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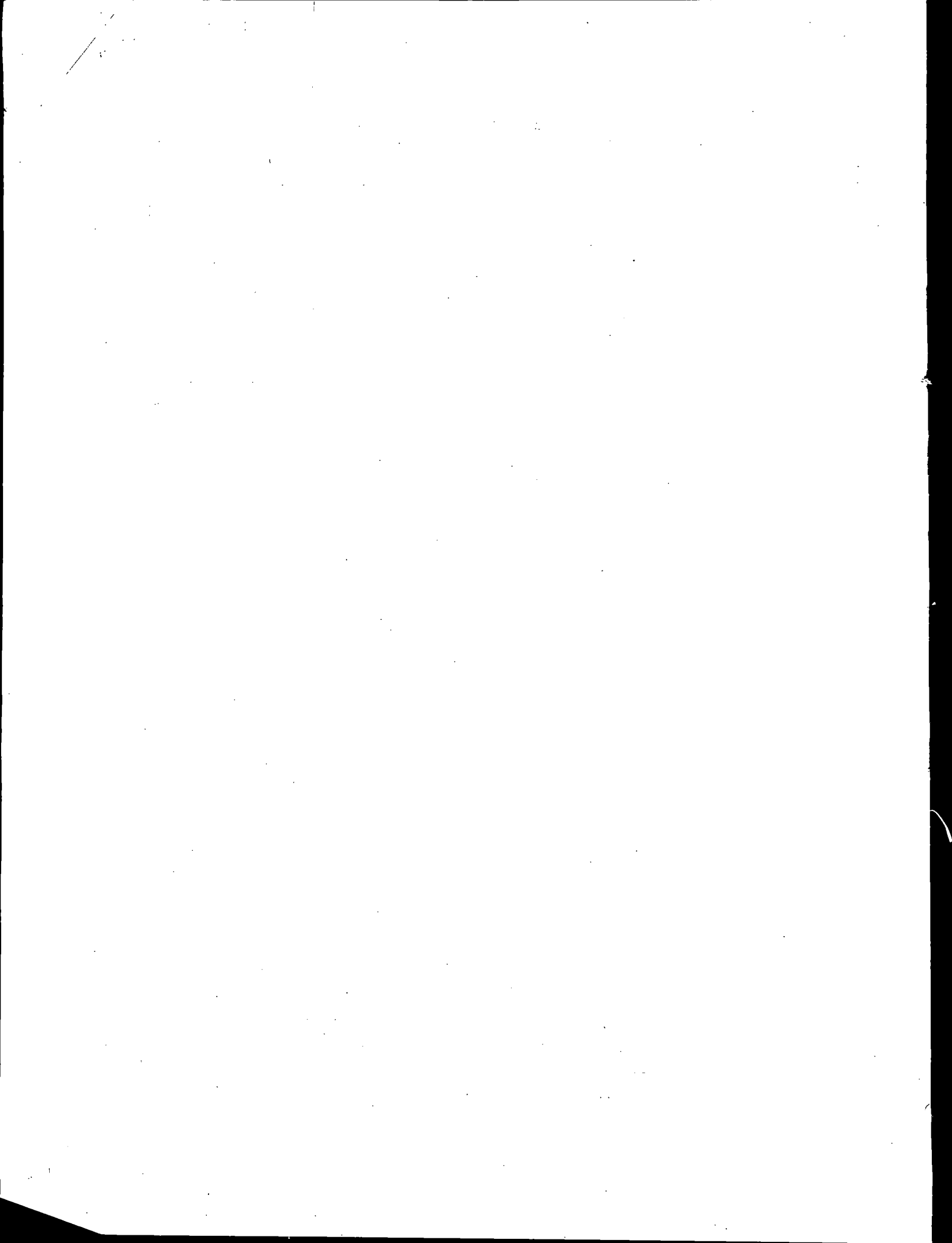


# Report of the Comptroller and Auditor General of India

for the year ended 31 March 2004

(Revenue Receipts)

