

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

FOR THE YEAR ENDED 31 MARCH 1995

No. 1

(REVENUE RECEIPTS)

GOVERNMENT OF MAHARASHTRA

CONTENTS

	Reference to	
	Paragraph	Page
Concluding Remarks	...	vii
	...	ix to xi
CHAPTER 1		
GENERAL		
Trend of Revenue Receipts	1.1	1
Variation between Budget estimates and actuals	1.2	7
Analysis of collection	1.3	8
Cost of collection	1.4	8
Arrears of revenue	1.5	9
Arrears in assessments	1.6	11
Arrears in appeals	1.7	11
Frauds and evasion of tax	1.8	12
Write off and waiver of revenue	1.9	12
Refunds	1.10	12
Results of audit	1.11	13
Internal Audit	1.12	13
Outstanding Inspection Reports and audit observations	1.13	14
Follow up on Audit Reports	1.14	15
CHAPTER 2		
SALES TAX		
Results of audit	2.1	16
Assessment of dealers holding Trade Marks/Patents	2.2	16
Incorrect grant of set-off	2.3	17
Short levy of tax	2.4	21
Application of incorrect rate of tax	2.5	23
Short levy of turnover tax	2.6	24
Non-levy/short levy of purchase tax	2.7	25
Incorrect grant of exemption	2.8	28
Incorrect determination of taxable turnover	2.9	29
Incorrect allowance of sales against declaration	2.10	31
Short levy of tax due to incorrect assessment	2.11	32
Incorrect allowance of sales in transit from one State to another	2.12	32
Incorrect allowance of sales in the course of import	2.13	33
Non-levy/short levy of interest/penalty	2.14	34
Non-levy of sales tax on transfer of right to use any goods for any purpose	2.15	35
Non-levy of entry tax	2.16	35

CHAPTER 3
STATE EXCISE

Results of audit	3.1	37
Short recovery of licence fee	3.2	37
Non-recovery of toddy instalments	3.3	38

CHAPTER 4
LAND REVENUE

Results of audit	4.1	39
Non-levy/short levy of non-agricultural assessment, increase of land revenue and conversion tax	4.2	39
Computation mistake in calculation of non-agricultural assessments	4.3	40
Short levy of conversion tax	4.4	41
Non-recovery of land revenue due to mistake in making entries in basic records	4.5	41

CHAPTER 5
TAXES ON MOTOR VEHICLES

Results of audit	5.1	42
Internal Controls in Motor Vehicles Department	5.2	42
Non-recovery of tax	5.3	50

CHAPTER 6
STAMP DUTY AND REGISTRATION FEES

Results of audit	6.1	52
Short levy of stamp duty due to misclassification of documents	6.2	52
Short levy of stamp duty due to application of incorrect rates on deed of conveyance	6.3	53
Short levy of stamp duty due to incorrect classification of documents	6.4	53
Incorrect application of stamp duty rates	6.5	54
Short levy of stamp duty	6.6	54
Short levy of stamp duty due to misclassification of documents	6.7	55
Short levy of stamp duty/registration fees on mortgage deed	6.8	55
Incorrect exemption of stamp duty to conveyance of residential flats	6.9	55
Irregular grant of remission	6.10	56
Incorrect grant of exemption from payment of stamp duty and registration fee	6.11	56

CHAPTER 7
OTHER TAX RECEIPTS

Results of audit	7.1	57
SECTION A.—ENTERTAINMENTS DUTY		
Non-recovery of Entertainments Duty and Surcharge due from Cable and Dish Antenna Operators	7.2	57
SECTION B.—REPAIR CESS		
Short recovery of repair cess	7.3	58

Reference to	
Paragraph	Page

**CHAPTER 8
NON-TAX RECEIPTS**

Results of audit	8.1	59
and Collection of Water Rates	8.2	59
Loss of Government revenue on resale of tendu leaves	8.3	66
Delay in realising demand drafts	8.4	67
Short recovery of audit fees	8.5	67

APPENDICES

APPENDIX I

Year-wise details of outstanding audit observations under various receipts as on 30th June 1995.	70-71
--	-------

APPENDIX II

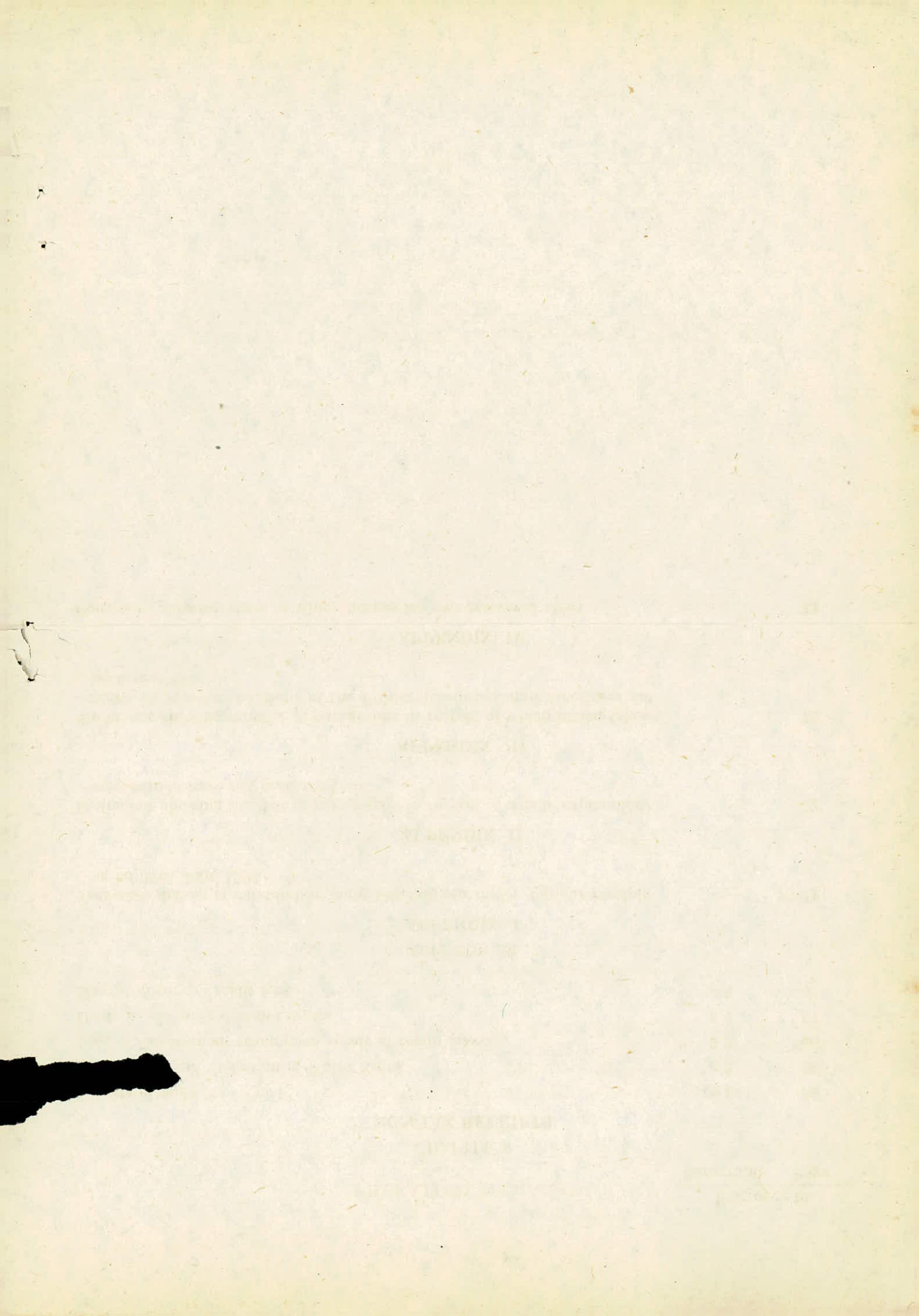
Statement showing number of paragraphs in respect of which explanatory memoranda have not been received	72
---	----

APPENDIX III

Statement showing number of paragraphs in respect of which action taken notes on recommendations of the Public Accounts Committee have not been received	72
--	----

APPENDIX IV

Statement showing cases in which licence fee was recovered short	73
--	----

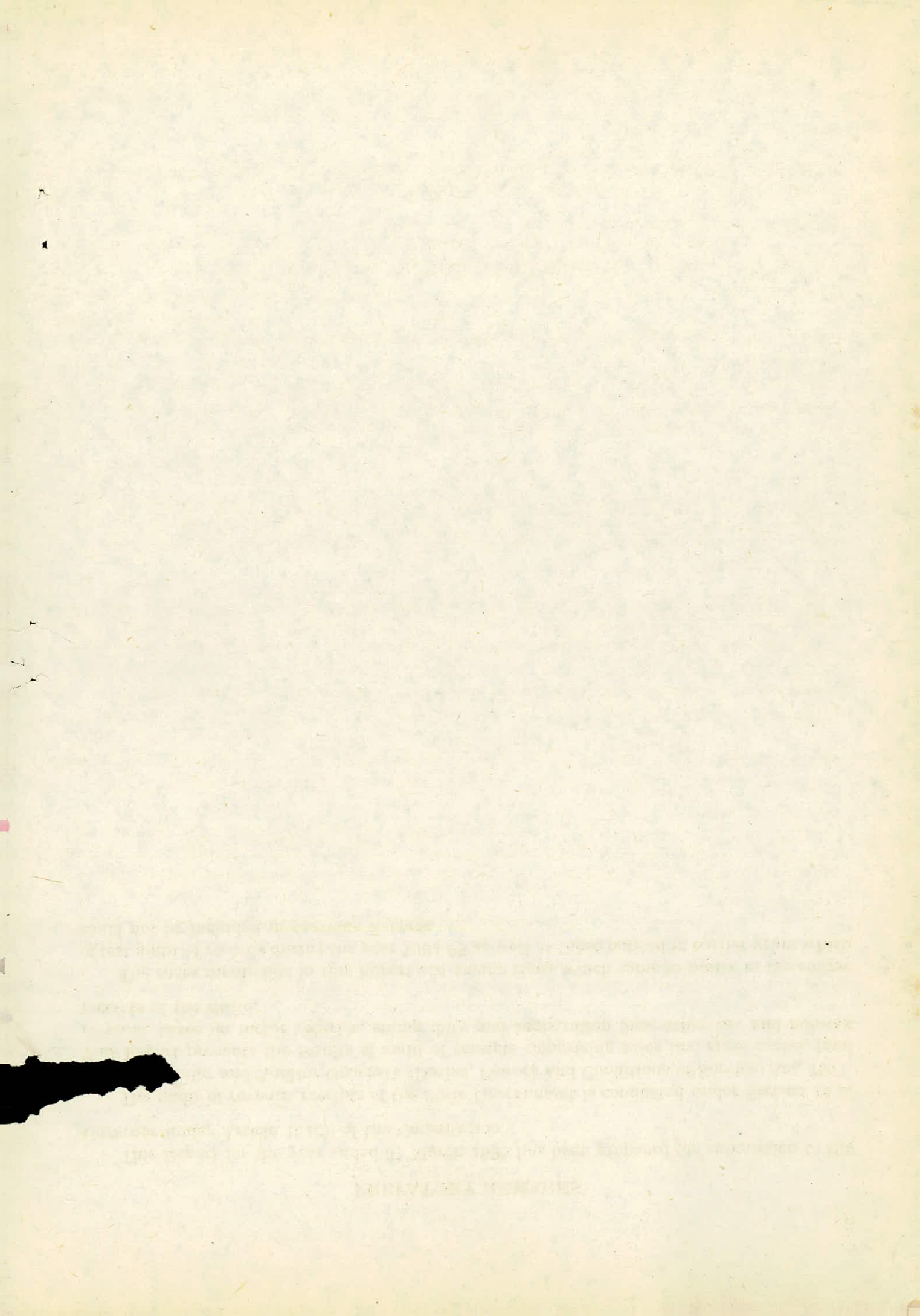


PREFATORY REMARKS

This Report for the year ended 31 March 1995 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Controller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, state excise, land revenue, taxes on motor vehicles, stamp duty and registration fees, other tax and non-tax receipts of the State.

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 1994-95 as well as those noticed in earlier years which could not be included in previous Reports.



OVERVIEW

This Report contains 39 paragraphs including two Reviews relating to non-levy/short levy of taxes, duties, interest and penalty etc. involving Rs.12.61 crores. Some of the major findings mentioned below :

1. General

(i) The revenue raised by the State Government during 1994-95 amounted to Rs.15089.48 crores comprising Rs.9454.62 crores as tax revenue and Rs.2902.85 crores as non-tax revenue. Rs.1719.88 crores were received from the Government of India as the State's share of divisible Union Taxes and Rs.1012.13 crores as grants-in-aid. Sales Tax (Rs.5758.46 crores) formed a major portion (61 per cent) of the tax revenue of the State. Interest receipts (Rs.1177.08 crores) formed a major portion (41 per cent) of the non-tax revenue.

(Paragraph 1.1)

(ii) At the end of 1994-95, the arrears in respect of taxes administered by the departments of Finance, Home and Industries, Energy and Labour amounted to Rs.2396.47 crores of which sales tax alone accounted for Rs.1946.36 crores.

(Paragraph 1.5)

(iii) In respect of the taxes administered by the Finance Department such as Sales Tax, Profession Tax, and Tax on Works Contract etc. 8.55 lakh assessments were completed during 1994-95 leaving a balance of 18.69 lakh assessments as on 31 March 1995.

(Paragraph 1.6)

(iv) Test check of records of Sales Tax, State Excise, Motor Vehicles Tax, Land Revenue and other departmental offices conducted during the year 1994-95 revealed under-assessments, short levy, losses of revenue etc. amounting to Rs.5096.69 lakhs in 22,587 cases. The concerned departments accepted under-assessment, short levy etc. of Rs.470.27 lakhs of which Rs.52.56 lakhs had been pointed out in 1994-95 and rest in earlier years. Departments recovered Rs.91.45 lakhs at the instance of audit.

(Paragraph 1.11)

(v) 4410 inspection reports (issued upto December 1994) containing 10,409 audit observations involving revenue of Rs.318.47 crores were pending settlement at the end of June 1995.

(Paragraph 1.13)

2. Sales Tax

(i) Incorrect assessment of dealers holding Trade Marks/Patents resulted in non-realisation of revenue amounting to Rs.45.36 lakhs.

(Paragraph 2.2)

(ii) Incorrect grant of set-off resulted in non-realisation of revenue amounting to Rs.15.97 lakhs in 14 cases.

(Paragraph 2.3)

(iii) Non-levy/short levy of Sales Tax/Purchase Tax, Additional Tax and Turnover Tax resulted in non-realisation of revenue amounting to Rs.31.79 lakhs in 16 cases.

(Paragraphs 2.4, 2.5, 2.6 and 2.7)

(iv) Incorrect grant of exemption, incorrect determination of turnover and incorrect allowance of sales against declaration resulted in non-realisation of revenue of Rs.20.74 lakhs in 12 cases.

(Paragraphs 2.8, 2.9 and 2.10)

(v) Incorrect assessment of the dealer due to allowance of taxable sales as job work, sales in transit from one State to another and allowance of sales in the course of import resulted in short levy of tax amounting to Rs.18.22 lakhs in 4 cases.

(Paragraphs 2.11, 2.12(a)(b) and 2.13)

(vi) Non-levy/short levy of interest and penalty resulted in non-realisation of revenue Rs.7.47 lakhs in 4 cases.

(Paragraph 2.14)

3. State Excise

Short recovery of licence fee resulted in non-realisation of revenue of Rs.32.08 lakhs in 108 cases.

(Paragraph 3.2)

4. Land Revenue

Non-levy/short levy of land revenue, increase of land revenue, cesses and conversion tax resulted in non-realisation of revenue amounting to Rs.45.83 lakhs.

(Paragraphs 4.2, 4.3, 4.4 and 4.5)

5. Motor Vehicles Tax

(i) A review on Internal Controls in Motor Vehicles Department revealed the following:

(a) Absence of full information and failure to review the control register led to non-registration of the vehicles brought into the State from other States and used in the State for periods exceeding twelve months and resulted in non-recovery of the Bombay Motor Vehicles Tax to the extent of Rs.13.20 lakhs.

(Paragraph 5.2.6)

(b) No control mechanism is in place to ensure that all transport vehicles were periodically inspected and renewal inspection fee recovered. Non-recovery of renewal inspection fee for the years 1991-92 to 1993-94 amounted to Rs.168.08 lakhs.

(Paragraph 5.2.7)

(c) Due to failure to obtain necessary quarterly return in respect of National Permits issued by other States and non-maintenance of records of such vehicles which had opted for operation in Maharashtra, the department was not in a position to confirm full collection of composite fee.

(Paragraph 5.2.8)

(d) Of the 1,15,277 cases involving tax amounting to Rs.13.05 crores recoverable as arrears of land revenue, the department has referred only 15,832 cases (13.7 per cent) involving tax effect of Rs.3.94 crores to the respective Collectors. Action for recovery in respect of the remaining 99,445 cases involving Rs.9.11 crores was not initiated under the Revenue Recovery Act, even though these cases related to the period 1978-79 to 1988-89.

(Paragraph 5.2.9(i))

(e) There was short levy of Bombay Motor Vehicles Tax to the extent of Rs.4.71 lakhs due to incorrect application of rate of tax at 2/3rd instead of at full rate in respect of the vehicles owned by the Pune Municipal Transport. This had occurred despite the certification by the internal audit wing in the Transport Commissioner's office before making the final assessment.

(Paragraph 5.2.9 (ii))

(f) Failure to review Cash Balance Review Registers and Tax Demand Registers resulted in non-raising of demand for Rs.13.92 lakhs involved in 313 cases.

(Paragraph 5.2.9(iii))

(g) Reconciliation of receipts was not carried out by the Regional Transport Office, Pune since 1991-92.

(Paragraph 5.2.10 (i)(b))

(ii) Motor Vehicles Tax and Further Tax amounting to Rs.4.96 lakhs in 41 cases remained [REDACTED] demands were not raised by the department till they were pointed out in audit.

(Paragraph 5.3)

6. Stamp Duty and Registration Fees

(i) Misclassification of instruments resulted in short levy of stamp duty amounting to Rs.41.72 lakhs.

(Paragraphs 6.2, 6.4 and 6.7)

(ii) Application of incorrect rates of stamp duty resulted in non-realisation of revenue of Rs.17.65 lakhs.

(Paragraphs 6.3, 6.5 and 6.6)

7. Other Tax Receipts

Application of incorrect rate of repair cess resulted in non-realisation of revenue amounting to Rs.4.66 lakhs.

(Paragraph 7.3)

8. Non-tax Receipts

(i) A review on Assessment and Collection of Water Rates revealed the following :

(a) Non-charging of 50 per cent of water rate from land holders who did not avail of the facility of water within irrigable command area of canal deprived the department of potential revenue of Rs.51.80 lakhs.

(Paragraph 8.2.7 (1)(i))

(b) Minimum water rate in irrigable command area not levied as the command was not notified which resulted in loss of revenue of Rs.216.34 lakhs.

(Paragraph 8.2.7 (1)(ii))

(c) Supply of water for non-irrigation purposes without sanction and executing agreements deprived the department of potential revenue of Rs.229.73 lakhs.

(Paragraph 8.2.7 (2)(b))

(d) Assessment of water rates on irrigated area only as against the total irrigable command under agreement resulted in loss of revenue of Rs.30.67 lakhs.

(Paragraph 8.2.8 (1)(i))

(e) Non-levy of water rates on crops irrigated on wells within 35 metres of canal area resulted in loss of revenue of Rs.58.83 lakhs.

(Paragraph 8.2.8 (2)(i))

(f) Non-levy of penal rates for quantity of water drawn in excess of sanctioned quantity resulted in loss of revenue of Rs.74.94 lakhs.

(Paragraph 8.2.8 (4)(ii))

(ii) Delay in realising demand drafts resulted in loss of interest to the tune of Rs.5.62 lakhs.

(Paragraph 8.4)

CHAPTER 1 GENERAL

1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by the Government of Maharashtra during the year 1994-95, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and corresponding figures for the preceding two years are given below and also exhibited in Chart-I.

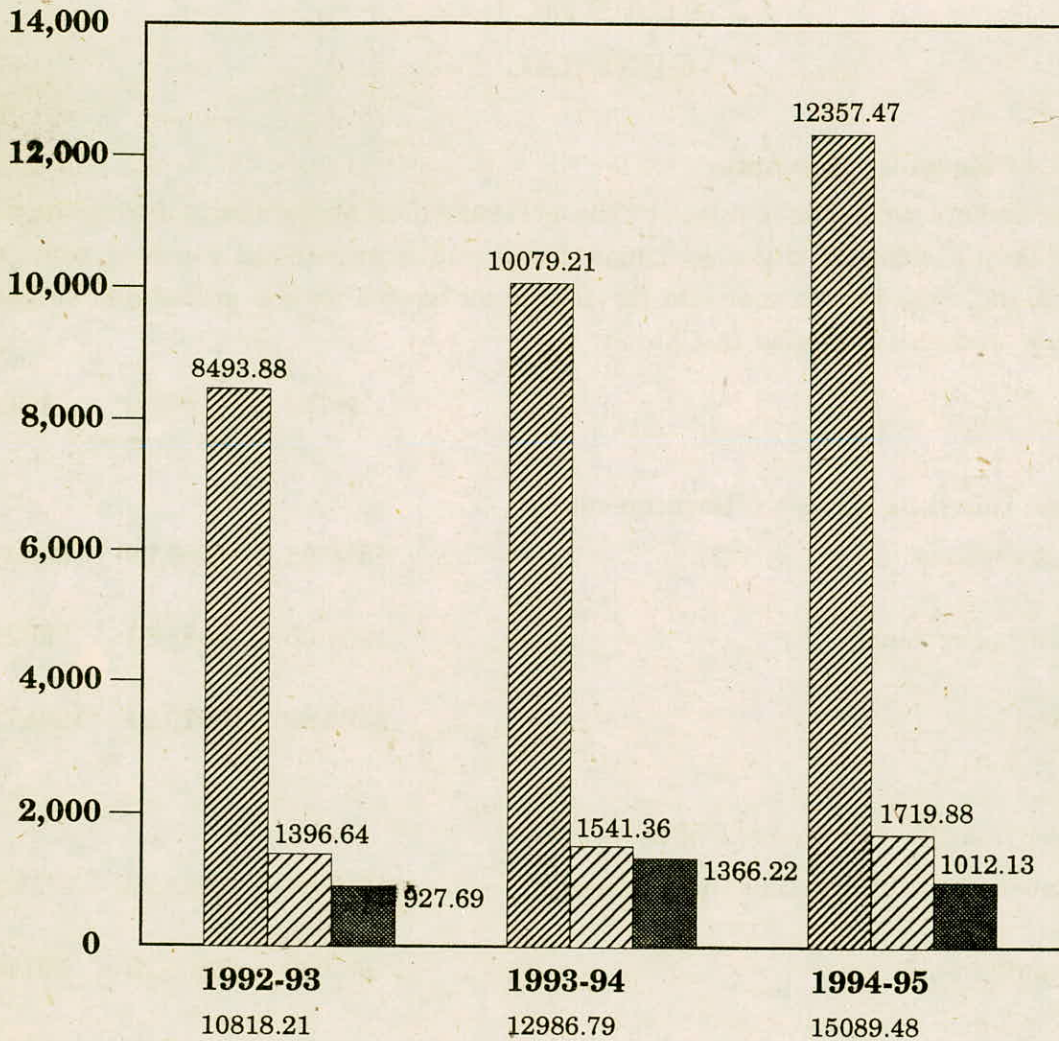
	1992-93	1993-94	1994-95
	(In crores of rupees)		
I. Revenue raised by the State Government			
(a) Tax revenue	6560.93	7696.20	9454.62
(b) Non-tax revenue	1932.95	2383.01	2902.85
Total	8493.88	10079.21	12357.47
II. Receipts from the Government of India			
(a) State's share of divisible Union taxes	1396.64	1541.36	1719.88
(b) Grants-in-aid	927.69	1366.22	1012.13
Total	2324.33	2907.58	2732.01
III. Total receipts of the State	10818.21	12986.79	15089.48
IV. Percentage of I to III	79	78	82

Note : For details, please see Statement No. 11 - Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Maharashtra for the year 1994-95. Figures under the head "0021 - Taxes on Income other than Corporation Tax - share of net proceeds assigned to States" booked in the Finance Accounts under Tax Revenue have been excluded from revenue raised by the State and included in State's share of divisible Union taxes in this Statement.

