was noticed (between April 1981 to March 1982), that in 478 cases of belated payments of consideration money (delays ranging from half month to 50 months) during the period from 1976-77 to 1981-82, interest amounting to Rs. 9.76 lakhs was not levied and realised. Of this, an amount of Rs. 7.70 lakhs involving 173 cases relating to the period 1976-77 to 1981-82 was leviable on the Orissa Forest Corporation Ltd.

On this being pointed out in audit (April 1981 to March 1982), the Divisional Forest Officers agreed (April 1981 to March 1982) to initiate action. Further reports of realisation are awaited (January 1983.)

The matter was reported to Government (June 1981 to June 1982); reply is awaited (January 1983).

7.9. Non-realisation of extension fees

Under the Orissa Forest Contract Rules, 1966, the forest produce is to be extracted and removed by the contractor from the contract area within the period, stipulated in the contract, failing which the forest produce shall become the absolute property of the Government. The Conservator of Forests or the Divisional Forest Officer may, however, grant extension of time on advance payment of extension fee at one *per cent* of the consideration money of the contract, for each month of extension.

It was clarified by Government (September 1972 and February 1977) that the provisions of the Orissa Forest Contract Rules were also applicable to leases of coupes to the Orissa Forest Corporation Ltd.

In the course of audit of 3 forest divisions (Jeypore, Sundargarh and Boudh) it was noticed (November 1981 to February 1982) that in respect of 96 coupes allotted to the Orissa Forest Corporation Limited during the years 1976-77, 1977-78, 1978-79 and 1980-81, extensions of time ranging from one month to six months beyond the contract period, were granted (October 1977 to January 1982) by the Conservator of Forests and the Divisional Forest Officers without demanding and realising the extension fee amounting to Rs. 0.78 lakh in advance.

When this was pointed out in audit (November 1981 to February 1982) the Divisional Forest Officers stated (November 1981 to February 1982) that action would be taken to realise the dues from the Corporation. Reports regarding realisation are awaited (January 1983).

The matter was reported to Government (between January 1982 and April 1982); reply is awaited (January 1983).

7.10. Bamboo lease

7.10.1. Introduction

Bamboo is a major forest produce available in 15,76,850 hectares of forest area of the State. It is exploited mainly through four paper mills on long term lease. The lease agreement provides, *inter alia*, for payment of royalty at agreed rates and fuel cess on bamboos extracted.

7.10.2. Mention was made in para. 8.6 to 8.14 of the Comptroller and Auditor General's Report on Revenue Receipts for the year 1974-75 of irregularities in the exploitation of bamboo resources of Orissa.

A further review by Audit during January to May 1982 revealed the following :

7.10.3. Working of bamboo leases

(i) As per an estimation made by the National Council of Applied Economics Research in the year 1974, the estimated yield of bamboos was of the order of 7.18 lakh tonnes per annum in the areas currently leased to the four paper mills. As against this the extraction made by the paper mills was between 2.66 lakh tonnes (37 per cent) to 3.70 lakh tonnes (52 per cent) during the period 1973-74 to 1980-81. The low extraction of bamboo was mainly due to non-working of many of the bamboo felling series prescribed in the working plan. Bamboo takes 4 years to grow to maturity and is rendered useless if not extracted on maturity. The working plans of the forest divisions, therefore, provide for a cycle of 4 years for the working of bamboo coupes. However, certain bamboo coupes were not worked in the years in which they fell due for working. The year-wise details of the felling series which were due for working and which were not worked are given below :

Year	Number of felling series to be worked	Number of felling series actually worked	Number of felling series not worked out
1973-74	393	287	106
1974-75	393	305	88
1975-76	393	288	105
1976-77	393	261	132
1977-78	400	275	125
1978-79	400	274	126
1979-80	382	282	100
1980-81	380	263	117
Total	3,134	2,235	899

Besides possible loss due to deterioration of quality, the non-working of the coupes deprived the Government of an estimated revenue of Rs. 5,33.48 lakhs during the period 1973-74 to 1980-81.