Government of Madhya Pradesh



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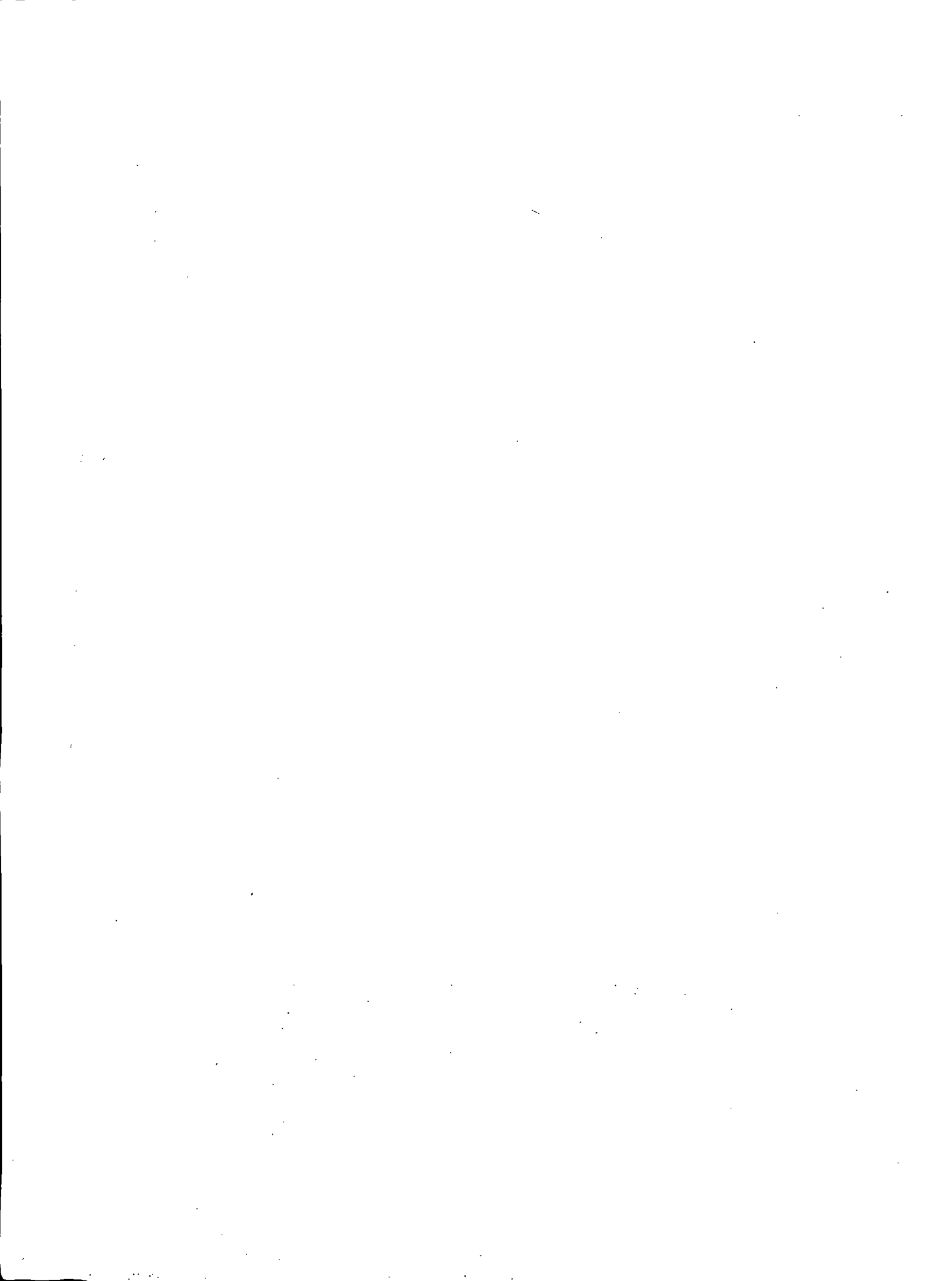
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## PREFACE