CHART I

TREND OF REVENUE RECEIPTS

(IN CRORES OF RUPEES)



TAX AND
NON-TAX
REVENUE
RAISED BY
THE STATE
GOVERNMENT



STATES
SHARE OF
DIVISIBLE
UNION
TAXES



GRANTS-IN-
AID
RECEIVED
FROM THE
GOVERNMENT
OF INDIA

(a) The details of tax revenue during the year 1994-95 alongwith figures for the preceding two years are given below and also exhibited in Chart-II.

	1992-93	1993-94	1994-95	Percentage of increase (+) or decrease (-) in 1994-95 over 1993-94
	(1)	(2)	(3)	(4)
	(In crores of rupees)			
1. Sales Tax	4141.20	4740.78	5758.46	21
2. State Excise	689.74	903.16	944.37	5
3. Stamps and Registration Fees	484.40	612.66	1116.58	82
4. Taxes and Duties on Electricity	276.33	336.66	336.68	...
5. Taxes on Vehicles	235.95	270.48	344.52	27
6. Other Taxes on Income and Expenditure—Tax on Professions, Trades, Callings and Employments	235.85	253.29	299.04	18
7. Taxes on Goods and Passengers	208.60	251.65	279.11	11
8. Other Taxes and Duties on Commodities and Services	217.17	250.60	262.02	5
9. Land Revenue	71.66	76.91	113.84	48
10. Others	0.03	0.01	—	
TOTAL	6560.93	7696.20	9454.62	

It may be seen from the table that there was substantial increase over the previous year under the heads State Excise, Stamps and Registration Fees, Sales Tax, Taxes and Duties on Electricity, Taxes on Goods and Passengers and Taxes on Vehicles. The reasons for variations in receipts in 1994-95 as per Finance Accounts are as follows :

State Excise : The increase was due to increase in excise duty on various types of liquors and gradual increase in sale.

Stamp and Registration Fees : The increase was mainly due to amnesty scheme for 1994-95 regarding transfer of immovable property, increase in stamp duty on various instruments and increase in number of transactions attracting stamp duties.

Sales Tax : Increase was mainly due to inflation and normal growth rate and also due to increase in the rates of surcharge on sales tax and turnover tax and tax on sale of motor spirits and lubricants.

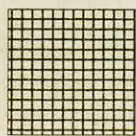
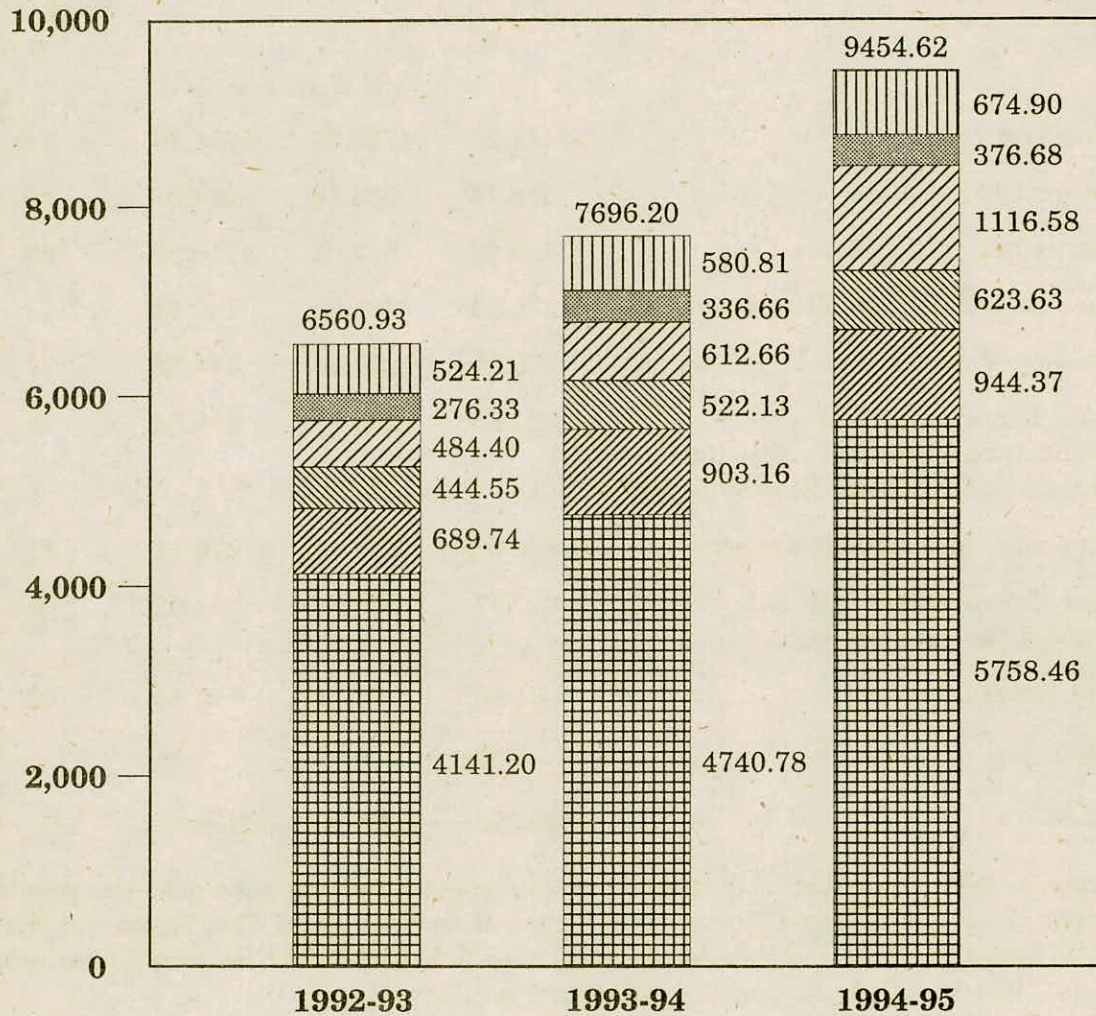
Taxes on Goods and Passengers : Increase was mainly due to normal growth.

Taxes on Vehicles : Increase was mainly due to increase in rates of various types of taxes on vehicles.

Profession Tax : Increase was mainly due to increase in the rates of Profession Tax.

CHART II
GROWTH OF TAX REVENUE
DURING THE PERIOD 1992-93 TO 1994-95

(IN CRORES OF RUPEES)



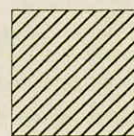
SALES TAX



STATE
EXCISE



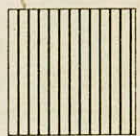
MOTOR
VEHICLES
TAXES



STAMPS
AND REGN.
FEES



TAXES AND
DUTIES ON
ELECTRI-
CITY



OTHER
TAXES

(b) The details of the major non-tax revenue receipts during the year 1994-95 along with figures for the preceding two years are given below and exhibited in Chart III.

	1992-93	1993-94	1994-95	Percentage of increase (+) or decrease (-) in 1994-95 over 1993-94
	(In crores of rupees)			
	(1)	(2)	(3)	(4)
1. Interest Receipts	828.00	928.61	1177.08	27
2. Dairy Development	366.09	571.62	646.83	13
3. Other Non-tax Receipts	171.47	194.10	242.89	25
4. Forestry and Wild Life	114.14	136.05	192.80	42
5. Non-ferrous Mining and Metallurgical Industries	110.51	141.61	227.02	60
6. Miscellaneous, General Services (including lottery receipts)	79.96	88.11	86.00	(-) 2
7. Power	51.96	51.91	51.86	—
8. Major and Medium Irrigation	45.77	78.29	70.99	(-) 9
9. Medical and Public Health	39.26	57.27	62.88	10
10. Co-operation	33.23	29.42	31.32	6
11. Public Works	31.82	38.96	45.74	17
12. Police	31.46	23.17	28.87	25
13. Other Administrative Services	29.28	43.89	38.57	(-) 12
TOTAL	1932.95	2383.01	2902.85	

The reasons for variations in receipts in 1994-95 as per Finance Accounts are as follows :

Interest receipts : The increase was mainly due to larger receipts from Departmental Commercial undertakings.

Dairy Development : Increase was due to normal growth in procurement and sale of milk.

Non-ferrous Mining and Metallurgical Industries : The increase was mainly due to increase in royalty on coal and other minerals.

Forestry and Wild Life : The increase was due to more sale of timber and other forests products.

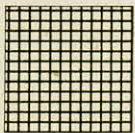
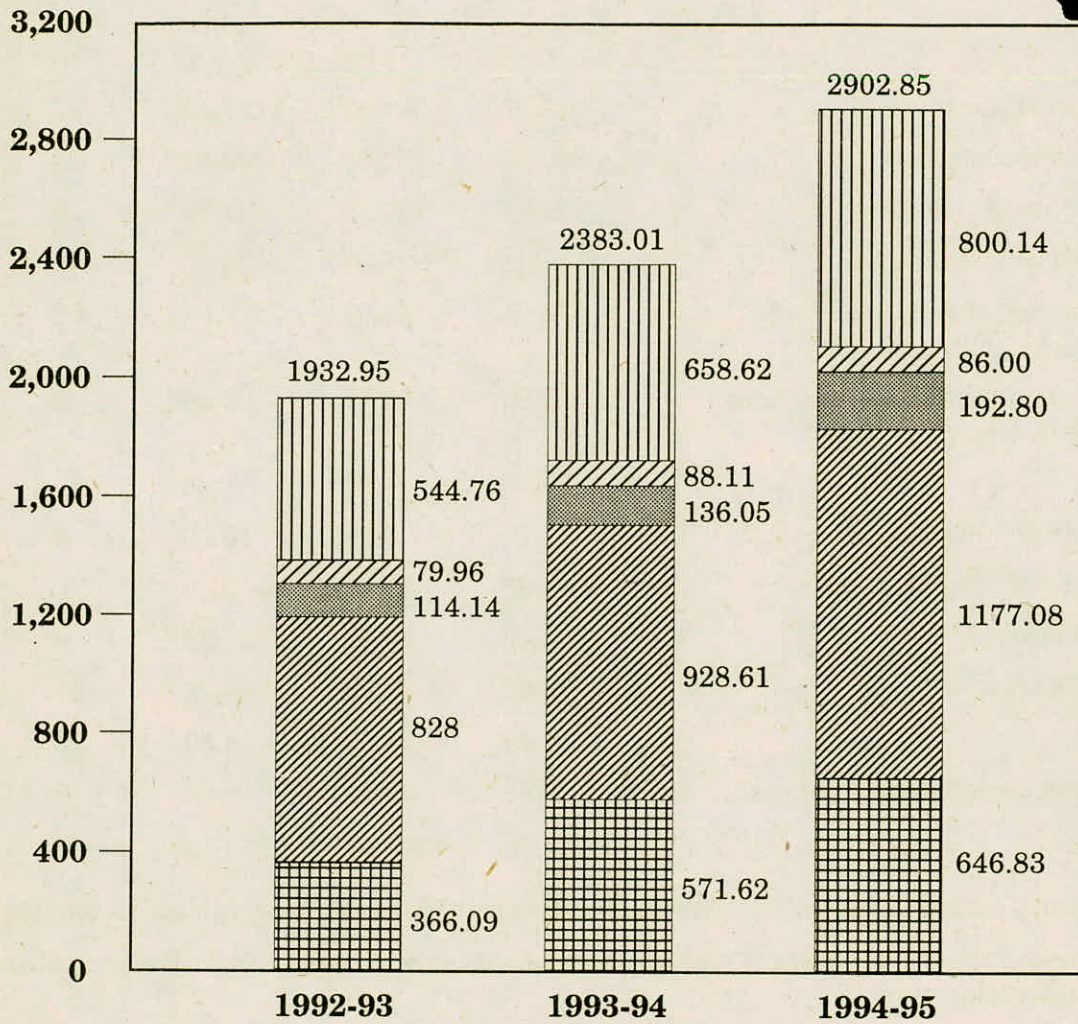
Major and Medium Irrigation : Mainly due to less receipts on medium irrigation, commercial etc.

Medical and Public Health : Mainly due to more receipts from Employees State Insurance Scheme.

Police : Mainly due to more receipts on account of police supplied to other parties and fines recovered from traffic offenders.

CHART III
GROWTH OF NON-TAX REVENUE
 DURING THE PERIOD 1992-93 TO 1994-95

(IN CRORES OF RUPEES)



DAIRY
DEVELOPMENT



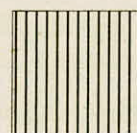
INTEREST
RECEIPTS



FORESTRY &
WILD LIFE



MISCELLA-
NEOUS
GENERAL
SERVICES



OTHER
NON-TAX
RECEIPTS

1.2 Variation between Budget estimates and actuals

The variations between the Budget estimates and actuals of revenue receipts for the year 1994-95 in respect of principal heads of tax and non-tax revenue are given below :

Head of Revenue	Budget estimates	Actuals	Variations Excess (+) or shortfall (-)	Percentage of variation
(1)	(2)	(3)	(4)	(5)
	(In crores of rupees)			
1. Sales Tax	5149.85	5758.46	(+) 608.61	12
2. Interest Receipts	1205.72	1177.08	(-) 28.64	2
3. State Excise	871.58	944.37	(+) 72.80	8
4. Dairy Development	385.93	646.83	(+) 260.84	68
5. Stamps and Registration Fees	588.30	1116.58	(+) 528.28	90
6. Taxes and Duties on Electricity	335.33	336.68	(+) 1.35	—
7. Taxes on Vehicles	285.39	344.52	(+) 59.13	21
8. Taxes on Goods and Passengers	271.05	279.11	(+) 8.06	3
9. Other taxes on Income and Expenditure—Tax on Professions, Trades, Callings and Employments	254.40	299.04	(+) 44.63	18
10. Forestry and Wild Life	127.03	192.80	(+) 65.77	52
11. Land Revenue	59.94	113.84	(+) 53.90	90
12. Power	51.77	51.86	(+) 0.09	—
13. Non-ferrous Mining and Metallurgical Industries	165.12	227.02	(+) 61.90	37
14. Medical and Public Health	56.57	62.88	(+) 6.31	11
15. Police	39.31	28.87	(-) 10.44	27
16. Co-operation	31.05	31.32	(+) 0.27	1
17. Major and Medium Irrigation	58.73	70.99	(+) 12.26	21

The reasons for variations between Budget estimates and actuals as reported by the concerned departments are as follows :

Sales Tax and Profession Tax : The reasons for variation are due to inflation and normal growth rate.

State Excise : Increase in receipts of State Excise is due to increase in excise duty on various types of liquor and recovery of arrears of enhanced licence fees.

Motor Vehicles Tax : The reasons for variations are due to revised rate of tax and more number of vehicles registered.

Medical and Public Health : Receipts of medical and public health have gone up mainly due to realisation of contribution from Employees State Insurance Corporation in respect of the earlier years.

Major and Medium Irrigation : Increase in receipts of major and medium irrigation is due to increase in rates of water.

The reasons for variations in respect of other sources of revenue though called for (April 1995) from the concerned departments have not been received (September 1995).

1.3 Analysis of collections

Break-up of total collections at pre-assessment stage and after regular assessment of Sales Tax, Motor Spirit Tax, Profession Tax, Entry Tax and Luxury Tax for the year 1994-95 and the corresponding figures for the preceding two years as furnished by departments are as follows :

Name of Tax Head	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	of column 3 to 7
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(I n c r o r e s o f r u p e e s)							
Sales Tax	1992-93	3164.42	395.87	44.73	72.77	3487.52	91
	1993-94	3406.79	660.01	46.38	63.86	4002.94	85
	1994-95	4334.33	669.40	45.24	78.85	4924.88	88
Motor Spirit Tax	1992-93	604.86	Nil	Nil	Nil	604.86	100
	1993-94	673.89	Nil	Nil	Nil	673.89	100
	1994-95	832.66	Nil	Nil	Nil	832.66	100
Profession Tax	1992-93	205.22	30.64	0.23	0.01	235.85	87
	1993-94	250.09	3.20	0.21	0.04	253.25	99
	1994-95	288.49	2.67	0.19	Nil	291.16	99
Entry Tax	1992-93	3.08	0.51	Nil	Nil	3.59	86
	1993-94	7.15	1.29	Nil	Nil	8.44	85
	1994-95	10.79	1.57	Nil	Nil	12.36	87
Luxury Tax	1992-93	19.83	0.58	Nil	Nil	20.41	97
	1993-94	33.00	3.36	Nil	Nil	36.36	91
	1994-95	44.05	6.26	Nil	Nil	50.31	88

The table above shows that collection of revenue at pre-assessment stage ranged between 86 and 100 per cent during 1992-93, between 85 and 100 per cent during 1993-94 and between 87 and 100 per cent during 1994-95. This indicates awareness for voluntary compliance by tax payers and the limited role of tax collecting machinery in achieving the higher targets of income.

1.4 Cost of collection

The gross collections in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the year 1992-93, 1993-94 and 1994-95 alongwith the relevant all India average percentage of expenditure on collection to gross collection for 1993-94 are given below :

Head of Account (1)	Year (2)	Collection* (3)	Expenditure on collection of revenue** (4)	Percentage of expenditure on collection (5)	All India Average for the year 1993-94 (6)
(In crores of rupees)					
1. Tax	1992-93	4141.20	34.33	0.83	
	1993-94	4740.78	38.05	0.80	1.3
	1994-95	5758.46	45.32	0.78	
2. Profession Tax	1992-93	235.85	3.43	1.45	
	1993-94	253.29	3.59	1.42	—
	1994-95	299.04	3.64	1.21	
3. Taxes on Vehicles and Taxes on Goods and Passengers	1992-93	444.55	13.34	3.01	
	1993-94	522.13	14.42	2.76	2.6
	1994-95	623.63	16.03	2.57	
4. State Excise	1992-93	689.74	4.72	0.68	
	1993-94	903.16	5.29	0.59	2.7
	1994-95	944.37	5.07	0.54	
5. Entertainments Duty, Advertisement Tax and Betting Tax	1992-93	90.67	1.62	1.79	
	1993-94	107.58	***		—
	1994-95	***			
6. Non-ferrous Mining and Metallurgical Industries	1992-93	110.51	0.38	0.34	
	1993-94	141.61	0.50	0.35	—
	1994-95	227.02	***		
7. Taxes and duties on Electricity.	1992-93	276.33	5.11	1.85	
	1993-94	336.66	***		—
	1994-95	336.68	***		

The details of expenditure on collection of revenue in respect of entertainments duty, land revenue, stamp duty and registration fees and taxes and duties on electricity though called for (April 1995) have not been received (September 1995).

1.5 Arrears of Revenue

The arrears of revenue as on 31 March 1995 under principal heads of revenue and details of action taken to recover them as furnished by some of the departments are given below :

Source of Revenue (1)	Amount outstanding as on 31st March 1995 (2)	Amount outstanding for more than 5 years as on 31st March 1995 (3)	Remarks (4)
(Amount in crores of rupees)			
1. Sales Tax	1946.36	†	The department has not furnished the details of stages of action in respect of these arrears.
2. Profession Tax	170.14	†	The department has not furnished the details of stages of action in respect of these arrears.

* Figures as per Finance Accounts

** Figures as furnished by the department.

*** Information not furnished by the departments

† Information not furnished by the departments

(1)	(2)	(3)	(4)
	(Amount in crores of rupees)		
3. Purchase Tax on Sugarcane	152.88	†	The department has not furnished the details of stages of action in respect of these arrears.
4. Taxes on Vehicles	53.27	24.90	Out of Rs.53.27 crores, demand of Rs. 24.90 crores is covered by issue of R.R.Cs. Recoveries of Rs.2.06 crores are stayed by High Court and Government. Amount of Rs.6.60 crores is likely to be written off and amount of Rs.18.25 crores is at other stages.
5. Taxes and Duties on Electricity	8.55	2.61	The department has not furnished the details of stages of action in respect of these arrears.
6. State Excise	2.97	2.48	Out of Rs.2.97 crores, recoveries of Rs.0.65 crore are being recovered by issue of Revenue Recovery Certificates. Rs.0.86 crore are pending in Court of Law. In respect of Rs.1.13 crores, the matter is pursued to the Supreme Court after taking opinion of Law and Judiciary Department. Pre-prohibition arrears of Rs.0.33 crore are pending recovery as the defaulters are not available.
7. Taxes on goods and Passengers	1.61	1.61	Out of Rs.1.61 crores, demand of Rs.1.21 crores was covered by R.R.Cs. Amount of Rs.0.20 crore was stayed by Court and Government. In respect of Rs.0.13 crore, the dealers became insolvent. Amount of Rs.0.04 crore was likely to be written off and amount of Rs.0.03 crore was at other stages of action.
8. Others—			
(a) Tax on Works Contract	42.28	†	The department has not furnished the details of stages of action in respect of these arrears.
(b) Lease Tax	9.22	†	—do—
(c) Agricultural Income Tax	4.96	†	—do—
(d) Luxury Tax (Re-enacted)	1.84	†	—do—
(e) Entry tax	1.90	†	—do—
(f) Sale of Jail manufacture.	0.38	0.03	The amount is under process of recovery.
(g) Receipts from Biological and Poultry products	0.11	0.09	The amount of Rs.0.11 crore is being recovered through revenue authorities.
Total	2396.47	31.72	

†Information not furnished by the department

Other departments such as Revenue and Forests Department (relating to Land Revenue and Stamp Duty and Registration Fee receipts) have not furnished the details of arrears so far (September 1995).

1.6 Arrears in assessments

The details of assessment cases pending at the beginning of the year 1994-95, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 1994-95 as furnished by the department in respect of sales tax, profession tax, purchase tax on sugarcane, entry tax, lease tax, luxury tax and tax on works contract are given below:

Name of tax	Opening balance	Cases due for assessment during 1994-95	Total assessments due	Cases disposed of	Balance at the end of year	Percentage of column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax	1271310	786197	2057507	693518	1363989	66
Profession tax	413005	197788	610793	147881	462912	76
Purchase tax on sugarcane	3472	1224	4696	445	4251	91
Entry Tax	2277	3338	5615	3101	2514	45
Lease Tax	2756	2297	5053	1780	3273	64
Luxury Tax	1809	1589	3398	1003	2395	70
Tax on works contract	24240	12462	36702	6975	29727	81
Total	1718869	1004895	2723764	854703	1869061	

The above table shows that the arrears in assessments under various Acts mentioned above have gone up from 17.19 lakhs at the end of March 1994 to 18.69 lakhs at the end of March 1995 registering an increase of 9 per cent over previous year. The arrears in assessment of sales tax cases increased from 12.71 lakhs at the end of March 1994 to 13.64 lakhs at the close of March 1995. The pendency in assessment of Profession Tax cases increased from 4.13 lakhs to 4.63 lakhs registering an increase of 10 per cent. No effective steps were taken by the department to arrest the increasing trend in arrears of assessment.

The year-wise break-up of the pending cases as on 31st March 1995 is as under :

Year	Sales Tax	Profession Tax	Purchase Tax on Sugarcane	Entry Tax	Lease Tax	Luxury Tax	Tax on works Contract
1991-92	178993	213310	2196	1496	1080	536	15579
1992-93	495510	107118	908	106	1073	857	6930
1993-94	689353	142455	1147	602	1118	992	7173
1994-95	133	29	—	310	2	10	45
TOTAL	1363989	462912	4251	2514	3273	2395	29727

1.7 Arrears in appeals

The arrears of revenue at the end of the last three years and revenue blocked due to appeals in respect of Sales Tax Department and Motor Vehicles Tax Department are given below :

*Information not furnished by the department

As on 31st March	Total Revenue in arrears		Involved in appeals		Percentage of Col. 3 to 2	
	No. of cases	Amount	No. of cases	Amount	Cases	Amount
(i) Sales Tax						
1993	244714	1267.51	32397	534.70	13	42
1994	310679	1517.69	38679	360.82	12	24
1995	*	*	*	*		
(ii) Motor Vehicles Tax and Tax on Goods and Passengers						
1993	456563	48.98	395	2.17	0.09	4.42
1994	448126	53.80	425	2.18	0.09	4.06
1995	504468	54.88	428	2.20	0.09	4.01

Though, huge amount of revenue was blocked due to appeals, no effective steps were taken to dispose of the appeal cases.