The Chief Conservator of Forests stated (October 1982) that the normal working in bamboo coupes could not be taken up in the year in which it fell due mainly due to illicit cutting, disappearance of bamboos due to natural phenomenon, revision of working plan, etc. The department has not, however, analysed the reasons for non-exploitation of bamboos in individual cases.

(ii) *Loss of revenue due to incorrect fixation of minimum royalty (Rs. 94.91 lakhs).*

The agreement for lease with the paper mills, *inter alia* provided for a minimum royalty. For contracts executed prior to 1st October 1973 the minimum royalty was fixed on the basis of 60 per cent of the potentiality of the division. The paper mills made representation against the correctness of the potentiality fixed by the division. Accordingly the matter regarding the fixation of minimum royalty was discussed in a series of meetings held on various dates from August 1976 to February 1979 between the representatives of 3 paper mills and the Government of Orissa. Though all the three paper mills agreed to the fixation of minimum royalty on the basis of the average of the preceding 4 years' production, it was decided (February 1979) by Government that the minimum royalty would be on the basis of 100 per cent of the minimum production during the preceding 4 years. No reasons were recorded for this decision which resulted in Government having to forgo considerable revenue. The royalty payable for 4 years from 1977-78 to 1980-81 on the basis of the average of last 4 years, production worked out to Rs. 9,64.52 lakhs as against a sum of Rs. 8,69.61 lakhs on the basis of 100 per cent of the minimum production during the last 4 years. This resulted in loss of revenue of Rs. 94.91 lakhs during the 4 years from 1977-78 to 1980-81. As the currency of the present agreement is valid up to 30th September 1989, the loss is of a continuing nature.

(iii) Revenue forgone due to waiver of arrear royalty (Rs. 53.87 lakhs)

The rate of royalty was originally fixed with reference to the number of bamboos removed. However, with effect from 1st October 1973, fresh agreements were drawn up with the paper mills which provided for payment of royalty on the basis of weight of bamboos removed. No adequate arrangements existed to weigh the bamboos, as no weighing bridges were installed (except in two places and that too, in September 1976 and August 1980 respectively). As such, it was necessary to adopt a conversion factor to determine the number/length of bamboos which would make a tonne. It was provided in the agreements with 2 paper mills ('T' and 'O') that provisionally 9,000 running feet of (salia) bamboo or 6,000 running feet of daba bamboo would be reckoned as one tonne; the final numbers were to be decided by the Conservator of Forests and the mills were liable for payment of arrear royalty, if any, on final fixation. In respect of another paper mill 'S' it was provided in the agreement that provisionally 400 numbers of salia or 150 numbers of daba bamboos would be reckoned as one tonne subject to final fixation of conversion factor. The royalty from all the three paper mills was provisionally recovered on the above basis. After conducting elaborate field surveys in the forest divisions, the final conversion factor was arrived at and Government issued orders in April 1975 declaring that 2,300 metres (7475 ft.) or 250 numbers of salia bamboos and 600 metres (1950 ft.) or 49 numbers of daba bamboos will be reckoned as one metric tonne.

The paper mills were required to pay the arrear royalty on the above basis and the department raised an arrear demand of Rs. 53.87 lakhs against the three paper mills for the period 1st October 1973 to 31st March 1977.

The paper mills represented (September 1977) that the conversion rate as fixed by Government was not acceptable to them, as it was determined without joint survey, although such a condition was not envisaged in the agreement. A series of discussions took place at Government level with the representatives of the three paper mills and as a part of package deal Government decided (June 1979) that the mills should pay royalty on the basis of conversion rates fixed by Government with effect from

1st October 1977 and the outstanding arrear royalty for the period 1st October 1973 to 30th September 1977 would be waived. Government thus lost the revenue of Rs. 53.87 lakhs for the period up to March 1977. Figures for April to September 1977 are awaited (January 1983).