*This Report for the year ended 31 March 2004 has been prepared for submission to the Governor under Article 151 (2) of the Constitution.*

*The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising commercial tax, state excise duty, taxes on vehicles, land revenue, other tax receipts, forest receipts, mining receipts and other 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 2003-2004 as well as those noticed in earlier years but not covered in previous years' Reports.*





## OVERVIEW

This report contains 42 paragraphs, including two reviews, relating to non/short-levy of tax, interest, penalty etc., involving Rs.125.53 crore. Some of the major findings are mentioned below:

### **I. General**

- (i) The Government of Madhya Pradesh raised a total revenue of Rs.8,268.68 crore in 2003-2004, comprising tax revenue of Rs.6,788.86 crore and non-tax revenue of Rs.1,479.82 crore. The Government also received Rs.6,020.28 crore from the Government of India as its share of the net proceeds of divisible Union taxes (Rs.4,247.14 crore) and grant-in-aid (Rs.1,773.14 crore). Total receipts during the year were thus, Rs.14,288.96 crore. Sales Tax/Central Sales Tax (Rs.3,293.26 crore) formed a major portion (49 percent) of the tax revenue. Receipts from non-ferrous mining and metallurgical industries (Rs.646.71 crore) accounted for 44 percent of the non-tax revenue.

*(Paragraph 1.1.1 to 1.1.3)*

- (ii) Test-check of records of Commercial Tax, State Excise, Motor Vehicles Tax, Land Revenue, Stamps and Registration fees, Other Tax Receipts, Forest Receipts and Other Non-Tax Receipts conducted during the year 2003-04 revealed under assessment/short-levy/loss of revenue amounting to Rs.920.26 crore in 1,96,236 cases. During the course of the year the departments accepted under-assessment of Rs.392.58 crore in 96,740 cases pointed out in 2003-04 and earlier years.

*(Paragraph 1.9)*

### **II. Commercial Tax**

Review on **Exemptions and Concessions in Commercial Tax against declaration forms/certificates** revealed the following:

- Declarations furnished in support of sales valued at Rs.509.76 crore involving tax of Rs.20.76 crore were not referred to concerned authorities for cross verification.

*(Paragraph 2.2.5)*

- Non/short-levy of tax of Rs.22.56 crore due to incorrect allowance of exemption and incorrect levy of concessional rate of tax against incomplete declarations was noticed.

*(Paragraph 2.2.6)*

1.1.2 The details of tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below:-

(Rupees in crore)

Sr. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Per cent increase (+)/ decrease (-) in 2003-2004 over 2002-2003
1.	(a) Sales Tax (b) Central Sales Tax	25,55.08	2,766.57	2,360.74	2,906.20	3,293.26	(+) 13.31
2.	State Excise	1,073.38	9,74.94	704.68	890.32	1,085.89	(+) 21.97
3.	Stamps and Registration Fees	470.12	477.08	444.96	535.05	614.49	(+) 14.85
4.	Taxes and Duties on Electricity	611.48	447.91	268.19	801.26	697.06	(-) 13.00
5.	Taxes on Vehicles	402.01	405.90	393.33	428.64	454.92	(+) 6.13
6.	Taxes on goods and passengers	428.36	333.85	262.40	351.20	390.99	(+) 11.33
7.	Other Taxes on Income and Expenditure Tax on Professions, Trades, Callings and Employments	179.58	167.50	173.05	187.44	188.90	(+) 0.78
8.	Other Taxes and Duties on Commodities and Services	26.94	22.95	19.99	20.08	15.32	(-) 23.70
9.	Land Revenue	43.26	38.47	48.21	40.44	43.63	(+) 7.89
10.	Hotel Receipts	5.00	4.41	3.43	3.92	4.40	(+) 12.24
	Total	5,79,5.21	5,639.58	4,678.98	6,164.55	6,788.86	(+) 10.13

Reasons for variations in receipts during 2003-2004 compared to those of 2002-2003 as intimated by the respective departments are given below:-

**Sales Tax/Central Sales Tax:** The increase (13.31 per cent) was due to levy of tax on use of telephone instruments, equipments, plant and machinery used in telecommunication network etc. and more receipts from inter-State sales.