1.8 Frauds and evasion of tax

The details of cases of evasion of tax detected by the Sales Tax, Motor Vehicles Tax and State Excise Departments, cases finalised and the demands for additional tax raised as reported by the departments are given below :

Sr. No.	Name of tax/duty	Cases pending as on 31st March 1994	Cases detected during 1994-95	Total	No. of cases in which assessment/ investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31st March 1995
					No. of cases	Amount of demands in lakhs of Rupees	
1.	Sales Tax	2574	3994	6568	3849	1990.08	2719
2.	State Excise	21	52	73	53	15.20	20
3.	Motor Vehicles Tax	6747	7483	14230	6735	13.77	7495

1.9 Write-off and waiver of revenue

During the year 1994-95, demands for Rs.118.50 lakhs (in 2354 cases) relating to Sales Tax, Rs.71.94 lakhs (in 6778 cases) relating to Motor Vehicles Tax and Passengers Tax and Rs.5.13 lakhs (in 18 cases) relating to State Excise were written-off by the departments as irrecoverable. Reasons for the write-off of these demands as reported by the departments are as follows:

	Sales Tax		(Amount in lakhs of rupees) Motor Vehicles Tax, Goods Tax and Passengers Tax		State Excise	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1. Whereabouts of defaulters not known	1308	55.83	3214	41.26	11	1.20
2. Defaulters no longer alive	9	0.52	—	—	2	3.33
3. Defaulters did not have any property	991	47.99	153	15.44	2	0.27
4. Defaulters adjudged insolvent	2	0.38	—	—	1	0.27
5. Other reasons	16	1.03	3411	15.24	2	0.06
6. Remission of penalty	28	12.75	—	—	—	—
Total	2354	118.50	6778	71.94	18	5.13

1.10 Refunds

The number of refund cases pending at the beginning of the year 1994-95, claims received during the year, refunds allowed during the year and cases pending at the close of the year 1994-95 as reported by the departments are given below:

(Amount in lakhs of rupees)

	Sales Tax		Motor Vehicles Tax		Taxes and Duties on Electricity		State Excise	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1. Claims outstanding at beginning of the year	20215	55.90	967	9.64	40	114.16	1068	58.95
2. Claims received during the year	26089	102.31	2326	30.36	69	215.76	92	22.66
3. Refund made during the year	33017	78.85	2146	27.65	45	211.70	89	36.00
4. Balance outstanding at the end of the year	13287	79.36	1147	12.35	64	118.22	1071	45.61

1.11 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamp Duty and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 1994-95 revealed under-assessment/short levy/loss of revenue amounting to Rs.5096.69 lakhs in 22,587 cases. During the course of the year 1994-95, the concerned departments accepted under-assessments etc., of Rs.470.27 lakhs involved in 2343 cases of which 456 cases involving Rs.52.56 lakhs had been pointed out in audit during 1994-95 and the rest in earlier years. Of these, departments recovered Rs.91.45 lakhs.

This Report contains 39 Paragraphs including two reviews involving Rs.1260.91 lakhs. The department/ Government have accepted audit observations involving Rs.394.45 lakhs. No reply has been received in remaining cases.

1.12 Internal Audit

(A) *State Excise* : Internal Audit Wing of the department functions under the overall control of the Commissioner of State Excise who is assisted by one Deputy Commissioner, one Assistant Commissioner and Divisional Deputy Commissioner at Pune, Nagpur, Thane and Aurangabad.

The performance of Internal Audit during the year 1994-95 is as under :

(a) Target in terms of number of units	502
(b) Number of units audited	502
(c) Shortfall	—
(d) Cases in which objections were raised	
(i) Number of cases	37
(ii) Amount in crores of rupees	0.26
(e) Demand raised	
(i) Number of cases	37
(ii) Amount in crores of rupees	0.26
(f) Amount recovered	
(i) Number of cases	13
(ii) Amount in crores of rupees	0.11

(B) *Sales Tax* : Internal Audit Wing of the department function under the overall control of Additional Commissioner of Sales Tax who is assisted by a Deputy Commissioner of Sales Tax (Audit) and 17 Assistant Commissioners of Sales Tax for auditing assessment cases involving tax of Rs.4 lakhs and above. Other cases are audited by respective administrative Deputy Commissioners and Assistant Commissioners.

The performance of Internal Audit during the year 1994-95 is as under :

(a) Target in number of cases	46,150
(b) Number of cases audited	42,420
(c) Shortfall	3,730
(d) Cases in which objections were raised	
(i) Number of cases	4,265
(ii) Amount in crores of rupees	13.59
(e) Demand raised	
(i) Number of cases	445
(ii) Amount in crores of rupees	0.82
(f) Amount recovered	
(i) Number of cases	128
(ii) Amount in crores of rupees	0.11

The department attributed (July 1995) the shortfall in achieving the target to the following reasons.

- (i) Some of the posts of Audit Officers were kept vacant during the entire period.
- (ii) The majority staff working under the control of the auditing officers was engaged in the activity of Election and Higher Secondary Examination and therefore, the work of audit was affected during 1994-95.

(C) *Motor Vehicles Tax* : Internal Audit Wing of the department functions under the overall control of the Transport Commissioner consisting of 6 Senior Auditors, 59 Junior Auditors, 13 Senior Clerks and 93 Junior Clerks.

The performance of Internal Control Wing during the year 1994-95 is as under :

(a) Target in number of cases	No Targets fixed
(b) Number of cases audited	10,75,349
(c) Shortfall	—
(d) Cases in which objections were raised	
(i) Number of cases	8,579
(ii) Amount in crores of rupees	0.16
(e) Demand raised	
(i) Number of cases	7,381
(ii) Amount in crores of rupees	0.19
(f) Amount recovered	
(i) Number of cases	5400
(ii) Amount in crores of rupees	0.11

1.13 Outstanding inspection reports and audit observations

Audit observations on incorrect assessments, short levy of taxes, duties, fees and other revenue receipts, as also defects in maintenance of initial records noticed during the local audit and not settled on the spot are communicated to the heads of offices and to the departmental authorities through audit inspection reports. The more important irregularities are reported to the heads of departments and Government. Government have prescribed that first replies to inspection reports should be sent to Audit within one month from the date of receipt of the inspection reports.

At the end of June 1995, 10409 observations (in 4410 inspection reports) involving Rs.318.47 crores issued up to 31 December 1994, were still to be settled as detailed below. The figures as on 30 June 1993 and 30 June 1994 are also indicated alongside for comparison.

	As at the end of		
	June 1993	June 1994	June 1995
Number of inspection reports	3704	3824	4410
Number of audit observations	8423	9355	10409
Money value (In crores of rupees)	59.68	63.13	318.47

In respect of 1477 observations (in 584 inspection reports) involving Rs.15.25 crores, even the first replies had not been received.

Year-wise break-up of the outstanding inspection reports as on 30 June 1995, together with amounts of receipts involved, is given in the Appendix I. The above position was brought to the notice (September 1995) of the Secretaries of the respective Government Departments and was reported to the Chief Secretary in October 1995.

1.14 Follow up on Audit Reports

(i) According to the instructions issued by the Finance Department in March 1981, the departments are requested to furnish explanatory memoranda to the Maharashtra Legislature Secretariat in respect of paragraphs contained in Audit Reports within one month to their being laid on the table of the House, duly vetted by Audit.

It was noticed that the departments have not submitted (September 1995) explanatory memoranda in respect of 267 paragraphs of Audit Reports for the years 1989-90 to 1993-94. The details are given in Appendix II.

(ii) The Public Accounts Committee has discussed 27 selected paras pertaining to Audit Reports for the years 1986-87 to 1988-89 and gave their recommendations on 6 paras which have been incorporated in their 27th Report (1994-95). However, action taken notes on recommendations of the Public Accounts Committee have not been received from the concerned departments (September 1995). The details are given in Appendix III.

The matter was reported to Government (June 1995); their reply has not been received (September 1995).

CHAPTER 2

SALES TAX

2.1 Results of audit

Test check of records of sales tax conducted during the year 1994-95 revealed under-assessment/short levy/loss of revenue amounting to Rs.420.08 lakhs in 2030 cases which broadly fall under the following categories.

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Non-levy/short levy of tax	881	271.52
2.	Incorrect allowance of set-off	306	72.23
3.	Non-levy/short levy of penalty	200	36.54
4.	Omission to forfeit tax irregularly collected	17	00.20
5.	Other irregularities	626	39.59
	Total	2030	420.08

During the course of the year 1994-95, the department accepted under-assessment etc. of Rs.185.51 lakhs involved in 877 cases of which 157 cases involving Rs.17.46 lakhs had been pointed out during 1994-95 and the rest in earlier years. Of these, department recovered Rs.14.99 lakhs.

A few illustrative cases noticed during 1994-95 and in earlier years involving Rs.141.88 lakhs highlighting important audit observations are mentioned in the following paragraphs.

2.2 Assessment of dealers holding trade mark/patents

Under the provisions of the Bombay Sales Tax Act, 1959, the tax is leviable at the first point of sale at the rates specified in the Schedule to the Act. The subsequent sale of the goods if sold in the same form is allowed as resale. The Government amended the provisions of the Act with effect from 22 April 1988 by adding an explanation to the definition of the term "resale" whereby the sale of goods in respect of which the dealer holds a trade mark/patent was not admissible as resale. Consequently, such resale was made liable to sales Tax. Simultaneously, to avoid double taxation on the same goods, new provisions were incorporated in the Bombay Sales Tax Rules, 1959 to provide refund of taxes paid by the trade mark/patent holder on such purchases made from registered dealers within the State.

Test check of assessment records of dealers holding trade marks/patent revealed the following :

(a) Cross verification of records of dealers registered under Trade and Merchandise Marks Act, with their assessments under Bombay Sales Tax Act, 1959, revealed that sales made by 10 dealers under their trade marks were allowed as resale in their assessments for different periods during 1988-89 to 1992-93, though such sales were liable to tax at appropriate rates. This occurred since the Sales Tax Department was not even aware that the dealers held registration under the Trade Mark Act. This resulted in under-assessment of tax amounting to Rs.31.00 lakhs as detailed below :

Sr. No.	District in which assessed	No. of dealers	Goods resold	Under assessment including interest (Rs. in lakhs)	Remarks
1.	Bombay	5	Edible oil, Footwear Medicines, Gas burners, Pen and Refills.	22.56	The department stated (between January 1995 to March 1995) that rectification order was passed in one case raising additional demand of Rs.2.56 lakhs and corrective action was initiated in 4 cases. In remaining 5 cases, the points were being examined. Further report has not been received (September 1995).
2.	Thane	1	Wooden furniture	3.51	
3.	Pune	2	Medicines, Cassettes	2.53	
4.	Nagpur	2	Cables, Electrical goods	2.40	
Total				31.00	

The above cases were reported to Government in June 1995; their reply has not been received (September 1995).

(b) Under the provisions of the Bombay Sales Tax Act, if the Commissioner has reason to believe that any turnover of sales has escaped assessment or has been under-assessed, the Commissioner may proceed to re-assess the amount of tax due from the dealer within a period of 5 years from the end of the year of assessment.

A test check of assessment records of 4 dealers for the years 1988-89 and 1989-90 revealed that goods resold by them under their trade marks were neither assessed to tax nor re-opened for corrective action, eventhough resales of such goods were disallowed in the assessment for the subsequent years. Incorrect allowance of resale and failure to re-open the assessments for the years 1988-89 and 1989-90 resulted in under-assessment of tax amounting to Rs.14.36 lakhs as under :

Sr. No.	Goods resold	Period for which assessed	Under assessment including interest (Rs. in lakhs)	Remarks
1.	Tea	1988-89	1.00	The department stated (between January 1995 and March 1995) that corrective action was not possible in 2 cases at Sr.Nos.1 and 4 involving Rs.4.19 lakhs as they had become time barred and in other 2 cases, the feasibility of corrective action was being examined. Further report has not been received (September 1995).
2.	Medicines	1988-89	4.20	
3.	Footwear	1988-89	5.97	
4.	Footwear	1988-89	3.19	
	& 1989-90			
Total			14.36	

The above cases were reported to Government in June 1995; their reply has not been received (September 1995).

2.3 Incorrect grant of set-off

(a) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, a manufacturer who has paid taxes on the purchase of goods specified in Part II of Schedule 'C' to the Act and used them within the State in the manufacture of taxable goods for sale or export or in the packing of goods so manufactured is allowed a set-off of taxes paid in excess of four per cent of purchase price. Where the purchase price is inclusive of taxes, the amount of set-off is worked out according to the prescribed formula. If the manufactured goods include goods other than taxable goods the set-off is admissible proportionately in respect of taxable goods.

Further, if any tax is found due from a dealer or a person in respect of any period as a result of an order of assessment or re-assessment passed under the Act, such dealer or person is liable to pay simple interest at the rate of two per cent of such tax for each month or part thereof from the first date after the end of the period for which the dealer or person has been so assessed till the date of such order of assessment.

For failure to disclose in the returns, the appropriate liability to pay for the proper correct quantification of tax liability, penalty equal to a sum not exceeding the amount of tax found due and payable is also leviable.

By a Government notification dated 30 June 1986, the rate of tax on sale or purchase of chemicals (covered by entry 102 of Part II of Schedule 'C') was reduced from 10 per cent to 4 per cent with effect from 1 July 1986. The Commissioner of Sales Tax determined (May 1988) that plastic powder was petrochemical covered by residuary entry 102 of Part II of Schedule 'C' with a rate of tax at 10 per cent.

It was noticed in audit (between January 1992 and December 1994) that in assessing (between May 1989 and March 1994) 9 dealers in different districts, set-off on purchases of plastic powder was erroneously allowed in 3 cases and set-off was allowed in full instead of allowing in proportion of taxable goods sold within the State in other 6 cases. These omissions resulted in under-assessment of Rs.8.14 lakhs as detailed below :

District in which assessed	Goods manufactured	Assessment period	Nature of irregularity	Under assessment including interest and penalty (in lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Bombay	Plastic goods	1 April 1986 to 31 March 1987	Set-off incorrectly allowed at 10 per cent on purchases of plastic powder	1.29	The department revised (July 1994) the assessment raising additional demand of Rs.1.29 lakhs. The Department further stated (June 1995) that the dealer has filed an appeal against the revision order. Further report has not been received (September 1995).
Bombay	Iron and Steel	1 January 1990 to 31 March 1990	Set-off incorrectly allowed at 10 per cent on purchases of additives (chemicals)	1.13	The department revised the order (November 1994) raising additional demand of Rs.1.13 lakhs. Report on recovery has not been received (September 1995).
Bombay	P.V.C. pipes	1 April 1989 to 31 March 1990	Set-off incorrectly allowed at 10 per cent on purchases of plastic powder	1.46	The department raised (December 1994) the additional demand of Rs.1.46 lakhs. Report on recovery has not been received (September 1995).

(1)	(2)	(3)	(4)	(5)	(6)
Bombay	Printing work	1 April 1989 to 31 March 1990	Set-off incorrectly allowed on labour and tax free sales	1.00	The department raised (February 1995) the additional demand of Rs.1.00 lakh. The Department stated (June 1995) that the dealer has filed an appeal. Further report has not been received (September 1995).
Bombay	Steel containers	1 April 1990 to 31 March 1991	Set-off incorrectly allowed on purchases of cement etc. which were not used in manufacture of taxable goods	0.73	The department raised (December 1994) the additional demand of Rs.73,064. The Dealer filed appeal against the revision order by making part payment of Rs.25,000. Further report on developments in appeal has not been received (September 1995).
Bombay	Gears	1 April 1989 to 31 March 1990	Set-off incorrectly allowed on material used in Works Contract	0.54	The department raised (October 1994) the additional demand of Rs.54,366 and recovered (October 1994) an amount of Rs. 31,608. Report on recovery of balance amount has not been received (September 1995).
Kolhapur	Printing machinery	1 April 1989 to 31 March 1990	Set-off allowed incorrectly on sales of non-taxable goods	0.75	The case was reported (September 1993) to the department. Their final reply has not been received (September 1995).
Pune	Sugar and Molasses	1 April 1990 to 31 March 1991	Set-off allowed incorrectly on sales of non-taxable goods.	0.53	The case was reported (August 1994) to the department. Their final reply has not been received (September 1995).
Nasik	Sugar and Bye-products	1 April 1990 to 31 March 1991	Set-off allowed incorrectly on sales of non-taxable goods	0.71	The case was reported (December 1994) to the department. Their final reply has not been received (September 1995).
			Total	8.14	

The above cases were reported to Government between February 1995 and June 1995; their reply has not been received (September 1995).

(b) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, with effect from 1 April 1984, a registered dealer is entitled to full set-off of taxes paid on the purchase of raw material, specified in one group of Entry 6 of Schedule B to the Act (Iron and Steel) used in the process of manufacture of goods (not being waste goods or bye-products) falling in another group (specified in Clause XVIII-a of Rule 3) of the same entry for sale or export, provided that, no set-off would be admissible if the goods thus manufactured are allowed as resale in the State.

In Nagpur, in the assessment for the period from April 1989 to March 1990 of a manufacturer of iron pipes, set-off amounting to Rs.50,624 was incorrectly allowed on the purchase of raw material resold and not used in the process of manufacture of goods resulting in under-assessment of Rs.1.10 lakhs (including interest of Rs.59,736).

On this being pointed out (July 1994) in audit, the department revised (February 1995) the assessment raising an additional demand of Rs.1.10 lakhs. Report on recovery has not been received (September 1995).

The matter was referred to Government (March 1995); their reply has not been received (September 1995).

(c) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, a registered dealer is entitled with effect from 1 September 1990 to full set-off of purchase tax levied under Section 13 AA on purchases of goods covered by Part I of Schedule 'C' which are (i) used by him in the manufacture of taxable goods for sale within the State or in packing of goods so manufactured or (ii) are transferred within a period of six months from the date of the purchase to his agents outside the State for sale or use in manufacture of goods for sale. If the manufactured goods include goods other than the taxable goods, the set-off is admissible proportionately in respect of taxable goods. Further, interest at prescribed rate is leviable under the provisions of the Act.

(i) In Bombay, while assessing (March 1994) a manufacturer and processor of cloth, yarn etc. for the period from 1 April 1990 to 31 March 1991, set-off of Rs.1.52 lakhs was allowed in full. The proportion of taxable sales to tax free sales worked out to 14.45 : 85.55. The set-off was, therefore, required to be allowed to the extent of 14.45 per cent i.e. Rs.22,033 only. This resulted in under-assessment of Rs.1.63 lakhs (including interest of Rs.32,625).

On this being pointed out (October 1994) in audit, the department revised (March 1995) the assessment by raising additional demand of Rs.1.63 lakhs. Report on recovery has not been received (September 1995).

The matter was reported to Government in May 1995; their reply has not been received (September 1995).

(ii) In Bombay, while assessing (December 1993) a manufacturer-cum-reseller of electrical goods for the period 1 April 1990 to 31 March 1991, the assessing authority allowed a set-off of Rs.26,721 in respect of purchase tax levied on purchase of import licence (covered by entry 36 of Part I of Schedule 'C') of Rs.13.36 lakhs. As import licence itself is not used in manufacture, the dealer was not entitled for set-off. This resulted in under-assessment of Rs.44,357 (including interest of Rs.17,636).

This was pointed out to the department in July 1994; their reply has not been received (September 1995).

However, in the meantime, the Commissioner of Sales Tax clarified (February 1995) that on purchase of import licence/Exim scrips (covered by Part I of Schedule 'C' to the Act) though purchase tax is leviable, no set-off will be available, if these are utilised for importing goods.

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

(iii) While assessing (March 1994) a manufacturer of cattle feed and poultry feed at Bombay for the period from 1 January 1990 to 31 December 1990, set-off of purchase tax of Rs.2.25 lakhs on purchases of oil cakes and gunny bags at Rs.1.12 crores effected after 1 January 1990 was allowed. As these purchases were used in manufacture/packing of tax free goods, no set-off was admissible. Further, interest of Rs.1.75 lakhs was also leviable. This resulted in under-assessment of Rs.4 lakhs.

This was pointed out to the department in July 1994 and reported to Government in June 1995; their final reply has not been received (September 1995).

(d) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, a registered dealer is entitled to set-off of taxes paid or deemed to have been paid on the purchases made from other registered dealers provided the goods are resold, within nine months from the date of purchase in the same form in which they were purchased, either in the course of export or in the course of inter-State trade or commerce or the goods are despatched outside the State with the intention of reselling the goods or for using them in manufacture of taxable goods.

Further, with effect from 21 April 1987, if any tax is found due from a dealer in respect of any period as a result of an order of assessment passed under the Act, simple interest of a sum equal to two per cent of such tax for each month or part thereof is also leviable from the first day after the end of the period for which the dealer has been so assessed to the date of order of assessment.

In Nagpur, a dealer in manganese powder purchased manganese ore (1349.07 metric tonnes) by paying sales tax of Rs.1.21 lakhs separately from a registered dealer during 1 April 1988 to 31 March 1989. When the goods were sold in inter-State sale, the set-off was incorrectly allowed to the extent of Rs.1.50 lakhs instead of actual tax of Rs.1.21 lakhs which resulted in excess allowance of set-off of Rs.29,661 and non-levy of interest of Rs.19,576 for the period August 1990 to April 1993.

On this being pointed out in audit (May 1993), the department raised additional demand for Rs.66,441 including interest of Rs.36,780 upto May 1994. The report on recovery has not been received (September 1995).

The matter was reported to Government (February 1995); their reply has not been received (September 1995).

2.4 Short levy of tax

(a) Under the provisions of the Bombay Sales Tax Act, 1959, the rate of tax leviable on any commodity is determined with reference to the relevant entry in the Schedule to the Act. The State Government may, by notification, exempt any class of sales or purchases from payment of the whole or any part of the tax payable under the provisions of the Act, subject to such conditions as may be imposed by the Government.

Further, a dealer whose turnover either of all sales or of all purchases exceeds Rs.10 lakhs in any year is liable to pay additional tax at the rate of 12 per cent of tax payable by him for that year.

If any tax payable is found due from a dealer or a person in respect of any period as a result of an order of assessment or re-assessment passed under the Act, such dealer or person is liable to pay simple interest at the rate of two per cent of such tax for each month or part thereof from the first date after the end of the period for which the dealer or person has been so assessed till the date of order of assessment.

By a notification issued on 30 June 1975, Government granted exemption from payment of sales tax in excess of four per cent on sales of goods by registered dealers to the Central or any State Government subject to the production of a declaration in the prescribed Form 'AF' declaring that the goods purchased are for official use by Government and not for the purpose of resale or for use in the manufacture of goods for sale.

A manufacturer is entitled to full set-off of taxes paid or deemed to have been paid on purchases of goods specified in entry 29 of Part I of Schedule 'C' to the Act (non-ferrous metal) and used in the manufacture of goods specified in the same entry (other than scrap) for sale or export.

In Bombay, while assessing (September 1990) a manufacturer in lead plates, sheets, tubes and lead anodes for the period from 1 April 1987 to 31 March 1988, sales of pneumatic tubes and lead sleeves (covered by entry 102 of Part II of Schedule 'C') amounting to Rs.21.65 lakhs and Rs.57.58 lakhs respectively to telecom factory were taxed at concessional rate of four per cent on the basis of Form 'AF' furnished by the factory. As the goods purchased were not for official use but for commercial purpose, the concessional rate of tax was not admissible. This resulted in short levy of tax of Rs.5.33 lakhs (including additional tax of Rs.57,048). Further, set-off of Rs.2.32 lakhs allowed to the dealer on purchases of non-ferrous metal used in manufacture of pneumatic tubes and lead sleeves was not admissible since the goods manufactured did not feature under the relevant entry. These omissions resulted in under-assessment of Rs.11.64 lakhs (including interest of Rs.3.99 lakhs).