*(iv) Short realisation due to incorrect allowance of rebate
(Rs. 24.83 lakhs)*

Consequent on the revision of royalty with effect from 1st October 1977, it was decided by Government (June 1979) to execute fresh agreements incorporating revised terms and conditions of lease of bamboo coupes to paper mills. These agreements provided for a rebate of 30 paise per unit (100 metres of bamboo) for the unexpired period of the original leases (one mill 'T' up to 30th September 1980, one mill 'O' up to 30th September 1982 and one mill 'S' up to 20th September 1989). It was clarified by Government (April 1981) that no rebate was admissible on the element of minimum production on which minimum royalty is payable. It was, however, seen in audit (May 1982) that the rebate was allowed on full production without excluding the minimum production fixed for each division. Due to incorrect allowance of rebate there was a short demand of Rs. 24.83 lakhs for the period from 1977-78 to 1979-80 in respect of the three paper mills. When this was brought to the notice of Government (July 1982), the Chief Conservator of Forests stated (August 1982) that such reduction was not possible in view of the terms and conditions already incorporated in the respective lease agreements. As the agreements were finalised after the decision of Government issued in April 1981, a suitable clause could have been incorporated in the agreement regarding non-admissibility of rebate on minimum royalty.

(v) Unintended benefit to a paper mill

As mentioned in para (iii) above a metric tonne equivalent of bamboo was taken provisionally as 400 numbers salia (9,000 rft.) or 150 numbers daba (6,000 rft.) in the lease agreement with paper mill 'S'. The agreement further provided that in case of broken and undersized salia bamboo, 3 pieces of approximately 7'-6" long (i. e., $22\frac{1}{2}'$) would count as one full bamboo. The

paper mill did not lift full bamboos but converted them into pieces of $7\frac{1}{2}$ feet length up to 1974-75 and of 2 metre length thereafter. For the purpose of calculating the royalty payable (which was on the basis of number of bamboos) 4 such pieces having a total length of 30 feet up to 1974-75 and 8 metres thereafter were taken as one full bamboo instead of 3 such pieces. This resulted in an unintended benefit of Rs. 10.52 lakhs to the paper mill during the period from 1st October 1973 to 30th September 1977.

(vi) Revenue forgone due to incorrect reduction of rate of royalty in respect of daba bamboos.

As mentioned in para (iii) above as a result of elaborate field survey and experiment, Government issued orders (April 1975) indicating the conversion factor of one metric tonne as equivalent to 600 metres of daba bamboos or 2,300 metres of salia bamboo. Accordingly, the rate of royalty for a unit (100 metres) of salia bamboo was fixed (June 1979) by Government at Rs. 2.90. Hence the rate per unit of daba bamboo should have been fixed at Rs. 11.12 ($2.90 \times \frac{23}{6}$). However, while issuing orders for renewal of lease (February 1980) in respect of mills, although the corresponding rate for salia was kept at Rs. 2.90 per 100 metres the rate for daba bamboo was indicated as Rs. 5.80 per unit instead of Rs. 11.12 per unit. Revenue to the extent of Rs. 22.56 lakhs was forgone during the period of 1977-78 to 1980-81 in respect of two mills 'T' and 'O' by this fixation.

(vii) Removal of flowered bamboos without payment of royalty

The agreements with the paper mills prescribed, *inter alia* that the paper mills could extract bamboo as per the cycle indicated in the working plan. However, in respect of flowered bamboos, the mills were allowed to extract the same even if these bamboos did not lie within the working area for that year provided they fell within the scheduled area prescribed in the working plan. But this benefit was extended by three divisions (Bhawanipatna, Rayagada and Balliguda) to a paper mill 'S' in respect of flowered bamboos which were lying outside the scheduled areas prescribed in the working plan during the period 1973-74

and 1974-75. The mill extracted 4.36 lakh flowered bamboos (1,091.4 tonnes) during the period in these three divisions but the royalty payable (at Rs. 35 per MT. in 2 divisions and Rs. 30 per MT. in another division) amounting to Rs. 36,764 had not been demanded.

(viii) Non-levy of royalty in respect of additional areas

The agreements with the paper mills specify the areas from which the bamboos could be extracted by the mills. The minimum royalty is also fixed taking into account the potentialities from such areas. It was noticed in audit (February and May 1982) that in 5 forest divisions (Athamallick, Rairakhol, Deogarh Bhawanipatna and Rayagada) three mills 'T', 'O' and 'S' were allowed to extract bamboo from areas outside the areas specified in the agreements without the approval of Government. No royalty was also levied on these mills in respect of such additional area operated by them. The royalty payable in respect of the additional areas operated by the three mills during the period 1973-74 to 1980-81 amounted to Rs. 78.05 lakhs.