**State Excise:** The increase (21.97 per cent) was due to more receipts under the head country spirits, foreign liquor and spirits and normal growth in revenue.

**Stamps and Registration Fees:** The increase (14.85 per cent) was due to more receipts under the head sale of stamps and normal growth in revenue.

**Taxes on goods and passengers:** The increase (11.33 per cent) was due to more receipts under the head Tax on entry of goods into Local Areas and normal growth in revenue.

**Taxes and Duties on Electricity:** The decrease (13 per cent) was due to less receipt under the head taxes on consumption and sale of electricity.

Reasons for variation in respect of other departments though called for have not been received. (May 2005)

**1.1.3** The details of major non-tax revenue raised during the year 2003-2004 along with the figures for the preceding four years are given below: -

(Rupees in crore)

Sl. No.	Head of Revenue	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Percentage increase (+)/ decrease (-) in 2003-2004 over 2002-2003
1.	Interest Receipts	257.07	184.56	246.59	32.05	19.22	(-) 40.03
2.	Dairy development	7.87	0.04	--	--	--	--
3.	Other Non-Tax Receipts	254.78	208.14	237.68	249.32	144.57	(-) 42.01
4.	Forestry and Wild life	315.28	372.56	306.45	497.30	496.75	(-) 0.11
5.	Non-ferrous Mining and Metallurgical Industries	867.84	721.04	528.39	590.69	646.71	(+) 9.48
6.	Miscellaneous General services (including lottery receipts)	101.02	75.17	141.03	120.94	22.92	(-) 81.05
7.	Power	478.87	0.28	0.05	0.24	0.12	(-) 50.00
8.	Major and Medium Irrigation	66.85	47.17	39.15	24.64	37.80	(+) 53.41
9.	Medical and Public Health	15.45	8.76	16.14	20.36	10.98	(-) 46.07
10.	Co-operation	18.39	16.79	13.23	14.45	15.60	(+) 7.96
11.	Public Works	13.03	21.84	6.75	8.57	9.09	(+) 6.07
12.	Police	33.96	32.95	42.49	39.23	24.99	(-) 36.30
13.	Other Administrative Services	38.56	35.03	23.73	37.69	51.07	(+) 35.50
	Total	2,468.97	1,724.33	1,601.68	1,635.48	1,479.82	(-) 9.52

Reasons for variations in receipts during 2003-04 compared to those of 2002-03 as intimated by the respective departments are given below:

**Miscellaneous and General Services:** The decrease (81.05 per cent) was due to less receipts under the head unclaimed deposits.

Reasons for variations in respect of other departments though called for have not been received. (May 2005).

### 1.2 Variations between Budget estimates and actuals

(a) The variations between the budget estimates and actuals of revenue receipts for the year 2003-2004 in respect of the principal heads of tax and non-tax revenue are given below:-

(Rupees in crore)

Sl. No.	Head of Revenue	Budget Estimates	Actuals	Variation excess (+) or shortfall (-)	Per cent of variation
<b>A. Tax Revenue</b>					
1.	Sales Tax	3,340.00	3,293.26	(-) 46.74	1.40
2.	State Excise	1,100.00	1,085.89	(-) 14.11	1.28
3.	Stamp and Registration Fees	610.00	614.49	(+) 4.49	0.74
4.	Taxes and Duties on Electricity	628.64	697.06	(+) 68.42	10.88
5.	Land Revenue	60.00	43.63	(-) 16.37	27.28
<b>B. Non-Tax Revenue</b>					
1.	Forestry and Wildlife	400.00	496.75	(+) 96.75	24.19
2.	Non ferrous mining and metallurgical Industries	658.18	646.71	(-) 11.47	1.74
3.	Co-operation	11.00	15.60	(+) 4.60	41.82

The reasons for substantial variation between budget estimates and actual receipt reported by one Department were as under:-

**Taxes and Duties on Electricity:** The increase (10.88 per cent) was due to recovery of arrears and increase in tariff.