On this being pointed out (September 1991) in audit, the department raised (October 1994) demand of Rs.11.64 lakhs. The department further stated that the dealer had filed an appeal before the Maharashtra Sales Tax Tribunal on part payment of Rs.65,000. Report on further developments in appeal has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

(b) Under the provisions of the Central Sales Tax Act, 1956, tax on sales in the course of inter-State trade or commerce not supported by valid declaration (Form C/D) is leviable at twice the rate of tax applicable to the sales inside the State in respect of declared goods and in respect of goods other than declared goods, tax is leviable at 10 per cent or at the rate of tax applicable to the sale or purchase of such goods inside the State, whichever is higher.

If any tax payable is found due from a dealer or a person in respect of any period as a result of an order of assessment passed under the Act, such dealer or person shall be liable to pay simple interest at two per cent of such tax, for each month or part thereof from the first date after the end of the period for which the dealer or person has been so assessed till the date of order of assessment. For failure to disclose in the returns the correct tax liability or claim of inaccurate deductions, penalty equal to a sum not exceeding the amount of tax (a sum not exceeding one-and-a-half times the amount of tax upto 20 April 1987) is leviable.

In Bombay, in assessing (October 1990) a reseller in machinery and engineering goods for the period 1 July 1986 to 30 June 1987, inter-State sales of machinery and engineering goods (not supported by declaration Form C) worth Rs.11.44 lakhs were subjected to tax at four per cent instead of at ten per cent. This resulted in under-assessment of Rs.1.47 lakhs.

On this being pointed out (June 1993) in audit, the department revised the assessment (September 1994) raising additional demand of Rs.1.47 lakhs (including interest and penalty amounting to Rs.78,332). The dealer had filed (December 1994) an appeal by making part payment of Rs.25,000. The report on further developments in appeal has not been received (September 1995).

The matter was reported to Government in February 1995; their reply has not been received (September 1995).

2.5 Application of incorrect rate of tax

Under the Bombay Sales Tax Act, 1959, the rate of tax leviable on any commodity is fixed with reference to the relevant entry in the Schedule to the Act.

A dealer whose turnover either of all sales or of all purchases exceeds 10 lakhs of rupees in any year, is liable to pay additional tax at the rate of 12 per cent of the tax payable by him for that year.

If any tax is found due from a dealer in respect of any period as a result of an order of assessment passed under the Act, simple interest of a sum equal to 2 per cent of such tax for each month or part thereof is also leviable from the first date after the end of the period for which the dealer has been so assessed till the date of order of assessment.

Further, for failure to disclose in the returns, proper and correct tax liability, penalty equal to a sum not exceeding the amount of tax found due and payable is also leviable.

On sales of plastic scrap, tax is leviable at 10 per cent under residuary entry 102 of Part II of Schedule 'C' to the Act in view of determination order dated 28 January 1994 passed by the Commissioner of Sales Tax under Section 52 of the Act.

The Commissioner of Sales Tax determined (December 1992) that water proofing compound is covered by residuary entry 102 of Part II of Schedule 'C' and is taxable at 10 per cent.

In assessing 5 dealers at Bombay and Pune, it was noticed (between July 1993 and January 1995) that due to application of incorrect rate of tax, the dealers were under-assessed to the extent of Rs.6.85 lakhs as detailed below :

District in which assessed	Period of assessment	Commodity sold	Reasons for short levy of tax	Under assessment including additional tax, interest and penalty (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Bombay	1 April 1989 to 31 March 1990.	Boldo dry extract powder and aromatic chemicals	Tax levied at 4 per cent instead of 15 per cent on sales of Rs. 10.91 lakhs and sales of Rs. 45,000 incorrectly allowed on Form N 15.	2.95	The department re-assessed the dealer (February 1995) raising additional demand of Rs. 2.95 lakhs. Report on recovery has not been received (September 1995).
Bombay	1 April 1989 to 31 March 1990.	Plastic scrap	Tax levied at 4 per cent on turnover of Rs. 9.80 lakhs instead of 10 per cent.	1.08	The matter was reported to department in January 1995; their reply has not been received (September 1995).

District in which assessed	Period of assessment	Commodity sold	Reasons for short levy of tax	Under assessment including additional tax, interest and penalty (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Bombay	1 April 1989 to 31 March 1990.	Granite and Marble	Tax levied at 8 per cent on turnover of Rs. 4.20 lakhs and at 6 per cent on turnover of Rs. 2.97 lakhs instead of at 15 per cent.	0.89	The department re-assessed (October 1994) the dealer and raised additional demand of Rs. 88,754. Report on recovery has not been received (September 1995).
Bombay	1 April 1989 to 31 March 1990.	Gas regulators	Tax levied at 8 per cent on turnover of Rs. 13.42 lakhs instead of 10 per cent.	0.51	The matter was reported to the department in July 1993; their reply has not been received (September 1995).
Pune	1 April 1988 to 31 March 1989, 1 April 1989 to 31 March 1990; and 1 April 1990 to 31 March 1991.	Water proofing compound and foundry materials	Tax levied at 8 per cent on turnover of Rs. 36.02 lakhs instead of 10 per cent.	1.42	The matter was reported to the department in September 1994; their reply has not been received (September 1995).
Total				6.85	

The above cases were reported to Government between March 1995 and June 1995; their reply has not been received (September 1995).

2.6 Short levy of turnover tax

Under the provisions of the Bombay Sales Tax Act, 1959, with effect from 13 July 1986, every dealer liable to pay tax under the Act and whose turnover either of all sales or of all purchases exceeds Rs.12 lakhs in any year, shall pay turnover tax at the rate of one-and-a-quarter per cent of the taxable turnover of sales of goods specified in Schedule 'C' to the Act after allowing permissible deductions from the turnover of sales. Further, with effect from 21 April 1987, if any tax is found due from a dealer in respect of any period as a result of an order of assessment passed under the Act, simple interest of a sum equal to 2 per cent of such tax for each month or part thereof is also leviable from the first date after the end of the period for which the dealer has been so assessed till the date of order of assessment.

Sales/purchases of spectacles, frames and lenses covered by Schedule 'C' are exempted by a notification from payment of sales tax and purchase tax but are liable to turnover tax with effect from 1 April 1988.

It was noticed in audit (November 1993 and January 1995) that though the gross turnover of 2 dealers at Bombay and Nagpur exceeded the prescribed limits for levy of turnover tax, turnover tax was not levied in the assessments. This resulted in under-assessment of Rs.1.46 lakhs as detailed below :

Name of which assessed	Period of assessment	Nature of irregularity	Under- assessment including interest (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)
Nagpur	1 April 1988 to 31 March 1989	Turnover tax on turnover of Rs. 33.98 lakhs was incorrectly levied at Rs. 8,958 instead of Rs. 42,484	0.56	The department raised (July 1994) additional demand of Rs. 56,229 and recovered Rs. 33,528. Report on recovery of balance amount has not been received (September 1995).
Bombay	1 July 1987 to 31 March 1989 and 1 April 1989 to 31 March 1990.	Turnover tax on the taxable turnover of spectacles/frames of Rs. 22.08 lakhs and Rs. 25.91 lakhs not levied	0.90	This was pointed out to the department in January 1995. Their reply has not been received (September 1995)
Total			1.46	

The above cases were reported to Government between May 1995 and June 1995; their reply has not been received (September 1995).

2.7 Non-levy/short levy of purchase tax

(a) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, with effect from 1 July 1981, a manufacturer holding a Recognition Certificate can purchase goods specified in Part II of Schedule 'C' to the Act without payment of sales tax by furnishing a declaration in Form N-15 to the selling dealer that the goods so purchased will be used within the State in the manufacture of taxable goods for sale or in packing of goods so manufactured. The purchaser is, however, liable to pay purchase tax at a concessional rate of 4 per cent. If the goods so purchased are used in the manufacture of goods or packing of goods so manufactured, which are not taxable or when the conditions, recitals and undertakings of such declarations are not complied with, purchase tax for contravention of recitals of declarations is leviable at the rate specified in Schedule to the Act. Further, if the manufactured goods are transferred to branches outside the State otherwise than by way of sale, the dealer is liable to pay purchase tax at the rate of 6 per cent of the purchase price of the goods used in the manufacture of goods transferred to branches. The dealer is, however, entitled to set-off of tax paid on purchases at concessional rate of 4 per cent.

Further, as per amended definition, with effect from 21 April 1987, the term "taxable goods" does not include goods which are wholly exempt from payment of tax under notification issued by the Government.

Besides, additional tax and interest are also leviable under the provisions of the Act.

It was noticed in audit (November 1992 and September 1994) that in assessing (October 1991 and March 1994) 3 dealers at Bombay and Nagpur who had effected purchases against Form N-15 for use within the State in the manufacture of taxable goods for sale or packing of goods. Part of these purchases were either used in manufacture or packing of tax free goods or were used in manufacture of goods despatched to branches outside the State. As such the dealers become liable to pay purchase tax which was not levied in one case and levied short in other cases. This resulted in under-assessments amounting to Rs.5.27 lakhs as detailed below :

District	Goods manufactured	Assessment period	Nature of contravention	Short levy of purchase tax/ additional tax/ interest (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Bombay	Medicines	1 May 1988 to 31 March 1989	Goods purchased were partly used in manufacture of tax free goods	2.14	The department raised (October 1994) additional demand for Rs. 2.14 lakhs. The dealer filed appeal against the re-assessment order. Report on developments in appeal has not been received (September 1995).
Bombay	Printing ink and resin	1 April 1990 to 31 March 1991	Goods manufactured were partly transferred outside the State. Purchase tax incorrectly levied at 4 per cent instead of 6 per cent.	2.51	The department raised (December 1994) additional demand for Rs. 2.51 lakhs. The dealer filed appeal against the order of rectification. Report on developments in appeal has not been received (September 1995).
Nagpur	Medicines (Oral Re-hydration Salt)	1 July 1988 to 31 March 1989	Goods purchased were used in packing of tax free medicines	0.62	The department raised (January 1994) additional demand of Rs. 62,104. Report on recovery has not been received (September 1995).
			Total	5.27	

The above cases were reported to Government in February/March 1995; their reply has not been received (September 1995).

(b) Under the provisions of the Bombay Sales Tax Act, 1959, where a dealer purchases any goods specified in Schedule 'B' or 'C' from a person or a Government who or which is not a registered dealer, then unless the goods so purchased are resold, there shall be levied a

purchase tax on the turnover of such purchases at the rate set out against each of such goods in the Schedules to the Act.

Further, where a dealer purchases any goods specified in Part I of Schedule 'C' directly or through a commission agent from a person or Government who or which is or is not a registered dealer, then unless the goods so purchased are resold by the dealer, there shall be levied in addition to the sales tax or purchase tax paid or payable, if any, a purchase tax at the rate of two per cent on the turnover of such purchases.

Besides, additional tax and interest are also leviable under the provisions of the Act.

In Bombay, a reseller of sulphur rock, roll and powder, purchased sulphur rock worth Rs.12 lakhs from unregistered persons during the period 1 April 1990 to 31 March 1991 and transferred the same to his agents outside the State, otherwise than by way of sale. However, purchase tax of Rs.48,018 though leviable was not levied in the assessment (March 1994). Further, on purchases of Rs.5.61 lakhs of Import licences (covered by entry C-I-36) and of Rs.4.84 lakhs of gunny bags (covered by entry C-I-25) though these were not resold, additional purchase tax at 2 per cent amounting to Rs.20,906 was not levied. These omissions resulted in non-levy of tax of Rs.77,195 including additional tax of Rs.8,271. Besides, interest at the prescribed rate was also leviable.

On this being pointed out (July 1994) in audit, the department re-assessed (January 1995) the dealer raising additional demand of Rs.1.33 lakhs (including interest of Rs.55,580). The dealer has paid an amount of Rs.66,000 and filed an appeal (April 1995) against the order of re-assessment. Report on further developments in appeal has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

(c) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, with effect from 1 September 1990, where a dealer purchases any goods specified in Part I of Schedule 'C' directly or through a commission agent, from a person or Government who or which is or is not a registered dealer, there shall be levied in addition to the sales tax or purchase tax, paid or payable, if any, a purchase tax at the rate of two paise in the rupee on the turnover of such purchases unless the goods so purchased are resold by the dealer. When the goods so purchased are used in manufacture of taxable goods for sale or are transferred within a period of six months to agents outside the State, the dealer is allowed full set-off of purchase tax so levied. Further, additional tax is leviable as per the provisions of the Act.

By a circular dated 3 May 1989, the Commissioner clarified that a manufacturer holding Recognition certificate is not entitled to purchase goods covered by Part I of Schedule 'C' by issue of declaration in Form N-15 as goods covered by Part II of Schedule 'C' only are permitted on declaration in Form N-15. The seller would be liable to pay sales tax at prescribed rate on such sales.

It was noticed in audit (between September 1994 and December 1994) that three manufacturers at Ahmednagar and Bombay purchased non-ferrous metal and oil cakes covered by Part I of Schedule 'C' during the period 1 September 1990 to 31 March 1991, purchase tax and consequential additional tax though leviable, was not levied in the assessments (February/March 1994) for the year 1 April 1990 and 31 March 1991. Further, in one of these cases, sales of Rs.10.17 lakhs were incorrectly allowed as exempt from tax on the basis of declaration in Form N-15 furnished by the purchasers. These omissions resulted in under-assessment of Rs.3.77 lakhs as detailed below :

District	Commodity purchased	Goods manufactured	Nature of irregularity	Under assessment including additional tax/ interest after adjusting set-off (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
Ahmed-nagar	Oil cakes	Non-edible oils, deoiled cakes	Purchase tax not levied on purchases of Rs. 1.34 crores.	1.34	Final reply has not been received (September 1995).
Bombay	Non-ferrous metal	Non-ferrous alloys	Purchase tax not levied on purchases of Rs. 6.53 crores and sales of Rs. 10.17 lakhs incorrectly allowed on Form N-15	2.04	The department raised (November 1994) additional demand of Rs. 2.04 lakhs. The dealer filed appeal against rectification order. Further details have not been received (September 1995).
Bombay	Non-ferrous metal	Valves and castings	Purchase tax not levied on purchases of Rs. 1.62 crores	0.39	Final reply has not been received (September 1995).
Total				3.77	

The above cases were reported to Government in March/June 1995; their reply has not been received (September 1995).

2.8 Incorrect grant of exemption

Under the provisions of the Bombay Sales Tax Act, 1959 and a notification issued in July 1980, sales by an industrial unit set up in the developing regions of the State of Maharashtra and duly certified as an eligible industrial unit by designated authority and to whom a certificate of entitlement has been granted by the Commissioner of Sales Tax are exempt from payment of tax. Such a manufacturer holding a certificate of entitlement may also purchase raw material without payment of tax by furnishing a declaration in the prescribed Form 'BC' declaring *inter-alia* that raw material, so purchased shall be used in his own industrial unit for manufacture of goods for sale. Failure to comply with the aforesaid condition entails levy of purchase tax. Such exemption is not permissible in respect of items not covered by entitlement certificate. Further, sale/purchase of machinery on 'BC' form is not permissible. Additional tax, turnover tax, interest and penalty are leviable as per the relevant provisions of the Act.

(a) In Pune, a manufacturer of T.Vs., V.C.Rs. and their stands was granted certificate of entitlement for manufacture of colour T.Vs. and V.C.Rs. only for the period from 1 October 1986 to 30 September 1990. In the assessment (October 1990) for the period from 1 April 1987 to 31 March 1988, the sales valued at Rs.5.66 lakhs of stands for T.Vs. and black and white T.Vs. not covered by entitlement certificate were erroneously allowed as exempt from tax. This resulted in non-levy of tax amounting to Rs.88,922 (including additional tax and turnover tax of Rs.8,868 and Rs.6,158 respectively). Further, the dealer purchased raw material valued at Rs.60.58 lakhs on the strength of declaration in Form 'BC'. Out of this, raw material estimated at Rs.3.93 lakhs was used in manufacture of goods not covered by certificate of entitlement on which purchase tax (including consequential additional tax) of Rs.66,052 was leviable, but was not levied. This resulted in under-assessment of Rs.1.54 lakhs. Besides, interest and penalty were also leviable.

On this being pointed out (May 1991) in audit, the department revised (November 1994) the assessment raising additional demand of Rs.1.97 lakhs (including interest and penalty of Rs.67,333 and Rs.18,000 respectively) after allowing set-off of Rs.43,248 admissible to the dealer. Report on recovery has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

(b) In Bombay, in assessing (October 1990) a manufacturer of plastic moulding machines, plastic goods, etc. for the period from 3 November 1986 to 22 October 1987, sales of machinery valued at Rs.3.00 lakhs were incorrectly allowed as exempted from tax on basis of declaration in Form BC furnished by the purchaser. This resulted in under-assessment of Rs.37,350. Besides, interest and penalty were also leviable.

On this being pointed out (February 1993) in audit, the department re-assessed (March 1994) the dealer raising an additional demand of Rs.74,350 (including penalty of Rs.37,000). Report on recovery has not been received (September 1995).

The matter was reported to Government in May 1995; their reply has not been received (September 1995).

(c) Under the Bombay Sales Tax Act, 1959 and the notification issued in July 1980 thereunder, the sales by a registered dealer to another registered dealer who is an industrial unit set up in the developing regions of the State and duly certified as an eligible industrial unit by designated authority to whom a certificate of entitlement has been granted by the Commissioner of Sales Tax, are exempt from payment of whole of tax leviable thereon, provided such sales are supported by declarations issued by the purchasing dealer, *inter-alia* declaring that the goods so purchased would be used in the manufacture of goods at the said unit for sale within the State or in the course of inter-State trade or commerce or export. The Act further provides with effect from 21 April 1987 that simple interest at the rate of 2 per cent per month or part thereof of the tax found due as per assessment is also leviable from first date after the end of the period for which assessment is done to the date of assessment.

While assessing an assessee in Nagpur engaged in the manufacture of printing ink for the periods from 1 April 1990 to 31 March 1991, the assessing officer allowed the sale of Rs.6.89 lakhs as sales to the eligible industrial unit and exempted from the payment of tax, even though the dealer had filed a statement and produced declaration forms to the extent of Rs.4.03 lakhs only. This resulted in excess allowance of exemption from payment of tax for the sales to the extent of Rs.2.86 lakhs which was not supported by declaration forms. When the short levy of tax of Rs.29,190 and interest not calculated for the period from 1 April 1990 onwards due to excess allowance of exemption was pointed out in audit (August 1994), the department re-assessed the dealer (September 1994) and raised a demand for Rs.53,711 including interest of Rs.24,520 from 1 April 1990 to September 1994.

Report on recovery has not been received (September 1995).

2.9 Incorrect determination of taxable turnover

Under the Bombay Sales Tax Act, 1959, the gross turnover of sales is determined either on the basis of sales shown in the returns or on the basis of further evidence which the Commissioner of Sales Tax may direct to be produced or cause to be produced, whichever is higher. Sales tax is leviable at the rates specified in the Schedule to the Act on the net taxable sales determined after deducting from the gross turnover the resales of goods purchased by the dealer from other registered dealer provided the goods are resold in the same form in which they were purchased. As such, goods purchased in the course of inter-State trade or commerce or from unregistered dealers and resold within the State are liable to tax.

Besides, additional tax, turnover tax, interest and penalty are also leviable under the provisions of the Act.

It was noticed in audit (between August 1991 and March 1994) that in assessing (between January 1991 and March 1993) 7 dealers at Bombay and Nagpur, taxable turnover of sales was determined short either due to escapement of turnover of sales or due to allowance of incorrect deductions. This resulted in under-assessment of Rs.14.14 lakhs as detailed below

District	Period of assessment	Nature of irregularity	Turnover escaping assessment	Under assessment of tax including additional tax, turnover tax, interest and penalty	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
			(In lakhs of rupees)		
Bombay	1 April 1989 to 31 March 1990	Deduction was incorrectly allowed on account of re-sales	11.57	2.54	The department raised (December 1994) additional demand of Rs. 2.54 lakhs. The department further stated (August 1995) that the dealer filed appeal.
Bombay	1 April 1989 to 31 March 1990	Taxable turnover was determined at Rs. 96.95 lakhs instead of Rs. 107.74 lakhs.	10.79	2.42	The department raised (December 1994 and March 1995) additional demand of Rs. 2.42 lakhs. Report on recovery has not been received (September 1995).
Bombay	1 July 1986 to 30 June 1987	Taxable sales incorrectly computed at Rs. 56.80 lakhs instead of Rs. 58.77 lakhs and penalty though leviable was not levied	1.97	1.79	The department raised (April 1995) additional demand of Rs. 1.79 lakhs. Report on recovery has not been received (September 1995).
Bombay	1 April 1989 to 31 March 1990	Sale of REP licence was not considered for assessment.	16.96	1.67	The department raised (March 1995) additional demand of Rs. 1.67 lakhs. Report on recovery has not been received (September 1995).
Bombay	1 April 1987 to 31 March 1989 and 1 April 1989 to 31 March 1990	Deduction was incorrectly allowed treating the sales as job work receipts.	1.75	0.51	The department raised (March 1995) additional demand of Rs. 50,585. Report on recovery has not been received (September 1995).

(1)	(2)	(3)	(4)	(5)	(6)
Nagpur	1 July 1987 to 30 June 1988 and 1 July 1988 to 31 March 1989	Expenses of Rs. 21.93 lakhs and Rs. 15.64 lakhs respectively were incorrectly allowed as deduction from taxable turnover	37.57	4.35	The department raised (December 1994) additional demand of Rs. 4.35 lakhs. Entire amount was deferred as the dealer was holding entitlement certificate.
Nagpur	1 April 1988 to 31 March 1989 and 1 April 1989 to 31 March 1990	Goods purchased from other State and sold within the State were allowed as resales	6.26	0.86	The department raised (June 1994) additional demand of Rs. 86,001. Report on recovery has not been received (September 1995).
Total				14.14	

These cases were reported to Government (between March 1995 and June 1995); their reply has not been received (September 1995).

2.10 Incorrect allowance of sales against declaration

(a) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, a dealer is entitled to deduction from turnover of sales, the sales of goods to a recognised dealer on his furnishing a declaration in Form N-15 that the goods purchased will be used by him within the State in manufacture of taxable goods for sale.

Similarly, a dealer is entitled to deduction from turnover of sales, the sales of any goods (being raw materials) to a registered dealer being an eligible industrial unit provided he furnishes to the selling dealer a declaration in Form 'BC' that the goods are required for use in the manufacture of goods by the said unit for sale within the State or in the course of inter-State trade or commerce.

Further, additional tax, turnover tax and interest are leviable as per provisions of the Act.

In Bombay, in the assessment (January 1991) of a manufacturer of electrical tube light, fixtures and fittings for the period from 1 April 1987 to 31 March 1988, the assessing authority allowed deduction on account of sales on declarations in Form N-15 and Form BC at Rs.9.84 lakhs and Rs.1.26 lakhs respectively. As the goods sold were prima facie not raw materials, no deduction was permissible.

The department was, therefore, requested to verify the correctness of the deduction allowed.

On this being pointed out (February 1993) in audit, the department revised (October 1994) the assessment by raising additional demand of Rs.1.93 lakhs (including additional tax, turnover tax and interest of Rs.13,320, Rs.13,875 and Rs.76,900 respectively). Report on recovery has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

(b) Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, an authorised dealer can purchase goods without payment of tax by furnishing

a declaration in Form N-14 to the selling dealer that the goods purchased will be resold in the course of inter-State trade or commerce or in the course of export out of the territory of India or used for packing of goods meant for resale within 9 months from the date of purchase. The selling dealer is not liable to pay tax on such sales.

Further, additional tax and interest are leviable as per provisions of the Act.

In Bombay, a reseller of electrical goods and computers not holding authority erroneously purchased goods worth Rs.13.34 lakhs during the period 1 April 1989 to 31 March 1990 by issuing declaration in Form N-14 whereby the selling dealer was exempted from payment of tax. This resulted in under-assessment of Rs.89,641. Besides, interest was also leviable.