According to the Divisional Forest Officers, clarification of Government is awaited regarding the basis to be adopted for calculation of royalty and hence royalty has not been demanded.

7.10.4. Short demand and arrears in realisation

The arrear royalty payable during 1977-78 to 1979-80 as a result of revision of royalty from 1st October 1977 was short demanded by Rs. 24.56 lakhs by 14 Forest Divisions, while 5 other divisions did not raise any demand (Rs. 10.69 lakhs). As on 31st March 1982, a balance of Rs. 1,12.67 lakhs was outstanding for realisation.

7.10.5. Outstanding fuel cess

As per the terms of agreements with the paper mills, fuel cess at 19 paise per tonne was payable by the mills as compensation towards the use of forest products as fire wood by the mills employees staying in the contract areas. This rate was revised in 1977-78 to one paise per unit of salia and two paise per unit of daba bamboos. It was noticed in audit that in respect of 22 divisions the outstanding fuel cess up to 1980-81 amounted to Rs. 1.29 lakhs.

7.10.6. *Non-realisation of compensation*

Under the Orissa Forest Contract Rules, 1966 (which are also applicable in respect of the paper mills allowed to extract bamboos), the forest contractor (in this case the paper mills) is liable to pay compensation as may be fixed by the Forest Officer for any damage caused by him in Government Forests, for illicit fellings within the contracted areas or within 20 chains thereof and for other irregularities. The concerned range officers submit interim reports to their Divisional Forest Officers for assessment of compensation.

In the course of audit of 22 Forest Divisions, it was noticed (January to May 1982) that in 1,203 cases compensation amounting to Rs. 12.72 lakhs for the period 1973-74 to 1980-81 was assessed by the Forest Officers, out of which a sum of Rs. 11.00 lakhs was still (November 1982) to be realised. The outstanding was stated to be due to appeals pending with higher authorities.

7.10.7. *Summing up*

The following points emerge from the review:

(i) During the years 1973-74 to 1980-81 non-working of the bamboo coupes as per the working plans deprived Government a total revenue of Rs. 5,33.48 lakhs;

(ii) While the mills themselves offered fixation of minimum royalty on the basis of average production for the previous four years, Government fixed this on the basis of minimum production resulting in loss of revenue of Rs. 94.91 lakhs during 1977-78 to 1980-81;

(iii) On the final determination of the conversion factor, the differential revenue recoverable from the paper mills amounting to Rs. 53.87 lakhs was waived by Government which amounted to undue benefit to the mills;

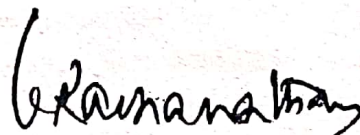
(iv) There was short realisation of Rs. 24.83 lakhs from three paper mills during 1977-78 to 1979-80 due to irregular allowance of rebate on full production without excluding minimum production not eligible for rebate;

(v) The cut pieces of bamboos lifted by one paper mill during 1st October 1973 to 30th September 1977 were not correctly converted to full size bamboos; this resulted in short realisation of royalty of Rs. 10.52 lakhs;

(vi) Revenue to the extent of Rs. 22.56 lakhs for the period 1977-78 to 1980-81 was forgone due to incorrect fixation of rate of royalty for daba bamboos;

(vii) Revenue of Rs. 78.05 lakhs due from three paper mills for working in additional areas during 1973-74 to 1980-81 and Rs. 0.37 lakh due from a paper mill for removal of flowered bamboos during 1973-74 and 1974-75 were not demanded and realised;

(viii) Arrear royalty amounting to Rs. 35.25 lakhs was not demanded. As on 31st March 1982, Rs. 112.67 lakhs on account of royalty on bamboo were outstanding for realisation; fuel cess and compensation for coupe irregularities amounting to Rs. 1.29 lakhs and Rs. 11.00 lakhs respectively up to 1980-81 were also due for realisation.