On this being pointed out (October 1993), the department after cross verification re-assessed (April 1994) the selling dealer by raising additional demand of Rs.1.42 lakhs (including interest of Rs.52,403). Report on recovery has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

2.11 Short levy of tax due to incorrect assessment

Under the provisions of the Bombay Sales Tax Act, 1959 and the Rules made thereunder, a dealer shall furnish return complete in all respects periodically and pay tax on the basis of these returns. The tax payable by any dealer is assessed by the Commissioner separately for each year either on basis of returns filed by the dealer or on verification of books of accounts maintained by him. If any dealer fails to file returns or fails to produce books of accounts, the Commissioner is empowered to assess tax payable by that dealer to the best of his judgement. In case of transitional accounting year consisting of a duration longer than normal accounting year, the turnover of sales/purchases is proportionately increased. Further, simple interest at the rate of 2 per cent per month or part thereof of the tax found due on assessment is also leviable from the first date after the end of the period for which assessment relates till the date of order of assessment.

In Bombay, while assessing (March 1992) a dealer dealing in Refrigerators and Air Conditioners for the transitional accounting year 1 July 1987 to 31 March 1989, the assessing authority, in its best judgement assessment, determined the turnover of sales of the dealer at Rs.3.98 lakhs by adding 10 per cent to the turnover (Rs.3.62 lakhs) of the accounting year 1 July 1986 to 30 June 1987. However, as the assessment under best judgement consisted of a period of 21 months instead of 12 months as covered by the assessment for earlier accounting year, the turnover was required to be determined proportionately at Rs.6.97 lakhs.

On this being pointed out (January 1994) in audit, the department revised (December 1994) the assessment raising additional demand of Rs.70,514 (including interest of Rs.48,804). Report on recovery has not been received (September 1995).

The matter was reported to Government in March 1995; their reply has not been received (September 1995).

2.12 Incorrect allowance of sales in transit from one State to another

Under the provisions of the Central Sales Tax Act, 1956, when a sale of goods in the course of inter-State trade or commerce is made by transfer of documents of title to such goods, during their movement from one State to another, subsequent sales to registered dealers made while the goods are in movement, are exempt from tax provided the dealer effecting subsequent sale produces a certificate in Form E I/E II issued by the dealer from whom the goods are purchased and also a certificate in Form C obtained from the dealer to whom the goods are sold.

Further, simple interest at 2 per cent of the tax found due on assessment is leviable for each month or part thereof from the first day after the end of the period for which assessment is done till the date of assessment.

For failure to disclose in the returns the appropriate tax liability, penalty not exceeding the amount of tax (a sum not exceeding one-and-half times of tax upto 20 April 1987) is also leviable.

(a) In Bombay, while assessing (March 1991) a dealer in machinery parts for the period from 1 April 1987 to 31 March 1988, sales of Rs.6.44 lakhs were allowed as exempt from tax being sales made by transfer of documents of title to goods during their movement from one State to another on the basis of certificate in Form E I produced by the dealer. However, 'C' Forms in support of subsequent sales to registered dealers were not produced. In absence of 'C' Forms, the sales were taxable at 10 per cent under the Act. This resulted in under-assessment of Rs.1.11 lakhs (including interest of Rs.46,380).

On this being pointed out (November 1992) in audit, the department revised the assessment (February 1995) and raised additional demand of Rs.1.11 lakhs. Report on recovery has not been received (September 1995).

The matter was reported to Government in May 1995; their reply has not been received (September 1995).

(b) While assessing (April 1989) a dealer in chemicals at Bombay for the period from 1 April 1986 to 31 March 1987, sales of Rs.1.29 crores were allowed as exempt from tax being sales made by transfer of documents of title to goods during their movement from one State to another on the basis of certificates in Forms E I and C produced by the dealer. However, it was noticed in audit (November 1990) that out of the above sales, goods worth Rs.14.39 lakhs were sold in part consignment to different customers. As single document could not be transferred to more than one party for sale by transfer of documents of title to goods, the department was requested to verify the correctness of the transactions.

On this being pointed out (November 1990) in audit, the department stated (July 1994) that on re-verification it was noticed that entire sales of Rs.1.29 crores were wrongly allowed as exempted. The department accordingly revised (April 1994) the assessment and raised additional demand of Rs.7.71 lakhs including penalty of Rs.2.75 lakhs. Report on recovery has not been received (September 1995).

The matter was reported to Government in February 1995; their reply has not been received (September 1995).

2.13 Incorrect allowance of sales in the course of import

Under the provisions of the Central Sales Tax Act, 1956, a sale or purchase of goods shall be deemed to take place in the course of import of the goods into the territory of India only if, the sale or purchase has either occasioned such import or is effected by transfer of document of title to the goods before the goods have crossed the customs frontiers of India and will be exempt from levy of tax.

Under the provisions of the Bombay Sales Tax Act, 1959, tax leviable on any commodity is determined with reference to the relevant entry in the Schedule to the Act. Besides, additional tax, turnover tax and penalty are also leviable.

In Bombay, while assessing (May 1989) a manufacturer of water filter for the period from 1 July 1986 to 30 June 1987, sales of Rs.34.05 lakhs were allowed in the course of import by transfer of documents of title to goods. However, it was noticed in audit (January 1991) that the goods were sold to four parties. As the appropriation of goods to the individual buyers could not have been completed without taking delivery of the goods, the department was requested to verify the correctness of the transactions allowed.

On this being pointed out (January 1991), the department on re-verification noticed that entire sales of Rs.34.05 lakhs were effected by the dealer after assessment of customs duty thereon and hence were not allowable as sales in the course of import, but were taxable under the local Act. The department accordingly revised (May 1994) the order and raised additional demand of Rs.8.69 lakhs (including additional tax, turnover tax and penalty of Rs.32,683, Rs.42,556 and Rs.5,21,480 respectively). The department further stated (July 1995) that the dealer preferred appeal against the revision order. Report on developments in appeal has not been received (September 1995).

The matter was reported to Government in February 1995; their reply has not been received (September 1995).

2.14 Non-levy/short levy of interest/penalty

Under the Bombay Sales Tax Act, 1959, if any tax payable is found due from a dealer or a person in respect of any period as a result of an order of assessment or re-assessment passed under the Act, such a dealer or person is liable to pay simple interest at the rate of two per cent of such tax for each month or part thereof from the first date after the end of the period for which the dealer or person has been so assessed till the date of such order of assessment. The provision is also applicable to the assessments under Central Sales Tax Act, 1956.

Further, if a dealer or a person does not pay the tax within the time he is required to under the provisions of the Act, he shall be liable to pay by way of simple interest, in addition to the amount of such tax, at the rate of two per cent of the amount of tax, for each month or for part thereof after the last date by which he should have paid tax.

For failure to disclose in the return, the appropriate liability to pay for the proper and correct quantification of the tax liability, penalty equal to a sum not exceeding the amount of tax (a sum not exceeding one-and-a-half times of tax upto 20 April 1987) found due and payable is also leviable.

It was noticed in audit (between May 1991 and May 1994) that while assessing (between August 1990 and January 1994) 4 dealers in Bombay, Kalyan and Thane, though the assessments resulted in additional dues and also the payments of taxes as per returns were delayed, the interest and penalty amounting to Rs.7.47 lakhs were not levied in the assessments as detailed below :

District in which assessed	Period for which assessment done	Non-levy/short levy of interest/ penalty (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)
Bombay	1 July 1986 to 30 June 1987	1.21	The department raised (February 1993) additional demand of Rs.1.21 lakhs (including penalty of Rs.30,000). Report on recovery has not been received (September 1995).
Bombay	1 April 1989 to 31 March 1990	0.37	The department raised (February 1995) additional demand of Rs.36,630. Report on recovery has not been received (September 1995).
Kalyan	1 April 1989 to 31 March 1990 and 1 April 1990 to 31 March 1991	5.36	The department raised (July 1994 and September 1994) demand of Rs.4.07 lakhs. Reason for short levy of interest of Rs.1.29 lakhs and report on recovery has not been received (September 1995).

(1)	(2)	(3)	(4)
Thane	1 April 1989 to 31 March 1990 (Under C.S.T. Act)	0.53	The department raised (September 1994) demand of Rs.53,319. Report on recovery has not been received (September 1995).
	Total	7.47	

The above cases were reported to Government between May 1995 and June 1995; their reply has not been received (September 1995).

2.15 Non-levy of sales tax on transfer of right to use any goods for any purpose

Under the provisions of the Maharashtra Sales Tax on Transfer of Right to Use Any Goods for Any Purpose Act, 1985 and the Rules made thereunder, there shall be levied a tax on the turnover of sales in respect of the transfer of the right to use goods specified in the Schedule, at such rate not exceeding fifteen per cent as the State Government may by notification in the official gazette specify from time to time and different rates may be specified for different goods specified in the Schedule. By notification dated 19 September 1986, Government specified the rate of tax at four per cent on transfer of right to use television sets, video cassette recorders, video cassette players and projectors.

The Act also provides that every dealer whose turnover of sales during any year, commencing from 1 April of that year, exceeds Rs.50,000 shall be liable to pay tax until such liability ceases and every dealer liable to pay tax shall apply for a registration certificate under the Act.

All the provisions relating to interest, offences and penalties of the Bombay Sales Tax Act shall, mutatis mutandis, apply in relation to assessment, re-assessment of the tax.

In Bombay, a manufacturer of video game machines received hire charges of Rs.4.97 lakhs during the period from 1 April 1987 to 31 March 1988. These were allowed as deduction in the assessment (November 1990) under the Bombay Sales Tax Act, 1959. As the dealer was not registered under the Maharashtra Sales Tax on Transfer of Right to Use Any Goods for Any Purposes Act, 1985, revenue amounting to Rs.49,519 (including interest and penalty of Rs.29,634) was not realised by Government. No action was taken by the department to assess the dealer as unregistered dealer and bring him in the net of taxation.

On this being pointed out (August 1992) in audit, the department assessed (March 1994) the dealer by raising demand of Rs.49,519. Report on recovery has not been received (September 1995).

The matter was reported to Government in June 1995; their reply has not been received (September 1995).

2.16 Non-levy of entry tax

Under the provisions of the Maharashtra Tax on Entry of Motor Vehicles into Local Area Act, 1987 and the Rules made thereunder, if any vehicle is brought into the State of Maharashtra from any other State, within a period of fifteen months from the date of their registration in other State, the owner of such vehicle is liable to pay an "Entry Tax" at the specified rate. For failure to comply with the aforesaid provisions, the owner of the vehicle is liable to pay penalty in addition to tax at the rate of one and half per cent of the amount of tax per month for the first three months and at the rate of two per cent per month thereafter.

In Nagpur, two motor vehicles brought from other States within 15 months from the date of their registration in those States, were not assessed to entry tax by the Assessing Authority resulting in non-levy of entry tax and penalty amounting to Rs.1.83 lakhs.

On this being pointed out (December 1992) in audit, the department stated (July 1994) that the liability of entry tax and penalty thereon was assessed in April 1994 resulting in demand of Rs.1.83 lakhs. Report on recovery has not been received (September 1995).

The matter was reported to Government (February 1993); their reply has not been received (September 1995).

CHAPTER 3 STATE EXCISE

3.1 Results of audit

Test check of records relating to State Excise conducted during the year 1994-95 revealed short levy of excise duty, licence fee etc. amounting to Rs.270.68 lakhs in 464 cases, which broadly fall under the following categories :

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Non-levy/short levy of excise duty	28	3.12
2.	Short recovery of licence fee and privilege fee	161	52.95
3.	Non-recovery/short recovery of supervision charges	123	6.55
4.	Other irregularities	152	208.06
	Total	464	270.68

During the course of the year 1994-95, the department accepted under-assessment etc. in 119 cases involving Rs.8.60 lakhs of which 77 cases involving Rs.6.67 lakhs had been pointed out in audit during 1994-95 and the rest in earlier years and recovered Rs.29.07 lakhs. A few illustrative cases noticed during 1994-95 and in earlier years involving Rs.33.15 lakhs are given in the following paragraphs.

3.2 Short recovery of licence-fee

The Government of Maharashtra, Home Department vide their notification dated 16 March 1993 revised the licence fee for the year 1993-94 for various licences issued under the Act such as licence in the Form Foreign Liquor I, II, III, Country Liquor I, II, III, Potable Liquor and Form E (Beer Bar). The Government while granting stay (March 1993) for recovery of licence fee at revised rate, directed to recover licence fee at old rate, in respect of licensees applying for renewal in all forms mentioned above except Country Liquor I and Potable Liquor licences. The stay was vacated with effect from 8 February 1994 whereby licence fee at revised rates became recoverable. The Commissioner of State Excise clarified (February 1994) that the difference in licence fee payable and licence fee paid should be recovered in instalments before 31 December 1994 from licensees applying for renewal of licences for the year 1994-95 and before 31 March 1994 in respect of licences surrendered/not renewed.

It was noticed during audit (between May 1994 and March 1995) that in respect of 108 licences granted for the year 1993-94, licence fee amounting to Rs.32.08 lakhs was either not recovered at revised rates or was recovered short as detailed in Appendix IV.

These cases were reported to Government (between March 1995 and June 1995); their reply has not been received (September 1995).

3.3 Non-recovery of toddy instalments

Under the provisions of the Maharashtra Toddy Shops (Grant of licence by Auction or Tender) Order, 1968, licence for the sale of toddy in shops for the period from 1 September of a year to 31 August of following year is issued to the highest bidder or tenderer and every successful bidder or tenderer is required to pay on the spot or on the next working day, one fourth of the amount of the bid and the balance amount in six equal monthly instalments at the time prescribed in the order. The bidder has also to pay to Government a security deposit equal to one monthly instalment in advance before the commencement of the year for which the bid has been accepted. The amount of security deposit, thus paid is adjusted towards the payment of the last monthly instalment unless it is forfeited for the breach of the terms and conditions of the licence. If any monthly instalment is not paid on or before the last day of the month in which it is payable, the Collector may re-auction the shop at the risk and cost of the defaulting bidder or tenderer. Interest at 18.5 per cent per annum is chargeable on the instalments paid late.

In Thane, 15 licensees did not pay instalments amounting to Rs.1.07 lakhs during the toddy year 1993-94. However, no action was taken by the department to recover the instalments alongwith interest thereon.

On this being pointed out (October 1994) in audit, the department recovered an amount of Rs.14,400 in one case. Report on recovery of the balance amount and interest has not been received (September 1995).

The matter was reported to Government in February 1995; their reply has not been received (September 1995).

CHAPTER 4

LAND REVENUE

4.1 Results of audit

Test check of the records of land revenue conducted during the year 1994-95 revealed under-assessment/short levy/loss of revenue amounting to Rs.699.23 lakhs in 308 cases which broadly fall under the following categories :

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Non-levy/short levy of NAA/ Conversion Tax/incorrect revision	250	594.94
2.	Non-levy/short levy/incorrect levy of increase of land revenue	36	96.91
3.	Non-levy/short levy of education cess etc.	3	0.04
4.	Non-levy/short levy of occupancy price/rent/ interest etc.	5	2.11
5.	Short levy of measurement/compensation/application/ transfer fees etc.	14	5.23
Total		308	699.23

During the course of the year 1994-95, the concerned departments accepted under-assessment of Rs.187.49 lakhs involved in 366 cases of which 83 cases involving Rs.21.74 lakhs had been pointed out in audit during 1994-95 and the rest in earlier years. An amount of Rs.32.54 lakhs was recovered at the instance of audit during the year 1994-95.

A few illustrative cases noticed during 1994-95 and earlier years involving Rs.45.83 lakhs highlighting important audit observations are mentioned in the following paragraphs.

4.2 Non-levy/short levy of non-agricultural assessment, increase of land revenue and conversion tax

Under the Maharashtra Land Revenue Code, 1966, land revenue is assessed with reference to the purpose for which the land is used such as agricultural, residential, industrial or commercial. Further, under the Maharashtra Increase of Land Revenue and Special Assessment Act, 1974, as amended with effect from 1 August 1975, a tax called "Increase of Land Revenue" (I.L.R.) is payable at 50 per cent of land revenue by persons holding land of 8 hectares and above but less than 12 hectares and at 100 per cent by persons holding land of 12 hectares and above. The term "holdings" include agricultural as well as non-agricultural lands. Further, penalty not more than forty times of non-agricultural assessment of land is also leviable with reference to unauthorised use of land.

Further, Maharashtra Land Revenue Code (Amendment) Act, 1979, effective from 31 March 1979, provides for levy of conversion tax at thrice the amount of Non-agricultural Assessment (N.A.A.) on all lands situated in the areas of municipal corporation and municipal councils (A and B classes only) including the peripheral limits thereof, when permission for non-agricultural use or change of use of land is granted or unauthorised non-agricultural use is regularised on or after 31 March 1979.

In Aurangabad (Aurangabad District) and Kalyan (Thane District) land measuring 2,98,778 square metres situated within the municipal corporation/municipal council limits was put to non-agricultural use but the N.A.A., I.L.R. and conversion tax were not levied. This resulted in non-realisation of revenue amounting to Rs.22.57 lakhs (including I.L.R. amounting to Rs.5.29 lakhs and conversion tax amounting to Rs.4.42 lakhs) in 4 cases shown below :

Name of Tahsil	Area of land in Sq. Mtrs.	Purpose	Period	N.A.A.	I.L.R.	Conversion tax	Total non-levy
(In lakhs of rupees)							
Aurangabad	1,04,600	Commercial	1984-85 to 1993-94	5.86	2.93	1.75	10.54
Aurangabad	76,800	Industrial	1986-87 to 1993-94	3.81	—	1.43	5.24
Aurangabad	36,000	Commercial	1986-87 to 1993-94	2.36	2.36	0.89	5.61
Kalyan	81,378	Residential	1987-88 to 1993-94	0.83	—	0.35	1.18
Total	2,98,778			12.86	5.29	4.42	22.57

On this being pointed out (December 1993 and February 1994), the department accepted the audit observations and in 2 cases submitted a proposal to Collector (May 1995) for approval of issue of demand. Further progress of raising the demand and recovery thereof in all 4 cases has not been received (September 1995).

The cases were reported to Government (February and April 1994); their reply has not been received (September 1995).

4.3 Computation mistake in calculation of non-agricultural assessments

Agricultural lands when acquired under the Land Acquisition Act, 1984 and made over to various bodies under the Government for non-agricultural use are assessable at the rates applicable to non-agricultural use from the date of commencement of non-agricultural use or completion of six months from the date on which the possession is handed over to these bodies whichever is earlier and are liable for levy of non-agricultural assessment under Maharashtra Land Revenue Code, 1966. Further, under the Maharashtra Increase of Land Revenue and Special Assessment Act, 1974 (as amended on 1 August 1975), a cess called as "Increased Land Revenue" is also payable at 50 per cent on all holdings of 8 hectares and above but less than 12 hectares and at 100 per cent on holdings of 12 hectares and above. In Borivali Tahsil (Bombay Suburban District), the Government, after acquiring two pieces of 1,54,082.40 square metres of land at Goregoan village within the limits of Bombay Municipal Corporation handed over the possession of land to an autonomous body in May 1973 and July 1974. However, the land was not assessed to non-agricultural assessment for the period from 1973-74 to 1986-87 although the assessment was done in October 1987 for the period from 1987-88.

On this being pointed out (April 1994) in audit, the department assessed the non-agricultural assessment from the date after completion of six months of possession till 1986-87 and issued demand notice for Rs.18.86 lakhs (June 1994). Further demand of Rs.2.43 lakhs on account of calculation error in assessment of rates applicable from 1 August 1979 has not been raised.

The details of recovery are still awaited (September 1995).

The matter was reported to Government (June 1995); their reply has not been received (September 1995).

4.4 Short levy of conversion tax

Under the Maharashtra Land Revenue (Amendment) Act, 1979, effective from 31 March 1979, a conversion tax, equal to three times the amount of non-agricultural assessment is leviable on all land situated in the areas of municipal corporation and municipal councils (A and B classes only) when permission for non-agricultural use or change of use of land is granted and authorised non-agricultural use is regularised by the revenue authorities (on or after 31 March 1979).

In Andheri Tahsil (District Bombay BSD), the additional deputy collector granted permission in his order (July 1986) for industrial use of land measuring 30,860 square metres situated within municipal corporation limit of Bombay. The conversion tax was erroneously levied at Rs.22,126.20 for 5017 square metres instead of Rs.1.35 lakhs for 30,860 square metres. This resulted in short levy of conversion tax amounting to Rs.1.13 lakhs.

On this being pointed out (April 1994) in audit, the department issued the demand notices (April 1995). Progress of recovery has not been received (September 1995).

The case was reported to Government (May 1994); their reply has not been received (September 1995).

4.5 Non-recovery of land revenue due to mistake in making entries in basic records

Registers of non-agricultural lands in Taluka Form II and in Village Form II are basic records and entries made therein form the basis for assessing land revenue for raising demand for non-agricultural assessment. Failure to make the entries in the forms could result in non-recovery of non-agricultural assessment with consequent recurring loss.

In Paithan Tahsil (Aurangabad District) in 4 cases, land measuring 20,250 square metres situated outside the municipal limits and land measuring 1,22,878 square metres within municipal limit was used for commercial and residential purposes respectively and was assessed (between January 1988 to December 1990). The orders of the assessing authorities conveying the permissions were noted in the Taluka Form II but remained unentered in the Village Form II. This has resulted in non-raising of demand of non-agricultural assessment of Rs.83,536 (including Zilla Parishad and Village Panchayat cess of Rs.4,455) for the period from 1988-89 to 1992-93.

On this being pointed out (May 1993) in audit, the department raised a demand for Rs.83,536 and recovered an amount of Rs.32,188. Balance recovery has not been made (September 1995).

The case was reported to Government (July 1993); their reply has not been received so far (September 1995).

CHAPTER 5

TAXES ON MOTOR VEHICLES

5.1 Results of audit

Test check of records relating to assessment and collection of Motor Vehicles Tax, Further Tax and Passengers Tax conducted in audit during the year 1994-95 revealed short levy of taxes amounting to Rs.40.78 lakhs in 572 cases, which broadly fall under the following categories :

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Non-levy or short levy of motor vehicles tax, further tax and passengers tax	556	40.29
2.	Other irregularities	16	0.49
	Total	572	40.78

During the course of the year 1994-95, the department accepted under-assessment etc. in 256 cases involving Rs.15.76 lakhs of which 18 cases involving Rs.0.63 lakh had been pointed out during 1994-95 and the rest in earlier years and recovered Rs.5.11 lakhs. A few illustrative cases noticed during 1994-95 and in earlier years and a review on 'Internal Controls in Motor Vehicles Department' involving Rs.205.23 lakhs are given in the following paragraphs.

5.2 Internal Controls in Motor Vehicles Department

5.2.1 Introduction :

Internal Controls are intended to provide reasonable assurance for prompt and efficient service and adequate safeguards against evasion of taxes and fees. They are meant to promote enforcement of compliance with laws, rules and departmental instructions and help in prevention and detection of frauds and other irregularities. They also help in creation of reliable financial and management information system. It is, therefore, the responsibility of the department to ensure that a proper internal control mechanism is instituted, reviewed and updated to keep it effective.

The department has prescribed various registers and returns for the functions being carried out which are required to be reviewed periodically to ensure effective internal control. Flying Squads have been set up for effective on-road enforcement and detection of erring/defaulting vehicles. A Planning, Monitoring and Review (PMR) system has been established. An Inspection and Taxation Wing headed by the Deputy Commissioner of Transport exists for inspection of various branches. Besides, there is Internal Audit Section in Transport Commissioner's office and in each of regional office.

Motor Vehicles Taxes are levied and collected in the State under the provisions of Bombay Motor Vehicles Tax Act, 1958 and Rules made thereunder. Passenger tax is levied and collected in the State under the provisions of Bombay Motor Vehicles Act, 1958. Further tax was also levied on the basis of carrying capacity of goods vehicles upto August 1991. Besides, licence

fees, Registration fees, Fitness Certificate fees, Permit fees and Appeal fees are levied under the provisions of Motor Vehicles Act, 1988 and Rules made by the Central Government and State Government thereunder.

5.2.2 *Organisational Set-up :*

The Motor Vehicles Department headed by the Transport Commissioner, Maharashtra State, Bombay is assisted by a Joint Commissioner and seven Deputy Commissioners of Transport. A separate accounts department headed by the Chief Accounts and Finance Officer is also functioning. For the administration and enforcement of the provisions of the Acts, the State is divided into ten regions under the charge of the Regional Transport Officers. For convenience of the public and the tax payers, twelve sub-offices under the charge of the Deputy Regional Transport Officers and thirteen sub-offices under the charge of the Assistant Regional Transport Officers are also functioning. Besides, there are sixteen border check posts. The Commissioner is responsible for implementation of the policy of the Government and for guiding all his sub-ordinate officers in the State.

5.2.3 *Scope of audit :*

A review on the working of internal controls in the Motor Vehicles Department was conducted between November 1994 and May 1995 with a view to examining their effectiveness and adequacy. For this purpose, records relating to the office of the Transport Commissioner, eight Regional Transport offices, six Deputy Regional Transport offices, two Assistant Regional Transport offices and four Border check posts for the years 1991-92 to 1993-94 were test checked.

5.2.4 *Highlights :*

(i) Absence of full information and failure to review the control register led to non-registration of the vehicles brought into the State from other States and used in the State for periods exceeding twelve months and resulted in non-recovery of the Bombay Motor Vehicles Tax to the extent of Rs.13.20 lakhs.

(Para 5.2.6)

(ii) No control mechanism is in place to ensure that all transport vehicles were periodically inspected and renewal inspection fee recovered. Non-recovery of renewal inspection fee for the years 1991-92 to 1993-94 amounted to Rs.168.08 lakhs.

(Para 5.2.7)

(iii) Due to failure to obtain necessary quarterly return in respect of National Permits issued by other States and non-maintenance of records of such vehicles which had opted for operation in Maharashtra, the department was not in a position to confirm full collection of composite fee.

(Para 5.2.8)

(iv) Of the 1,15,277 cases involving tax amounting to Rs.13.05 crores recoverable as arrears of land revenue, the department had referred only 15,832 cases (13.7 per cent) involving tax effect of Rs.3.94 crores to the respective Collectors. Action for recovery in respect of the remaining 99,445 cases involving Rs.9.11 crores was not initiated under the Revenue Recovery Act, even though these cases related to the period prior to 1978-79 to 1988-89.

(Para 5.2.9(i))

(v) There was short levy of Bombay Motor Vehicles Tax to the extent of Rs.4.71 lakhs due to incorrect application of rate of tax at 2/3rd instead of at full rate in respect

of the vehicles owned by the Pune Municipal Transport. This had occurred despite the certification by the internal audit wing in the Transport Commissioner's office before making the final assessment.

(Para 5.2.9 (ii))

(vi) Failure to review Cash Balance Review Registers and Tax Demand Registers resulted in non-raising of demand for Rs.13.92 lakhs involved in 313 cases.

(Para 5.2.9(iii))

(vii) Reconciliation of receipts was not carried out by the Regional Transport Office, Pune since 1991-92.

(Para 5.2.10 (i)(b))

5.2.5 Analysis of revenue :

The Budget estimates, revenue realised and percentage of increase/shortfall for the years 1991-92 to 1993-94 are as under :

Year	Budget estimates	Actuals (In crores of rupees)	Variation	Percentage
1991-92	438.71	432.32	(-) 6.39	(-) 1.45
1992-93	451.56	444.55	(-) 7.01	(-) 1.57
1993-94	532.35	522.13	(-) 11.22	(-) 2.10
1994-95	556.44	623.63	(+) 67.19	(+) 12.07

5.2.6 Non-registration of vehicles brought into the State :of Maharashtra from other States

Under the provisions of the Motor Vehicles Act, 1988, when a motor vehicle registered in one State is kept in another State for a period exceeding twelve months, the vehicle is required to be re-registered by the registering authority within whose jurisdiction the vehicle is kept and assigned a new registration mark. A record/register showing the date on which the motor vehicle was brought into the State with the name of the registering authority, the owner's name and address in Maharashtra at which the vehicle is intended to be kept, all particulars of the vehicle, no objection certificate issued by the transport authority concerned and the new registration number assigned, if any, to the vehicle, the date on which the no objection certificate was issued for migration of the vehicle was required to be maintained. The purpose of the register was to ensure that all vehicles which were kept within the State for more than one year would come up for review and assigned a new registration mark. The department had, however, not undertaken any periodical review as a result of which vehicles remained to be re-registered even though they had been kept within the State for more than one year.

Though a register relating to motor vehicles brought into the State was maintained, all the necessary information such as its Registered Laden Weight, seating capacity, tax class, rate of tax, the date of NOC issued by the registering authority in Maharashtra if the vehicle after registration had gone back etc. was not recorded therein. In the absence of complete details, no effective monitoring and control was possible.

A test check of the registers maintained in Regional Transport Offices at Bombay (West), Nashik, Pune and Thane revealed that 251 vehicles which had arrived in the State of Maharashtra with No Objection Certificate from the concerned registering authority and had stayed for more than a year in the State had not been registered in Maharashtra resulting in non-recovery of registration fee of Rs.35,900 and non-recovery of Bombay Motor Vehicles Tax of Rs.13.20 lakhs in respect of 66 vehicles. In remaining 185 cases, quantum of non-recovery of the Bombay Motor Vehicles tax payable could not be assessed as information regarding the

tax-class of the vehicle on which the rate of Bombay Motor Vehicles tax is based could not be worked out.

The department accepted the omission and stated (September 1995) that in 72 cases, Bombay Motor Vehicles Tax amounting to Rs.4.44 lakhs was recovered. In remaining 179 cases, further report has not been received (September 1995).

5.2.7 *Non-inspection of transport vehicles :*

Under the provisions of the Motor Vehicles Act, 1988 and the Rules made thereunder, a transport vehicle shall not be deemed to be validly registered, unless it carries a certificate of fitness. A fitness certificate granted under the Act in respect of newly registered transport vehicles is valid for two years and is required to be renewed every year thereafter on payment of fee of Rs.50 in respect of Light Motor Vehicles (LMV), Rs.100 in respect of Medium Motor Vehicles (MMV) and Rs.150 in respect of Heavy Goods/Motor Vehicles (HGV/HMV). Departmental instructions provide that every month the number of vehicles due for inspection are to be worked out and notice issued.

A test check of relevant registers showing details of vehicles inspected for fitness in seven Regional Transport Offices at Aurangabad, Bombay (Central), Bombay (West), Nashik, Nagpur, Pune and Thane revealed that the total number of transport vehicles actually inspected was far short of the number of vehicles which were required to be inspected as shown below :

	1991-92	1992-93	1993-94
(a) Number of vehicles due for inspection	1,68,120	2,37,569	2,65,459
(b) Number of vehicles actually inspected	75,944	1,19,285	1,39,733
(c) Number of vehicles remained to be inspected	92,176	1,18,284	1,25,726
Percentage of shortfall	54.82	49.78	47.36

Non-inspection of the vehicles had not only resulted in the vehicles plying without valid fitness certificates but also non-recovery of Rs.168.08 lakhs on account of inspection fee (Rs.46.08 lakhs in 1991-92, Rs.59.14 lakhs in 1992-93 and Rs.62.86 lakhs in 1993-94) calculated at the minimum rate of Rs.50. The increasing trend in the number of vehicles due for inspection indicated that no effective steps had been taken by the department to ensure inspection of all vehicles and recover inspection fee therefor. Besides, plying of such vehicles whose road worthiness has not been certified is hazardous to the life and property of other innocent road users.

On being pointed out (June 1995), the Government stated (September 1995) that the total number of vehicles shown as not inspected may not be quite accurate due to inclusion of such vehicles which may not be in existence but continue to be on records as their registration is not yet cancelled, vehicles belonging to fleet owners which are inspected in their premises and the vehicles under non-use etc. and that excluding these vehicles, only a small portion of vehicles remain to be inspected

The department's reply is not acceptable as the total number of vehicles due for inspection is worked out from the live number of vehicles furnished by the department and number of inspected vehicles in respect of fleet owners was furnished by the department itself and also includes vehicles inspected at the premises of fleet owners.

5.2.8 *Issue of Permits :*

National Permit Scheme.—Under provisions of the Motor Vehicles Act, 1939 replaced by the Motor Vehicles Act, 1988, the National Permit Scheme (NPS) was introduced in 1975.

Under the scheme, the States and the Union Territories are authorised to grant permits to the owners of the public carriers for the carriage of goods throughout the country or in such contiguous States not less than four in number including the home State.

For the issue of a National Permit, the intending operators are required to pay in the home State the prescribed authorisation fee. The permit holder is required to pay the motor vehicles tax in the home State and composite fee to the States in which permission for operation is granted. The composite fee payable to other States is required to be paid in advance to home State by crossed Bank drafts on or before 15th March and 15th September every year and are to be sent by the home State to the concerned States. A quarterly return in respect of motor vehicles covered by National Permits indicating name and complete address of the permit holder, Registration mark of the motor vehicle, National Permit Number, summary of trips made during the quarter, distance covered, total distance of operation, etc. is required to be furnished to the Permit Issuing Authority by the permit holder and the permit issuing authority, in turn, shall forward copies thereof to the Transport Authorities of the other State concerned. As the composite fee is paid in two instalments, the information furnished in the quarterly return is necessary to ascertain whether the required instalment has been paid or not.

A test check of the records relating to National Permits in the office of Transport Commissioner revealed the following :

The prescribed quarterly returns indicating required information were not received from other States. The department also did not call for these returns from other States.

Further, records such as Cash Balance Review Registers showing the vehicle-wise details of recovery of composite fee were not maintained in Transport Commissioner's office.

Failure to obtain necessary quarterly return issued by other States and non-maintenance of records of such vehicles which had opted for operation in Maharashtra resulted in the department remaining oblivious about the correct collection of composite fee.

5.2.9 *Assessment and collection of tax :*

The Bombay Motor Vehicles Tax Act, 1958 and the Rules made thereunder, provide for levy and collection of motor vehicles tax at prescribed rates on all vehicles used or kept for use in the State. The tax is recoverable in advance. The tax payers are permitted to remit the tax either in cash, demand draft, cheque, money order or by challan.

The cash balance review registers are required to be maintained to record the receipt of tax in respect of each vehicle. If the tax is not received within the prescribed time limit, the case is noted in the Tax Demand Register and demand notice is issued to the defaulting tax payer. When efforts to recover tax fail, the case is referred for the recovery of tax as arrears of land revenue. The Revenue Recovery Certificate action includes the attachment of the property of the owner and auctioning it. Government in their Resolution dated 17 January 1991 directed that the Transport Commissioner will furnish the necessary information in respect of the Regional Transport Officers/Deputy Regional Transport Officers to the respective Collectors who in turn will delegate the powers under Revenue Recovery Act, witherto available with the Collectors/Tahsildars, to the Regional Transport Officers/ Deputy Regional Transport Officers. Test check in audit revealed the following :

(i) *Recovery of tax as arrears of land revenue :* (a) During test check of quarterly reports regarding cases to be referred to the revenue authorities for recovery of tax as arrears of land revenue in the Regional Transport Offices at Amaravati, Aurangabad, Bombay (West), Pune and Thane, it was noticed that in respect of 1,15,277 cases relating to the period 1978-79 to 1988-89, taxes to the extent of Rs.13.05 crores were recoverable as arrears of land revenue.

However, only 15,832 cases (13.7 per cent of total cases) involving taxes of Rs.3.94 crores were forwarded to land revenue authorities for recovery against which in 719 cases an amount of Rs.49.33 lakhs (viz. 0.65 per cent of total cases) was recovered (May 1995). Remaining 99,445 cases involving Rs.9.11 crores were not referred for recovery under Revenue Recovery Act.

It has been further observed that the re-delegation of powers ordered under the Revenue Recovery Act as envisaged in Government Resolution dated January 1991 has not been processed by the Transport Department in respect of 23 out of 35 cases so far. As a result of which the arrears keep on mounting. This indicates lack of effective monitory control towards the outstanding arrears.

(b) As per the instructions contained in the Manual of the Motor Vehicles Department, vehicles are registered after verification of address of vehicle owner from ration card, electricity bill or house rent receipts. In case of change of residence, the owner/operator is required to intimate his new address within 30 days of the change failing which penal action can be taken against such operators.

During the test check of records in Regional Transport Officer, Aurangabad, Bombay (West) and Pune, it was noticed that in respect of 389 vehicles, the changes in addresses were not communicated by the vehicle owners/operators and as such it became impossible for department to recover the arrears. The department had to write off arrears of Rs.115.95 lakhs pertaining to the year 1991-92 to 1993-94 in the absence of the changed addresses of 3800 vehicle owners.

(ii) *Short levy of tax*: By a notification dated 31st August 1991 issued by the Government, the rates of tax payable were revised with effect from 1st September 1991. Tax in respect of vehicles plying within the limits of municipal corporation is payable at 2/3rd of the tax rate if such corporation also levies a tax on motor vehicles. Further, fleet owners are allowed to make provisional payment of tax and the final assessment of tax is made in the office of the Transport Commissioner at the end of the year, after certification by the Internal Audit.

A test check of the assessment records relating to April 1988 to March 1993 of the Pune Municipal Transport carried out in the Transport Commissioner's office revealed that though the Pune Municipal Corporation was not levying any tax on motor vehicles plying in the municipal limits, the Bombay Motor Vehicles Tax payable to the State was assessed at 2/3rd of the tax rate as against the full rate applicable. This resulted in short levy of tax amounting to Rs.4.71 lakhs during 1988-89 to 1992-93. This omission was not detected by the internal audit wing.

On this being pointed out (February 1995), the Government stated (September 1995) that the short paid amount of Rs.2.91 lakhs during the period 1990-91 to 1992-93 was recovered (June 1995) from the Pune Municipal Transport. Further report regarding balance recovery of Rs.1.80 lakhs has not been received (September 1995).

(iii) *Non-raising of demand*: The Cash Balance Review Registers and Tax Demand Registers were not reviewed periodically as a result of which demand amounting to Rs.13.92 lakhs in 313 cases relating to the period from 1988-89 to 1994-95 in the Regional Transport Offices at Aurangabad, Bombay (West), Nashik, Pune and Thane was not raised against the vehicle owners.

On this being pointed out (June 1995), the Government stated that in 24 cases an amount of Rs.0.54 lakh was recovered. Recovery in remaining cases was still awaited (September 1995).

5.2.10 Reconciliation of receipts :

The Maharashtra Treasury Rules, 1968 provide that after the end of a month, the head of the office should obtain from the treasury a consolidated receipt for all remittances made during the month which should be compared with the postings in his office records and discrepancies, if any, reconciled promptly. As per Government instructions issued in September 1980, in pursuance of recommendations made by the Public Accounts Committee on Paragraph 72 of Report of the Comptroller and Auditor General of India for the year 1973-74 on Revenue Receipts - Government of Maharashtra, all heads of offices were required to send to the head of the Department concerned, a quarterly return in regard to reconciliation of receipts by 15th of the month following the quarter under report. The heads of the department were to send to the Administrative Department of the Government, every six months, a certificate regarding completion of reconciliation work in their department. The Internal Audit Section set up in each Regional Transport Office as well as in the Transport Commissioner's Office at Bombay was required to ensure that reconciliation of receipts and expenditure is carried out regularly as per the instructions contained in the circular issued by the Government in September 1980.

(i)(a) *Non-reconciliation of the receipts with the treasury records* : It was noticed during the test check of Master Cash Book maintained in the Office of the Transport Commissioner, Maharashtra State, Bombay that as many as 47 Demand Drafts valuing Rs.33.78 lakhs sent to the Pay and Accounts Office (Treasury) during the years 1991-92 to 1993-94 were neither received back nor any intimation of credit thereof into Government account was received. No efforts were made by the department to confirm the credits of these Demand Drafts.

The department stated (March 1995) that after physical verification with the records of Pay and Accounts Office, Bombay it was noticed that the credits of Rs.25.99 lakhs relating to 22 Demand Drafts were duly received in the Government accounts. However, the department could produce the certificate to that effect from the Pay and Accounts office in respect of 4 Demand Drafts amounting to Rs.9.69 lakhs only.

(b) It was also noticed that no reconciliation of records of receipts maintained with Treasury was carried out in the Regional Transport Office at Pune (including sub-office at Pimpri-Chinchwad) since 1991-92.

(ii) *Non-certification of the credits by the Treasury Authorities* : A test check of the reconciliation statements in the Regional Transport Office at Amravati, Nagpur and Thane revealed that during the years 1991-92 to 1993-94, 154 credits amounting to Rs.44.46 lakhs as shown below were not certified by the Treasury Authorities.

Year	No. of credits	Amount (Rupees in lakhs)
1991-92	35	19.68
1992-93	35	6.41
1993-94	84	18.37
Total	154	44.46

No action was taken by the department to get the credits confirmed and reconcile the receipts.

5.2.11 Arrears of revenue

At the end of the year 1993-94, arrears of revenue amounted to Rs.5379.63 lakhs.

A test check of monthly and quarterly progressive report of revenue recovery revealed the following :

(i) *Faulty procedure of working out the arrears* : (a) While determining the arrears, the arrears accruing in subsequent years are usually added to the previous year's arrears and progressive totals struck. It was, however, observed in audit that the procedure adopted by the Transport Department was at variance with the normal procedure. The amount of arrears for the first period i.e. quarterly or yearly is shown in the same year and then it is added to the arrears of the next period. This process is continued upto 36 months and thereafter, the case is treated as dormant and no further amount of arrears is added. Evidently this procedure is fraught with the risk of under-statement of the arrears. Arrears shown at the end of 1993-94 amounted to Rs.5379.63 lakhs. The authenticity of this figure could not be verified in audit because of the faulty procedure adopted for the calculation of arrears.

(b) The arrears relating to the years mentioned below as on 31 March 1994 were wrongly shown higher than the arrears of the same year in the Statement of March 1991.

Name of the region		Arrears shown as	Arrears shown as
		on 31 March 1991	on 31 March 1994
		(In lakhs of rupees)	
1. R.T.O., Pune	Upto 1978-79	31.80	55.83
	1979-80	2.28	12.02
2. R.T.O., Thane	1988-89	17.98	64.54
	1989-90	25.91	72.60

The Government while accepting the mistake stated (September 1995) that the Transport Commissioner was directed to scrutinise the matter thoroughly and furnish a detailed report.

(ii) *Investigation of arrears for purpose of write-off or pursuance for recovery* : In order to arrest increasing trend of arrears, the Government on the recommendation of Public Accounts Committee sanctioned (August 1980) 116 posts of investigators, 13 Senior Clerks and 4 Head Clerks for the Regional Transport Offices. These members of the staff were required to work under Tahsildar appointed in the respective regional offices. Their duty was to investigate the arrears for the purpose of speedy recovery and reconsider the cases for referring them to be recovered as arrears of land revenue. Subsequently, the Government vide their Resolution dated 17 January 1991 directed that the powers to recover the arrears as arrears of land revenue be delegated to the Regional Transport Officer/Deputy Regional Transport Officer. For that purpose, the Transport Commissioner was required to furnish required information to concerned Collectors to enable them to re-delegate powers to Regional Transport Officer/Deputy Regional Transport Officer.

A test check of records pertaining to arrears revealed the following :

The details of Revenue Recovery Certificate cases, amount involved therein and progress of recovery in respect of three regions test checked during the years 1991-92 to 1993-94 was as shown below :

Name of the region	No. of R.C.C. cases	Amount involved (In lakhs of Rs.)	Recovery effected		Percentage of recovery
			No. of cases	Amount (In lakhs of Rs.)	
1. Aurangabad	428	28.50	—	—	Nil
2. Bombay (West)	1394	69.90	—	—	Nil
3. Bombay (Central)	5983	473.06	—	—	Nil
Total	7805	571.46	—	—	

It was, however, observed in audit that as against 5,983 cases involving an amount of Rs.473.06 lakhs in Regional Transport Office (Central), Bombay, the Tahsildar while handing over charge made over only 834 cases involving an amount of Rs.37.91 lakhs. The balance 5,149 cases involving an amount of Rs.435.15 lakhs are not traceable in the Office of the Regional Transport Officer (Central), Bombay, which needs to be investigated.

The department stated (May 1995) that the staff sanctioned could not be utilised fully and that some of the staff was diverted to other work. Non-utilisation of the staff sanctioned for the purpose defeated the purpose for which it was sanctioned.

5.2.12 *Functioning of Internal Inspection and Taxation Wing*

The Government created (January 1964) an Inspection and Taxation Wing headed by the Deputy Commissioner of Transport for inspection of various branches of the transport department. This wing was required to conduct 51 inspections annually. A test check of records revealed that no inspections were carried out during the years 1992-93 to 1994-95. Further, 7 offices had not been inspected at all after 1986-87. Details of inspections carried out during 1989-90 to 1991-92 are given below :

Year	Number of inspections dues	Number of inspections done	Shortfall	Percentage of shortfall
1989-90	51	10	41	80.4
1990-91	51	16	35	68.6
1991-92	51	11	40	78.4
1992-93	51	—	51	100
1993-94	51	—	51	100
1994-95	51	—	51	100

Shortfalls in inspections defeated the very purpose of sanctioning additional staff for the Inspection and Taxation Wing and was indicative of the failure of the control mechanism.

On bringing to the notice (June 1995), the Government stated that the post of Deputy Transport Commissioner (Inspection) was vacant for a considerable time due to which inspections were not carried out during the years 1992-93 to 1994-95.

5.3 **Non-recovery of tax**

Under the Bombay Motor Vehicles Tax Act, 1958 and the Rules made thereunder, road tax at the prescribed rate is leviable on all vehicles used or kept for use in the State. In the case of goods vehicles, "Further Tax" (Goods Tax) was also leviable upto August 1991 in addition to road tax. The departmental manual provides that demand notices should be issued in each case of default in payment of tax. Interest at the rate of 2 per cent of the amount of tax for each month or part thereof is payable in case the tax due is not paid before the prescribed date.

It was noticed (between July 1993 and September 1994) in audit, that in respect of 41 vehicles registered in different districts, neither the tax amounting to Rs.4.96 lakhs was paid by the owners nor any demands were raised by the department for the various periods between March 1989 and August 1994 as detailed below :

Name of district	No. of vehicles	Period of default	Amount of tax not recovered (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)
Bombay	23	Between March 1989 and January 1994	0.94	The department recovered (between December 1993 and July 1994) an amount of Rs.51,615 in respect of 7 vehicles. The report on recovery of the balance amount and interest has not been received (September 1995).
Bombay (West)	9	Between December 1989 and February 1994	0.53	The department raised (July 1993) demands in all cases. Report on recovery has not been received (September 1995).
Pune	1	June 1993 to August 1994	1.44	The department recovered (January 1995) an amount of Rs.1.41 lakhs (including interest of Rs.35,700). Report on recovery of the balance amount and interest has not been received (September 1995).
Nashik	2	Between April 1991 and February 1994	0.32	The department recovered (May 1994) Rs.10,913 (including interest of Rs.1,350 in one case. Report on recovery of the balance amount and interest in respect of other vehicle has not been received (September 1995).
Thane	6	Between October 1991 and February 1994	1.73	The department recovered tax of Rs.1.29 lakhs and interest of Rs. 45,244 in respect of 4 vehicles. Report on recovery of the balance amount has not been received (September 1995).
Total			4.96	

All the above cases were reported to Government between January 1995 and June 1995; their reply has not been received (September 1995).

CHAPTER 6

STAMP DUTY AND REGISTRATION FEES

6.1 Results of audit

Test check of the records of Stamp Duty and Registration Fees conducted during the year 1994-95 revealed under-assessment/short levy/loss of revenue/non-levy of duty etc. amounting to Rs.440.18 lakhs in 3480 cases which broadly fall under the following categories.

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Non-levy of stamp duty and registration fees on instruments executed by Co-operative Societies	1136	13.84
2.	Incorrect grant of exemption from duty and fee	343	76.17
3.	Short levy due to misclassification of documents	591	134.37
4.	Short levy due to under valuation of property	38	26.37
5.	Other irregularities	1372	189.43
	Total	3480	440.18

During course of the year 1994-95, the concerned departments accepted under-assessments etc, in 67 cases involving Rs.11.21 lakhs of which one case involving Rs.0.04 lakh had been pointed out during 1994-95 and the rest in earlier years.

A few illustrative cases noticed during 1994-95 and earlier years involving Rs.62.33 lakhs highlighting important irregularities are mentioned in the following paragraphs.