Bhubaneswar

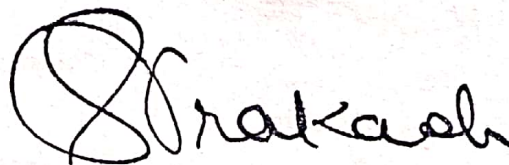
The

3 OCT 1983

(V. RAMANATHAN)

Accountant General-II, Orissa

Countersigned



New Delhi

The

24 OCT 1983

(GIAN PRAKASH)

Comptroller and Auditor General of
India

APPENDIX

APPENDIX

Reference : paragraph 1.4 page 6

STATEMENT SHOWING THE COST OF COLLECTION UNDER
THE PRINCIPAL HEADS OF REVENUE

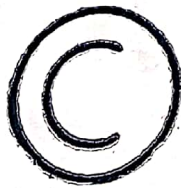
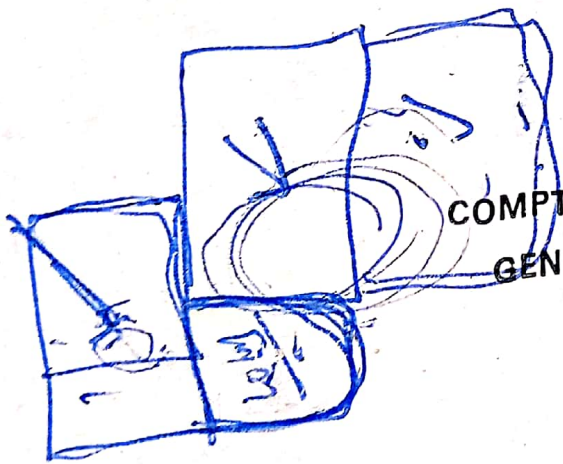
Head of account	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
(In crores of rupees)				
1. Sales Tax ..	1979-80	65.95	1.68	2.5
	1980-81	76.64	1.89	2.5
	1981-82	94.29	2.20	2.3
2. Taxes on Vehicles	1979-80	8.29	0.55	6.6
	1980-81	9.70	0.28	2.9
	1981-82	12.10	0.34	2.8
3. State Excise ..	1979-80	7.82	0.94	12.0
	1980-81	9.17	0.99	10.8
	1981-82	11.02	1.12	10.2
4. Land Revenue * ..	1979-80	4.68	14.09	301.0
	1980-81	7.06	15.01	212.6
	1981-82	11.10	19.17	172.7
5. Stamps and Registration Fees	1979-80	7.25	0.92	12.8
	1980-81	7.82	0.89	11.4
	1981-82	9.28	0.94	10.1
6. Taxes and Duties on Electricity	1979-80	12.55	0.05	0.4
	1980-81	16.92	0.05	0.3
	1981-82	22.86	0.07	0.3
7. Forest*	1979-80	27.97	4.09	14.6
	1980-81	37.27	4.51	12.1
	1981-82	46.62	5.21	11.2

* The expenditure incurred under 'Land Revenue' and 'Forest' are meant not only for collection of revenue but also for other administrative functions. Prorata distribution of expenditure for collection of revenue called for (December 1982) is still awaited (December 1982).

E R R A T A

**Report of the Comptroller and Auditor General of India for
the year 1981-82 (Revenue Receipts), Government of Orissa.**

<i>Page No.</i>	<i>Para No.</i>	<i>Line</i>	<i>For</i>	<i>Read</i>	
ii	Index	9th item	14th	arithmetical	arithmetical
18	2.8	10th	Add.	after dealer	
22	2.13	Last but one line	and 10 percent	ten percent	
28	2.20 3rd sub-para	3rd	Balangir-I	Bolangir-I	
34	3.7	1st and 2nd	and solely	and used solely	
48	4.3.3(i)	1st	13,138	131.38	
52	4.3.6(iv)	8th	at premium	at a premium	
		10th	end	and	
		13th	departments	department	
77	(iv)	20th	ageements	agreements	
79	(vii)	1st	Lakh	Lakhs	



COMPTROLLER AND AUDITOR
GENERAL OF INDIA, 1983

Cuttack-10