6.2 Short levy of stamp duty due to misclassification of documents

According to Explanation I below Article 25 of Schedule I to the Bombay Stamp Act, 1958, effective from 10 December 1985, an agreement to sell immovable property, the possession of which is transferred to the purchaser before the execution or at the time of execution of such agreement or after the execution of such agreement without executing the conveyance in respect thereof, shall be deemed to be a conveyance deed and stamp duty thereon shall be levied accordingly.

In the Sub-Registry Bandra (Bombay), Haveli I and II (Pune), Nasik, Thane and Ulhasnagar (Thane), 211 instruments executed during 1987 to 1992 which related to conveying of right, title and interest in immovable properties for consideration of Rs.552.37 lakhs were chargeable with stamp duty at the rates applicable to conveyance deed but were erroneously charged with stamp duty at lower rates applicable to "agreement to sell". This resulted in short levy of stamp duty amounting to Rs.34.90 lakhs as detailed below :

Name of Sub-registry office	No. of documents	Year of registration	Consideration (In lakhs of rupees)	Short levy
Bandra (Bombay)	18	1987	62.66	6.26
	5	1989	39.41	2.04
Haveli I (Pune)	62	1988	138.68	11.18
	2	1989	4.72	0.47
	2	1990	18.75	0.85
Haveli II (Pune)	28	1989	60.69	3.03
	79	1990	150.23	4.85
	7	1991	16.83	1.62
Nasik	5	1992	27.00	2.16
Thane	1	1987	4.50	0.45
	1	1988	6.40	0.64
Ulhasnagar (Thane)	1	1989	22.50	1.35
Total	211		552.37	34.90

On this being pointed out (between January 1992 and February 1994) in audit, the department accepted (between November 1993 and February 1995) the audit observations and directed the concerned Sub-Registrars to initiate action for levy of deficit stamp duty. Further report in the matter has not been received (September 1995).

The cases were reported to Government (between August 1992 and August 1994); their reply has not been received so far (September 1995).

6.3 Short levy of stamp duty due to application of incorrect rates on deed of conveyance

According to the Article 25 VI(b)(ii) of Bombay Stamp Act, 1958, stamp duty on a deed of conveyance is leviable on property situated in Thane district including local areas *inter-alia* covering limits of revenue villages of Chena and Bhayander. The duty is chargeable on the amount of consideration set forth in the instrument at the rate of 10 per cent specified in Schedule to the Act.

In the Sub-registry Bombay (Bombay District), fourteen documents registered between June and October 1988 conveying the sale of property situated in Village Chena (Thane District) and Bhayander adjoining Greater Bombay and encircled by Thane Bassein Creek area, stamp duty was incorrectly levied at lower rate of 3 to 3.5 per cent. This has resulted in short realisation of stamp duty amounting to Rs.2.53 lakhs.

On this being pointed out (June 1993) in audit, the Inspector General of Registration, Maharashtra State, Pune (March 1994) directed the Sub-registrar to initiate action for recovery of deficit stamp duty. The report on recovery has not been received (September 1995).

The matter was reported to Government in August 1993; their reply has not been received (September 1995).

6.4 Short levy of stamp duty due to incorrect classification of documents

According to Code Order 409 of Maharashtra Registration Manual Part II as substituted with effect from 4 February 1988, a deed by which the right acquired by an agreement to sell is transferred, is a sale or transfer of right. Stamp duty on such document is to be charged as on conveyance on the market value of the property, under Article 25 (a) of Schedule I to the Bombay Stamp Act, 1958.

In Sub-registry Haveli I, Pune, in case of a document registered as agreement to sell in 1989 between a private individual as executant and a developer for a consideration of Rs.9.50 lakhs, the executant who acquired the right over the agricultural land of 20 hectares 79 Ares situated within the limits of Pune Municipal Corporation by entering into an agreement with seven parties in 1986, had transferred that right to the developer through the above document. The document was incorrectly classified as agreement to sell instead of conveyance and stamp duty of Rs.10 only was levied. The correct stamp duty leviable worked out to Rs.6.24 lakhs on the market value of the land of Rs.208 lakhs. This resulted in short realisation of revenue amounting to Rs.6.24 lakhs.

On this being pointed out (September 1992) in audit, the department accepted (October 1993) the mistake and instructed the Sub-registrar to effect recovery of the deficit amount of stamp duty.

The case was reported to Government in January 1993; their reply has not been received so far (September 1995).

6.5 Incorrect application of stamp duty rates

According to Explanation I below Article 25(d) of Schedule I to the Bombay Stamp Act, 1958, as amended from 17 March 1988, stamp duty at slab rates as shown under items (i) to (vi) below sub-clause 25(d) of the said Article is to be levied on a conveyance deed, relating to residential premises consisting of building or unit, executed by or in favour of Co-operative Housing Society registered or deemed to have been registered under the Co-operative Societies Act, 1960. Further as per explanation 2(ii) below Article 25(d) where a building consists of units used for both residential and non-residential purposes, then concession in duty shall be available in respect of the value of those units in a building which are used for residential purposes and the duty payable in respect of units used for non-residential purposes shall be at the rates specified in clauses (b) and (c) on the value of such units.

In the Sub-registry Bombay Bom Series (District Bombay), two conveyance deeds were registered in the month January 1989 for a consideration of Rs.371 lakhs and Rs.247 lakhs respectively. Stamp duty was incorrectly levied at the rate of Rs.1000 for each flat instead of at the rates applicable to conveyance. This resulted in short levy of stamp duty amounting to Rs.14.62 lakhs.

On this being pointed out (July 1993) in audit, the Inspector General of Registration directed the Sub-registrar to initiate action for recovery of deficit stamp duty (April 1994).

The case was reported to Government (June 1994); their reply has not been received so far (September 1995).

6.6 Short levy of stamp duty

Stamp duty on a deed of conveyance is leviable on the amount of the consideration set forth in the instruments at the rates prescribed in the Schedule to the Bombay Stamp Act, 1958.

In Sub-registry Haveli I (Pune district), five instruments executed in the year 1990 and 1991 related to conveying of right, title and interest in property for consideration of Rs.14.25 lakhs were chargeable with stamp duty at higher rate as applicable to conveyance deed but were erroneously charged with stamp duty at lower rate. The mistake resulted in short levy of stamp duty amounting to Rs.50,200.

On this being pointed out (September 1992) in audit, the Inspector General of Registration accepted the omission (October 1993 and February 1994) and directed the Sub-registrar to initiate action for recovery. The report on recovery has not been received (September 1995).

The case was reported to Government (October 1992); their reply has not been received (September 1995).

6.7 Short levy of stamp duty due to misclassification of document

According to Explanation below Section 2(g) of Bombay Stamp Act, 1958, read with Explanatory Notes below Article 52 of Bombay Stamp Manual of the Government of Maharashtra, Revenue and Forests Department, if any of the Co-owners relinquishes his right over the joint property in favour of other in consideration of certain amount, such release deed shall be deemed to be conveyance deed and stamp duty shall be levied accordingly.

In Sub-registry Nagpur III, an instrument of release registered in September 1992 relating to relinquishment of right, title and interest in immovable properties by a co-owner in favour of other co-owner for a consideration of Rs.9.50 lakhs was chargeable with stamp duty at rates applicable to conveyance deed but was erroneously charged with stamp duty at lower rates applicable to 'release deed'. This resulted in short levy of stamp duty amounting to Rs.58,150.

On this being pointed out (December 1993) in audit, the Inspector General of Registration (March 1994) instructed the Sub-registrar, Nagpur III to initiate action for recovery of the duty short levied. Details of recovery are awaited (September 1995).

The matter was reported to Government (February 1994); their reply has not been received (September 1995).

6.8 Short levy of stamp duty/registration fees on mortgage deed

Under Section 2(p) of Bombay Stamp Act, 1958, every instrument whereby for the purpose of securing money advanced or to be advanced by way of loan, an existing or future debt or the performance of an agreement, one person transfers or creates to or in favour of another, a right over or in respect of specified property, such instruments shall be treated as mortgage deed and stamp duty is chargeable accordingly.

In Sub-registry Haveli I (Pune district), a document transferring all the rights over the property of a private company by a Director and owner of the company as surety to the mortgagee bank for securing loan of Rs.17.50 lakhs advanced to the Chairman of the said Company was registered in December 1987. However, the stamp duty was levied as applicable to 'Surety Bond' instead of 'Mortgage Deed'. This resulted in short levy of stamp duty and registration fees of Rs.39,950.

On this being pointed out in audit (September 1993), the Inspector General of Registration and Controller of Stamps, Maharashtra State directed the concerned Sub-registrar to initiate the action for recovery (March 1994).

The case was reported to Government (December 1993); their reply has not been received so far (September 1995).

6.9 Incorrect exemption of stamp duty to conveyance of residential flats

According to proviso to Explanation II below Article 25(d) of Schedule 1 to the Bombay Stamp Act (Amendment), 1958 effective from the 17 March 1988, in case of residential premises in any Co-operative Housing Society, where the building completion certificate or occupation certificate was obtained from the authority concerned prior to 17 March 1988, but no conveyance

was executed and registered under the Registration Act, 1908, the stamp duty chargeable on such conveyance, if presented for registration within a period of two years from the date of commencement of the Bombay Stamp Act (Amendment), 1988 shall be Rs.1000 for residential premises having area of less than 650 Sq.Ft.

In Sub-registry Bombay "R Series", two documents of conveyance were registered in March 1988 and April 1988 involving 88 flats having an area of less than 650 Sq.Ft. each. No stamp duty was levied/paid on the grounds that the area of each flat is less than 650 Sq.Ft. (Carpet area). This has resulted in non-levy of stamp duty amounting to Rs.88,000.

On this being pointed out in audit (June 1993), the Inspector General of Registration and Controller of Stamps, Maharashtra State, Pune has directed the concerned Sub-registrar to initiate action for recovery (March 1994).

The case was reported to Government (August 1993); their reply has not been received so far (September 1995).

6.10 Irregular grant of remission

By a notification issued in March 1980, Government remitted with effect from 20 April 1980, stamp duty and registration fee on instruments relating to transactions of loans and advances executed by members of Urban Credit Societies and banks if value is Rs.5000 or less.

In Sub-registry Akola, the stamp duty and registration fee was remitted on mortgage deed registered in April, 1991 for a term loan of Rs.14 lakhs advanced by Co-operative Bank to an industry at Akola for purchasing Hot Mix Plant against the property mortgaged by members of the same bank. The irregular grant of remission resulted in short realisation of stamp duty and registration fee amounting to Rs.32,940.

On this being pointed out (November 1992) in audit, the Inspector General of Registration directed the Sub-registrar to initiate action for recovery (February 1995).

The case was reported to Government (January 1993); their reply has not been received so far (September 1995).

6.11 Incorrect grant of exemption from payment of stamp duty and registration fee

By the notification issued in March 1990, Government remitted stamp duty and registration fee payable on mortgage deeds securing repayment of loans advanced by specified financial agencies for the purpose of acquisition of fixed assets such as land, building and machinery for starting any new industrial unit or for extending or expanding and or diversifying any existing industrial unit or any small scale industrial unit in specified areas.

In the Sub-registry Bombay "R" Series (District Bombay), in respect of a document of mortgage deed registered in September 1989, stamp duty and registration fee were remitted even though Rs.65.18 lakhs was advanced by a specified financial agency to an industrial organisation as a term loan and not for any of the purposes specified in the notification issued in November 1972. The irregular grant of remission resulted in non-realisation of revenue amounting to Rs.1.35 lakhs.

On this being pointed out (March 1994) in audit, the Inspector General of Registration, Maharashtra State directed the concerned sub-registrar to initiate action for recovery (February 1995).

The case was reported to Government (May 1995); their reply has not been received (September 1995).

CHAPTER 7

OTHER TAX RECEIPTS

7.1 Results of audit

Test check of records of departmental offices, conducted in audit during 1994-95, revealed short realisation or losses of revenue amounting to Rs.89.79 lakhs in 15353 cases as listed below :

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Profession Tax	13936	49.84
2.	Maharashtra Education and Employment Guarantee Cess	504	7.15
3.	Entertainments Duty	331	14.93
4.	Tax on buildings (with larger residential premises)	131	1.16
5.	Electricity Duty/Tax on sale of Electricity	42	2.81
6.	Repair Cess	409	13.90
	Total	15353	89.79

During the course of the year 1994-95, the concerned departments accepted under-assessments etc. in 655 cases involving Rs.60.39 lakhs of which 120 cases involving Rs.6.02 lakhs had been pointed out in audit during 1994-95 and the rest in earlier years and recovered Rs.1.85 lakhs. A few illustrative cases noticed during 1994-95 and in earlier years involving Rs.5.80 lakhs are given in the following paragraphs.

SECTION A

ENTERTAINMENTS DUTY

7.2 Non-recovery of Entertainments Duty and Surcharge due from cable and dish antenna operators

Under the Bombay Entertainments Duty Act, 1923 as amended with effect from 1 January 1987, entertainments duty is leviable on all payments for admission to any entertainment at the prescribed rates. Entertainment includes any exhibition, performance, amusement, game or sport to which people are admitted on payment. However, Government may on the application from a proprietor, of any entertainment in respect of which duty is payable, allow the proprietor to pay the amount of duty, as a percentage, to be fixed by the Government, of the gross sum received by the proprietor on account of payment for admission to the entertainment.

By an amendment with effect from 25 December 1992, the cable and dish antenna operators are required to pay entertainments duty at 25 per cent of total amount received by way of contributions or subscription or installation and connection charges etc. for the exhibition of films by means of any type of antenna or cable television. In addition, surcharge at 10 per cent on the said total collection is also leviable. According to Government of Maharashtra,

Revenue and Forests Department G.R. dated 4 February 1993, the entertainments duty and surcharge due on total collection were to be paid on or before 5th of subsequent month to which it relates.

It was noticed (September 1994) that in respect of 17 cable and dish antenna operators in Bombay Suburban District, the entertainments duty and surcharge amounting to Rs.1.14 lakhs was neither paid by the cable operators nor were any demands raised therefor by department for various periods between June 1993 and March 1994.

On this being pointed out (September 1994) in audit, the department recovered (October 1994 and December 1994) an amount of Rs.9,300 in 2 cases. Report on recovery of the balance amount has not been received (September 1995).

The case was reported to Government in May 1995; their reply has not been received (September 1995).

SECTION B REPAIR CESS

7.3 Short recovery of repair cess

In order to provide for the repair and reconstruction of dilapidated buildings, the Bombay Building Repair and Reconstruction Cess is leviable under the provisions of the Maharashtra Housing and Area Development Act, 1976, at the rates prescribed in second schedule to the Act. All buildings in the area to which the Act extends are liable for levy of repair cess. Where the building is used for non-residential purpose, the rate of cess to be levied shall be double the rate of cess payable for their use for residential purpose. Where an owner is required to pay the cess levied under the Act to the Bombay Municipal Corporation in respect of any land or building, the share of owner shall be 10 per cent of the rateable value of the land or building and he shall be entitled to recover the remaining amount of the cess levied by making a proportionate increase in the rent of the various premises in the building.

In Bombay, in respect of 11 properties used for non-residential purposes, the repair cess recoverable at double the rate applicable for residential purpose was incorrectly reduced by 10 per cent of the rateable value. This resulted in short recovery of cess amounting to Rs.4.66 lakhs.

On this being pointed out (May 1994) in audit, the department stated (March 1995) that the owner's share was 10 per cent of the rateable value. As such while deciding the rate of cess for non-residential portion of the property, 10 per cent was deducted from the residential rate towards the owner's share and the remaining rate was doubled for levy of cess on non-residential portion

The reply of the department is not tenable since under the provisions of the Act, the rate of cess to be levied and paid in respect of non-residential properties is double the rate of cess payable for that property if it was used for residential purposes and no reduction of 10 per cent is permissible.

The matter was reported to Government in June 1995; their reply has not been received (September 1995).

CHAPTER 8

NON-TAX RECEIPTS

8.1 Results of audit

Test check of the records of Non-Tax Receipts conducted during the year 1994-95 revealed under-assessments/short levy/loss of revenue etc. amounting to Rs.3135.95 lakhs in 380 cases which broadly fall under the following categories:

Sr. No.	Category	Number of cases	Amount (In lakhs of rupees)
1.	Short recovery/non-recovery of guard charges/rent/licence fee etc.	4	10.87
2.	Losses of Tendu Leaves	12	160.52
3.	Losses on Forest Revenue	20	573.09
4.	Losses due to deterioration in transit/sale due to non-extraction/ non-lifting of material other than tendu leaves and bambôo.	8	55.97
5.	Miscellaneous	336	2335.50
	Total	380	3135.95

During the course of the year 1994-95, the concerned departments accepted under-assessments etc. of Rs.1.31 lakhs involved in 3 cases relating to earlier years.

A few illustrative cases including a review on Assessment and Collection of Water Rates noticed during 1994-95 and earlier years involving Rs.766.69 lakhs are mentioned in the following paragraphs.

8.2 Assessment and Collection of Water Rates

8.2.1 Introduction :

Supply of water for Irrigation and non-irrigation purposes from irrigation canals and rivers notified by Government was regulated prior to January 1977 by (i) The Bombay Irrigation Act, 1879, (ii) The Hyderabad Irrigation Act, 1957 (Fasli), (iii) The Central Provinces Irrigation Act, 1931 and (iv) The Berar Regulation Act, 1931 and rules framed under these Acts.

With effect from 1 January 1977, the Maharashtra Irrigation Act, 1976 (MIA) came into effect superceding all earlier Acts. However, the rules made earlier under the old Act(s) continued to be in force in so far as they were not inconsistent with the provisions of new Act.

Supply of water for irrigation and non-irrigation purposes is mainly from the reservoirs, tanks, flowing canals of the irrigation project or from any part of the river including its tributaries, streams, lakes, natural collection of water, lift irrigation works or from wells under the command of irrigation projects as notified by the Government. The water rates are levied on the basis of seasonal cropping pattern per hectare (based on quantity of water required for various crops) whereas for non-irrigation purpose the rates are on the basis of quantity of water supplied to the user. The water for non-irrigation purpose is supplied mainly for industrial purpose which includes industries, railways, thermal

power station, mills, mines, factories etc. and drinking water supply schemes. In addition to water rates, a local cess at 20 paise on every rupee of the water rates is also leviable. For non-payment of water rates, the penal provisions in the Act provide for levy of extra charge of 10 per cent of the amount due if the water rates are not paid on or before the due date. In case of unauthorised use, levy at three times of the normal rate is prescribed. Receipts from sale of water for industrial use and supply of water for irrigation purposes were commented in the report of the Comptroller and Auditor General of India for the year 1976-77 (Para 8.4) and in 1977-78 (Para 8.2) respectively. The Public Accounts Committee in its Seventh Report (1981-82) expressed concern over the delay in these cases and recommended review of all similar cases in all the irrigation divisions with a view to taking expeditious steps either to execute agreements with the industrial units or take recourse to recover through Revenue Department. It further recommended that Government should consider feasibility of evolving a machinery at the State level so as to streamline the proper and prompt assessment and timely recovery. It also desired the Government to expedite recovery of cases pointed out in audit within six months.

The department, however, could execute 69 agreements out of 82 cases in 1990-91. The Government instructed (February 1985) the field staff not to supply water without execution of agreements. A separate branch 'Internal Audit Wing' was opened (May 1981) by the Government to check the correctness of assessment and to watch the recovery of water rates. The assessment was revised in all cases pointed out in the earlier reviews.

Despite the recommendations of Public Accounts Committee and the corrective measures undertaken by the department, the irregularity regarding (i) non-recovery of minimum charges, (ii) unauthorised drawal of water, (iii) non-execution of the agreements are still continuing as is evident from the following paragraphs.

8.2.2 *Organisational set-up:*

At the apex level, the Secretary, Irrigation Department is administering the provisions of the Act. The Irrigation Department is having six regions, Amravati, Aurangabad, Konkan, Nagpur, Nasik and Pune each headed by a Chief Engineer who is assisted by Additional Chief Engineer, Superintending Engineer, Executive Engineer, Assistant/ Deputy Engineer and Section Officer of the Irrigation Department. The assessment, levy and collection of water rates is dealt with by the above authorised designated officers as Canal Officers under the Act.

8.2.3 *Scope of audit:*

With a view to see whether the recommendations of the Public Accounts Committee (vide Para 16.10, 17.27, 17.28 of their Seventh Report for the year 1981-82) have been acted upon by the Government and whether water rates are being assessed and collected promptly, a test check of the records relating to assessment, levy and collection of water rates for the period from 1989-90 to 1993-94 was conducted between December 1994 and March 1995 in 17 divisions out of total 48 irrigation management divisions covering all the six regions.

The results of test check are mentioned in the succeeding paragraphs.

8.2.4 *Highlights:*

(a) Non-charging of 50 per cent of water rate from land holders who did not avail of the facility of water within irrigable command area of canal deprived the department of potential revenue of Rs.51.80 lakhs.

(Para 8.2.7 (1)(i))

(b) Minimum water rate in irrigable command area not levied as the command was not notified which resulted in loss of revenue of Rs.216.34 lakhs.

(Para 8.2.7 (1)(ii))

(c) Supply of water for non-irrigation purposes without sanction and executing agreements deprived the department of potential revenue of Rs.229.73 lakhs.

(Para 8.2.7 (2)(b))

(d) Assessment of water rates on irrigated area only as against the total irrigable command under agreement resulted in loss of revenue of Rs.30.67 lakhs.

(Para 8.2.8 (1)(i))

(e) Non-levy of water rates on crops irrigated on wells within 35 metres of canal area resulted in loss of revenue of Rs.58.83 lakhs.

(Para 8.2.8 (2)(i))

(f) Non-levy of penal rates for quantity of water drawn in excess of sanctioned quantity resulted in loss of revenue of Rs.74.94 lakhs.

(Para 8.2.8 (4)(ii))

8.2.5 Irrigation Potential :

The position of irrigation potential created and utilised together with collection of water rates both of irrigation and non-irrigation for the period from 1989-90 to 1993-94 is given below :

Year	Irrigation Potential		Percentage of utilisation of irrigation potential created	Water rates collected		
	Created (In lakhs of hectares)	Utilised		Irrigation	Non-irrigation (In lakhs of rupees)	Total
1989-90	27.11	10.89	40.16	895.63	331.75	1227.38
1990-91	27.78	11.45	41.21	1195.38	420.75	1616.13
1991-92	29.00	11.80	40.67	1229.25	768.20	1997.45
1992-93	29.82	11.50	38.57	1904.66	2696.35	4601.01
1993-94	30.41	12.74	41.91	2277.87	5852.04	8129.91
			40.50 (Average)			

The percentage of utilisation varied from 38.57 to 41.91 during the period 1989-90 to 1993-94. The department attributed shortfall of utilisation during 1989-90 to 1993-94 to (i) the water utilisation was meagre during kharip season, (ii) the available storage was 75 to 85 per cent of that projected, (iii) cultivators were reluctant to sow crops as per cropping pattern, (iv) non-irrigation use was increased much more than provided in the project planning, (v) actual water requirement of crops was more than that contemplated in the project report and (vi) land development works were incomplete. The reasons advanced by the department are not acceptable as shortfall in utilisation ranged between 58 per cent to 61 per cent although available storage of water was 75 to 85 per cent. The actual reasons of the abnormal shortfall needs to be properly investigated by the department.

8.2.6 Arrears :

(a) Position of arrears :

The total arrears at the end of 1993-94 were Rs.19,633.61 lakhs. The age-wise analysis of the arrears was as follows :

Year (1)	Outstanding Balances (Rupees in lakhs)		Total (Rupees in lakhs) 4)
	Irrigation (2)	Non-irrigation (3)	
More than 10 years (i.e. upto 1983-84)	3365.46	355.33	3720.79
More than 5 years (Upto 1988-89) but less than 10 years	2910.40	692.92	3603.32
More than 1 year but less than 5 years	4052.00	8257.50	12309.50
Total	10327.86	9305.75	19633.61

Department attributed following reasons for non-recovery of arrears :

(i) Powers to use coercive measures as given to the revenue officers not delegated to the canal officers of Irrigation Department, (ii) No independent staff appointed for recovery purpose, (iii) Recoveries of arrears of Irrigation Department not effected by the Co-operative Sugar factories on priority basis and (iv) Water and electric supply could not be disconnected in case of defaulters.

(b) The year-wise arrears in collection of irrigation and non-irrigation revenue for the past five years were as follows :

Year	Assessment		Collection		Balance (Rupees in lakhs)	
	Irrigation	Non-irrigation	Irrigation	Non-irrigation	Irrigation	Non-irrigation
1989-90	2019.02	507.37	895.63	331.75	1123.39	175.62
1990-91	1422.64	477.44	1195.38	420.75	227.26	56.69
1991-92	2509.72	1075.46	1229.25	768.20	1280.47	307.26
1992-93	2979.05	6730.11	1904.66	2696.35	1074.39	4033.76
1993-94	2624.36	9536.21	2277.87	5852.04	346.49	3684.17

8.2.7 (1) Non-application of provisions of the Act :

(i) As per the provisions of Section 46(3) of the Maharashtra Irrigation Act, 1976, the water rate equal to 50 per cent of the seasonal water rates ranging between Rs.98 to Rs.135 per hectare applicable between 1989-90 and 1993-94 was required to be levied on all the holders or occupants of the land within the irrigable command of a canal, who do not avail of the available facility of water supply for irrigation. The provisions were not applied in respect of 1,10,590 hectares irrigable area out of total 1,57,851 hectares in four divisions during 1989-90 to 1993-94 which deprived the department of potential revenue of Rs.51.80 lakhs. The records did not indicate the area for which the demand did not exist or the area for which the department could not make available the water inspite of demand. Area for which the water facility was not utilised and for which provision of Section 46(3) of the Act was not enforced was worked out on the basis of live storage available.

On this being pointed out (January 1995 to April 1995) in audit, two of the four divisions stated (January 1995) that powers to enforce provisions of Section 46(3) have not been delegated to the Executive Engineer and that water was not available to fulfil the demand of the cultivators.

The reply of the department is not tenable as provisions of the Act have to be enforced by the Canal Officer, whether it is Executive Engineer or any other officer notified as Canal Officer.

(ii) *Non-notification of command area* : The irrigable command of a canal* is required to be notified under Section 3(I) of the Act, *inter-alia* for the purpose of levy and collection of water rates.

It was, however, noticed that notification of the irrigable command of canals was not issued in respect of 32 projects covering an area of 3,69,967 hectares (command of Surya, Kal, Jayakwadi projects and 29 M.I. tanks in Thane district). Though the irrigation facility was available, water rates amounting to Rs.216.34 lakhs for the period from 1989-90 to 1993-94 under the provisions of Section 46(3) could not be levied in absence of the notification.

The reasons for not issuing the required notifications were not furnished (September 1995) by the department.

(iii) *Construction of wells in the command without intimation* : As per the provisions of Section 105 of the Maharashtra Irrigation Act, 1976, it is obligatory on the part of the cultivators to inform the Canal Officer about the construction of wells in the irrigable command of a canal, failing which a fine not exceeding Rs.100 per well is leviable. 56,391 wells were constructed in command of Purna, Bagh, Itiadh project and projects falling under Nasik, Pune, Ahmednagar and Nagpur Irrigation Divisions after completion of projects without intimation for which maximum fine upto Rs.56.39 lakhs could have been levied but was not levied.

The department accepted the audit point and stated (January 1995 to April 1995) that fine shall be levied in future.

(2) *Utilisation of water without sanction* :

(a) *Use for irrigation purpose* :

As per the provisions of Rule 4 of the Bombay Canal Rules, 1934, every cultivator is required to give an application for supply of water for the purpose of irrigation. The Canal Officer is required to accord sanction for supply of water as per provisions of Rule 7 *ibid*. In case of use of water without prior sanction (unauthorised use) rates not exceeding three times of the normal rates are leviable under Rule 23 of the Bombay Canal Rules, 1934. Scrutiny of records of Wandri project and Jambhe Minor Irrigation Tank in Thane district revealed that during 1993-94, water for irrigation was let out in respect of 511 hectares without the application from cultivators and without assessing the actual requirement. The use of water was therefore unauthorised requiring levy of penal rates. This was not done resulting in short assessment of water rate of Rs.3.51 lakhs. On being pointed out, the Executive Engineer, Suryanagar stated (December 1994) that even after giving public notices calling for applications, the farmers did not come forward. The departmental staff had to collect the applications after the water was let out. It was further stated that if the penal rates were levied, the farmers would stop using the water for irrigation and would not pay the water rate even at the normal rate.

The reply of the department is not tenable as the provisions of the Acts/Rules have to be enforced.

(b) *Use for non-irrigation purpose* :

As per the provisions of Section 58(6) of the Maharashtra Irrigation Act, 1976, where an application is made for a supply of water for non-irrigation purpose, the Canal Officer may,

*Canal includes canals, channels, pipes, tube wells, domestic water supply schemes, embankments, structures, supply and escape channels, all fields channels, water courses etc.

with the sanction of appropriate authority give permission for water to be drawn for such purposes under such special conditions and restrictions as to the limitation, control and measurement of the supply imposed by the appropriate authority in each case.

The Public Accounts Committee in Para 16.10 of the Seventh Report of Sixth Maharashtra Legislative Assembly (1981-82) had recommended that expeditious steps to execute agreements with industrial units in all the irrigation divisions in the State should be taken.

Government had directed (February 1985) that the sanction for supply of water for non-irrigation purpose would be accorded by Government and that no supply of water should be made without execution of an agreement.

It was noticed during review that in Akola, Aurangabad, Bhandara, Nasik, Parbhani, Pune and Raigad districts, water was being drawn for non-irrigation purpose by Gram Panchayat, Nagar Parishad, Sugar Factories and others without sanction and execution of formal agreement with the appropriate authorities. For such unauthorised use, water rate at triple the normal rate was chargeable which was not done which resulted in loss of revenue amounting to Rs.229.73 lakhs. Besides, 20 Gram Panchayats and 48 other units in Parbhani district and 33 units in Nasik district were also lifting water without agreements for which details, such as period of unauthorised use etc. were not readily forthcoming. The demand was to be levied in these cases. The department stated (April 1995) that in anticipation of approval of Government, water rates were assessed at normal rates. It was also stated that sanction of the Government would be obtained and agreement executed.

8.2.8 Levy of water rates :

(1) Deficiencies in the system of assessment and levy :

(i) *Application of incorrect water rates* : In Bhandara and Nagpur districts, it was noticed (March 1995) that water supply for kharip paddy crops was made under irrigation agreement in respect of all the villages under the command for 28,218 hectares under Bagh project, 2433 hectares under Itiadh project and 17,500 hectares under Minor Irrigation tanks. The water rate was required to be assessed for entire area under agreement at agreed rate. However, assessment was done for actual irrigated area under paddy crop which resulted in under-assessment of water rates amounting to Rs.30.67 lakhs for the period from 1989-90 to 1993-94.

The division agreed to investigate the shortfall in the irrigation.

(ii) *Delay in assessment* : The Government had fixed (November 1985) the season-wise due dates by which assessment of water rates are to be finalised and demand notices issued to the cultivators for making the payments. It also envisages that panchanamas in cases of unauthorised irrigation should be approved so that the assessment for the season can be finalised on due dates.

In Ahmednagar district, demand notices could not be issued in respect of 239 cases of unauthorised drawal of water for the period 1989-90 to 1992-93, as the panchanamas have not been approved so far (March 1995). The delay in approval of panchanama cases resulted in non-assessment and non-realisation of revenue amounting to Rs.66,803 from the unauthorised users.

On this being pointed out (March 1995), the division agreed (March 1995) to get the cases finalised at an early date.

(2) *Non-imposition of levies :*

(i) *Non-levy of water rates on well irrigation :* According to Section 55(b) of the Maharashtra Irrigation Act, 1976, water rates have to be levied at 50 per cent of the normal rates applicable on all lands irrigated by means of a well situated on either side of a canal within a distance of 35 metres from the nearest boundary of the canal. As per instructions issued by Government in October 1984, use of well water for production of foodgrains was out of the purview of Section 55(b) of the Act.

A test check of related records revealed non-levy of water rates to the tune of Rs.58.83 lakhs in 3 divisions of Jalna, Aurangabad and Nagpur in respect of 16,778 hectares of land irrigated on wells for crops other than foodgrains situated within 35 metres of canals during period from 1984-85 to 1993-94.

In respect of commands of Bagh, Itiadh Project, Jayakwadi Irrigation Project and the Projects with Pune Irrigation Division, information on area irrigated by wells within 35 metres from the nearest boundary of the canal was not available as such loss of revenue could not be worked out.

(3) *Non-levy of water rate for minimum quantity :*

(i) As per the terms of agreement for supply of water for non-irrigation purpose, water rate for a minimum of 90 per cent of the sanctioned quantity is required to be levied.

In respect of two sugar factories, water rates were levied on actual drawal which was less than 90 per cent of the sanctioned quantity in contravention of the above condition. This resulted in short levy of water rate to the extent of Rs.3.29 lakhs for the period from 1990-91 to June 1994.

(ii) As per the terms of agreement for supply of water of volumetric basis to Maharashtra State Farming Corporation (MSFC) for irrigating specified areas of sugarcane crops, the water rate was required to be levied for minimum of 90 per cent of sanctioned quantity and at treble the normal rate for drawal of water in excess of the sanctioned quantity. For crops other than sugarcane, water rate has to be levied on area basis.

(a) In respect of Maharashtra State Farming Corporation (MSFC), Ahmednagar, water rate for a minimum 90 per cent of the sanctioned quantity was not levied whenever the drawal was less than the minimum quantity. This resulted in short assessment of water rate amounting to Rs.6.96 lakhs for the period from 1989-90 to 1993-94.

(b) Water rate at treble the normal rate was not levied for the drawal of water in excess of the sanctioned quantity by the Maharashtra State Farming Corporation, Pune.

This resulted in short assessment of Rs.7.10 lakhs for the period from 1990-91 to 1993-94.

(c) The water supply for Agro Forestry under Maharashtra State Farming Corporation, Pune was assessed on volumetric basis though the same was to be done on area basis as per agreement. This resulted in short assessment of Rs.3.44 lakhs for the period from 1990-91 to 1993-94.

On this being pointed out (March 1995), the department agreed to include the condition of assessment on volumetric basis for Agro Forestry in the agreement.

(4) *Non-levy of penalty :*

(i) *Non-levy of extra charges for delayed payment :* As per the provisions of Section 88 of the Maharashtra Irrigation Act, 1976 read with Government Notification of August 1982, water rate leviable was to be paid on due dates. If the amount levied is not paid within the stipulated dates*, an extra charge of 10 per cent of the amount due was leviable.

*30 April for Kharip Season, 31 July for Rabbi Season, 31 December for Hot Weather Season

(a) A review of the position in respect of some of the selected divisions revealed that no extra charge as required under the Act was levied. The amount of extra charges to be levied based on the position of arrears as on 31 March 1994 in respect of 4 divisions (Surya Project Division, Raigad Irrigation Division, Minor Irrigation Division, Thane and Ahmednagar Irrigation Division) worked out to Rs.8.08 lakhs.

On this being pointed out (March 1995) in audit, the divisions (except Thane) agreed to levy the extra charges. In case of Thane, it was stated that farmers of Konkan region are poor and reluctant to pay extra charges. The reply of department is not tenable as levy of extra charges on belated payments are mandatory vide Government Notification of August 1982.

(b) In respect of use of water for industrial purpose by Purna Sahakari Sakhar Karkhana (District Parbhani), the amount of extra charges leviable under Section 88 worked out to Rs.2.70 lakhs for the period from 1982-83 to 1992-93 which was not levied. Department agreed (January 1995) to review the position.

(ii) *Non-levy of penal rates for excess drawal of water*: As per condition No. 24 of the agreement for supply of water for non-irrigation purpose, the quantity of water drawn in excess of the sanctioned quantity was to be charged at treble the normal rate. However, the excess drawal of water by eight units were not charged at the penal rate. This resulted in short assessment of Rs.74.94 lakhs for the period from 1988-89 to 1993-94. Department agreed (December 1994) to take necessary action.

8.2.9 Maintenance of records :

(i) *Non-maintenance of records*: In Jayakwadi Irrigation Division, Paithan, the ledgers of cultivators were not posted from 1991-92. In Pune, Kolhapur, Bhandara and Nagpur Irrigation Divisions, the ledgers were not maintained from 1989-90. It was further seen that the Measurement Books for measuring crop-wise irrigated area were not maintained in Pune Irrigation Division from 1989-90.

(ii) *Check measurement*: As per the provisions of Para 1.1 of Irrigation Manual Vol. II, a Sectional Officer is required to check 7 per cent, Sub-Divisional Officer 2 per cent and Executive Engineer 1 per cent of the season-wise area of crops under irrigation and record a certificate to that effect in the crop measurement book. It was noticed that no such percentage of check except by the Sectional Engineer was exercised in Jalna Minor Irrigation Division and Nashik Irrigation Division, Nasik during the period under review.

The matter was reported to Government (May 1995); their reply has not been received (September 1995).

8.3 Loss of Government revenue on resale of tendu leaves

Under the provisions of the Maharashtra Minor Forest Produce (Regulation of Trade) Act, 1969 and the Maharashtra Minor Forest Produce (Regulation of Trade in tendu leaves) Rules, 1969, sealed tenders in prescribed forms were invited in January 1994 from intending licensees registered as manufacturers of bidis or exporters of tendu leaves for collecting and removing the tendu leaves in two units of Parsodi and Chinchgarh in Bhandara district. As per the terms of Notice Inviting Tender (Condition No. 5), every offer shall be accompanied by an earnest money deposit for a sum equal to ten per cent of the amount of the offer. The terms and conditions of tender provided that the successful bidder should either himself or through his constituted attorney execute an agreement in the prescribed proforma within 20 days from the date of issue of letter of acceptance in his favour or within such extended period as allowed, failing which, his appointment shall be cancelled by the Conservator of Forests. The notice further provided that on cancellation of such appointment, shortfall of revenue, if

any, on resale of tendu leaves was to be recovered from the defaulting licensee within 15 days from the date of issue of notice of demand. In case, he fails to remit the amount demanded, it has to be recovered as arrears of land revenue.

In response to notice, offer of only one bidder from the State of Andhra Pradesh for Rs.12.30 lakhs was accepted and the acceptance thereof was communicated to the bidder in February 1994 for confirmation. The bidder did not turn up for executing the required agreement within 20 days of the time prescribed in the tenders.

As there was no second bidder, the units were resold in May 1994 at the highest offer of Rs.5.09 lakhs at the risk and cost of the original bidder resulting in a net shortfall of Rs.5.98 lakhs, after adjusting the forfeited amount of earnest money deposit of Rs.1.23 lakhs. The amount of Rs.5.98 lakhs could not be recovered from the original bidder as the demand notice issued in September 1994 remained undelivered as the latter had reportedly left the house. The department, therefore, approached the District Government Pleader, Bhandara who advised (December 1994) to file a suit for the recovery of the said amount instead of recovering the same as arrears of land revenue. The department did not take any action in this regard for which no reasons were found available on record. Further, the Andhra Pradesh High Court made it clear in their judgement of July 1979 that the revenue recovery certificate from any other State would not be enforceable in Andhra Pradesh.

It was, therefore, necessary for the department to take necessary action to amend the terms and conditions of the contract suitably to ensure enforcement of Government dues through Court of Law. This was also not done. Thus delay in the auction and further delay in initiating action against the defaulting bidder by the department, resulted in loss of Rs.5.98 lakhs.

The matter was brought to the notice of Government (June 1995); their reply has not been received (September 1995).

8.4 Delay in realising demand drafts

Under the provisions of the Maharashtra Treasury Rules, 1968, moneys received by officers of Forests Department shall be paid as soon as possible into the nearest Treasury for credit as forest remittances.

Audit scrutiny of the records of the Deputy Conservator of Forests, Pandharkawada revealed (October 1993) that 131 Demand Drafts/Deposit at Call Receipts amounting to Rs.20.24 lakhs received between the period March 1988 and September 1988 on account of auction sale price from the Forest Contractors were not deposited with Banks/Treasury immediately on their receipt and these were lying uncredited till April 1991. Subsequently these Bank Drafts/Deposit at Call receipts were remitted into Bank during the period from May 1991 to September 1991.

In May 1995, the department stated that abnormal delay ranging upto 3 years in remittance of revenue to Government account was due to negligence on the part of the dealing Accountant and lack of control by the Controlling Authority.

Failure on the part of the department to follow the codal provisions regarding deposit of Government money resulted in loss of interest to the tune of Rs.5.62 lakhs which was admitted by the department in May 1995.

The matter was brought to the notice of the Government (June 1995); their reply has not been received (September 1995).

8.5 Short recovery of audit fees

Under the provisions of the Maharashtra Co-operative Societies Act, 1960 and Rules made thereunder, the Commissioner for Co-operation and Registrar of Co-operative Societies, Maharashtra State, Pune prescribed the rates of audit fees to be recovered from all types of Co-operative Societies in the State with the prior approval of the State Government.

In respect of Urban Co-operative Banks, the rates of audit fees prescribed were as under with effect from 15 May 1992, at the rate of—

- (i) 5 paise per cent of the working capital upto Rs.10 crores
- (ii) 2 paise per cent of the next Rs.90 crores and
- (iii) 1 paise per cent of the working capital exceeding Rs.100 crores

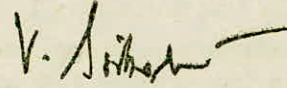
In Bombay, in case of two "Urban Co-operative Banks" having working capital of Rs.16 crores and Rs.106 crores respectively, the audit fees for the co-operative year 1992-93 were levied and recovered at Rs.2.35 lakhs instead of Rs.2.99 lakhs. This resulted in short recovery of Rs.64,325.

On this being pointed out (March 1994) in audit, the department raised (March 1995) the demands in both the cases. Report on recovery has not been received (September 1995).

The matter was reported to Government in May 1995; their reply has not been received (September 1995).

Bombay
The

26 दिसम्बर
DEC 1995



(V. SRIKANTAN)
Principal Accountant General (Audit)-I,
Maharashtra

Countersigned



(C. G. SOMIAH)
Comptroller and Auditor General of India

New Delhi
The

27 दिसम्बर
DEC 1995

APPENDICES

APPENDIX
YEAR-WISE DETAILS OF OUTSTANDING
AS ON 30TH

Reference : Paragraph 1.13

Sr. No. (1)	Name of Receipt (2)	Upto 1990-91			1991-92		
		I.Rs (3)	Objs. (4)	Amount (5)	I.Rs (6)	Objs. (7)	Amount (8)
1.	Sales Tax	205	430	140.95	223	587	76.35
2.	Land Revenue	699	1060	2242.13	41	98	91.34
3.	Agricultural Income Tax	28	45	3.00	—	—	—
4.	Stamp Duty and Registration Fees	380	911	655.56	45	145	134.41
5.	Forest Receipts	111	147	634.03	21	42	203.26
6.	Taxes on Vehicles	46	81	44.33	18	41	129.07
7.	Entertainments Duty	37	47	2.89	22	27	0.46
8.	State Excise	44	64	0.28	19	35	2.12
9.	Electricity Duty	—	—	—	1	2	0.42
10.	Tax on Professions	30	72	8.05	23	50	11.11
11.	State Education Cess	21	36	41.70	19	32	16.47
12.	Tax on Residential Premises	—	—	—	—	—	—
13.	Repair Cess	5	7	—	3	4	0.53
14.	Other Non-tax Receipts	55	78	89.75	6	8	52.66
Total		1661	2978	3862.67	441	1071	718.20

I

AUDIT OBSERVATIONS UNDER VARIOUS RECEIPTS

JUNE 1995

Page No. 15

(Amount in lakhs of rupees)

1992-93			1993-94			1994-95 (Upto 31.12.1994)			TOTAL		
IRs. (9)	Objs. (10)	Amount (11)	IRs. (12)	Objs. (13)	Amount (14)	IRs. (15)	Objs. (16)	Amount (17)	IRs. (18)	Objs. (19)	Amount (20)
311	817	144.75	500	1223	328.14	436	1237	200.75	1675	4294	890.94
45	153	124.32	162	464	17200.99	71	221	244.03	1018	1996	19902.81
—	—	—	—	—	—	—	—	—	28	45	3.00
26	279	260.62	60	296	249.11	109	403	260.66	620	2034	1560.36
39	89	3612.40	36	80	1626.12	38	172	2313.07	245	530	8388.88
18	45	27.02	28	89	37.25	22	85	32.95	132	341	270.62
23	30	9.90	37	50	6.03	43	74	9.92	162	228	29.20
21	35	3.78	28	36	10.92	18	32	26.52	130	202	43.62
2	2	2.31	3	3	28.17	8	12	1.03	14	19	31.93
28	58	4.92	29	58	10.54	32	74	28.43	142	312	63.05
17	29	28.23	31	68	279.81	22	43	6.60	110	208	372.81
1	1	—	2	4	0.03	5	14	1.16	8	19	1.19
6	8	0.99	6	11	44.20	10	15	11.93	30	45	57.65
8	9	2.62	13	22	14.95	14	19	71.22	96	136	231.20
545	1555	4221.86	935	2404	19836.26	828	2401	3208.27	4410	10409	31847.26

IRs = Inspection Reports

Objs = Objections

APPENDIX II

(Reference Paragraph 1.14 - Page No. 15)

Statement showing number of paragraphs in respect of which explanatory memoranda have not been received

Sr. No.	Name of the department	1989-90	1990-91	1991-92	1992-93	1993-94	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Finance	22	15	21	17	17	92
2.	Home	15	13	9	7	5	49
3.	Revenue and Forests Labour	31	32	18	20	12	113
5.	Housing and Special Assistance	1	—	2	—	—	3
6.	Urban Development	—	1	1	—	—	2
7.	Public Works	—	—	—	—	1	1
	Total	72	61	54	45	35	267

APPENDIX III

(Reference Paragraph 1.14 - Page No. 15)

Statement showing number of paragraphs in respect of which action taken notes on recommendations of the Public Accounts Committee have not been received

Sr. No.	Name of the Department	1986-87	1987-88	1988-89	Total
(1)	(2)	(3)	(4)	(5)	(6)
1.	Revenue and Forests	3	—	1	4
2.	Finance	—	1	1	2
	Total	3	1	2	6

APPENDIX IV

(Reference Paragraph 3.2 - Page No. 38)

Statement showing cases in which licence fee was recovered short

Sr. No.	District	Nature of licence	No. of licensees	Licence fee recovere short (In lakhs of rupees)	Remarks
(1)	(2)	(3)	(4)	(5)	(6)
1.	Amravati	CL II	5	2.75	The department recovered Rs.1.25 lakhs (between anuary 1995 and March 1995) in 3 cases.
		FL III	14	2.46	The department recovered (December 1994 and January 1995) Rs.2.31 lakhs in 12 cases.
2.	Bombay	CL II	19	8.82	The department recovered (between July 1994 and May 1995) Rs.4.32 lakhs in 11 cases.
3.	Chandrapur	CL II	3	1.40	An amount of Rs.40,000 was recovered (January/ March 1995) from one licensee.
4.	Jalgaon	CL II	2	1.00	Final reply not received.
		CL III	10	1.21	The department recovered (March 1995) an amount of Rs.93,000 in 8 cases.
		FL III	7	1.28	The department recovered (between December 1994 and March 1995) Rs.1.08 lakhs in 6 cases.
5.	Nanded	FL III	7	1.37	The department recovered (between December 1994 and March 1995) Rs.1.17 lakhs in 6 cases.
6.	Parbhani	FL III	5	0.91	The department recovered (December 1994) Rs.71,000 in 4 cases.
7.	Pune	CL II	8	3.80	The department recovered (between November 1994 and March 1995) Rs.1.30 lakhs in 3 cases.
		FL I	3	1.50	The department recovered (between December 1994 and February 1995) Rs.70,000 in 2 cases.
8.	Raigad	CL II	3	1.50	The department recovered (November/ December 1994 and March 1995) Rs.1.10 lakhs.
		FL III	22	4.08	The department recovered (between October 1994 and March 1995) Rs.3.88 lakhs in 21 cases
		Total	108	32.08	

35118