The reasons for substantial variation between budget estimates and actuals, though called for, have not been received from the other departments (May 2005).

### 1.3 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of expenditure to gross collection during the years 2001-2002, 2002-2003 and 2003-2004 along with the relevant all India average percentage of expenditure on collection to gross collection for 2001-2002 were as follows:-

(Rupees in crore)

Sl. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2001-02
1.	Sales Tax	2001-02	2360.74	37.42	1.59	1.26
		2002-03	2906.21	41.14	1.42	
		2003-04	3293.26	50.84	1.54	
2.	Taxes on Vehicles and Taxes on Goods and Passengers	2001-02	655.73	10.94	1.67	2.99
		2002-03	779.84	14.71	1.89	
		2003-04	845.91	16.27	1.92	
3.	State Excise	2001-02	704.68	87.64	12.44	3.21
		2002-03	890.32	106.28	11.94	
		2003-04	1,085.89	226.27	20.84	
4.	Stamp Duty and Registration Fee	2001-02	444.96	59.87	13.46	3.51
		2002-03	535.05	56.48	10.56	
		2003-04	awaited	awaited	awaited	

It is evident from the above table that cost of collection of State Excise and Stamp Duty and Registration fee was much higher than the All India average. Action is called for to bring down the cost of collection of these taxes and fee.

Details of cost of collection and expenditure on collection of revenue for the year 2003-04 have not been received in respect of Stamp Duty and Registration fee.

**1.4 Collection of sales tax per assessee**

(Rupees in crore)

Year	No. of assessee	Sales Tax revenue <sup>2</sup>	Revenue/assessee
1999-2000	1,83,166	2,583.37	0.014
2000-2001	1,53,735	2,272.42	0.015
2001-2002	2,10,104	2,393.44	0.011
2002-2003	2,24,298	2,923.62	0.013
2003-2004	2,23,157	3,370.75	0.015

**1.5 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs.872.81 crore of which Rs.38.45 crore was outstanding for more than five years as detailed in the following table:-

(Rupees in crore)

Sr. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004
1.	Taxes on vehicle	20.35	Not furnished
2.	Excise	43.39	22.21
3.	Taxes & Duties on Electricity	52.83	7.31
4.	Sales Tax	646.47	Not furnished
5.	Non-ferrous mining and metallurgical industries	49.59	Not furnished
6.	Co-operation	8.66	3.96
7.	Stamp Duty and Registration Fees	51.52	4.97 (28 districts)
	Total	872.81	38.45

**1.6 Arrears of assessment**

The details of cases pending assessment at the beginning of the year, 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 2003-04 as furnished by the Sales Tax Department in respect of Sales Tax, Profession Tax, Purchase Tax on Sugar cane, Entry Tax, Lease Tax, Luxury Tax and Tax on Works contracts etc. are given below:-

<sup>2</sup> Figures furnished by Department varies with Finance Account figures

Name of Tax	Opening Balance	New cases due for assessment during the year	Total assessment due	Cases disposed of during the year	Balance at the end of the year	Percentage of column 5 to 4
<b>Finance Department</b>						
Sales Tax	2,59,313	3,23,197	5,82,510	2,96,147	2,86,363	50.84
Motor Spirit Tax	--	--	--	--	--	--
Professional Tax	83,576	99,390	1,82,966	94,912	88,054	51.87
Purchase Tax on Sugar Cane	--	--	--	--	--	--
Entry Tax	1,36,509	1,97,180	3,33,689	1,73,980	1,59,709	52.14
Lease Tax	--	--	--	--	--	--
Luxury Tax	471	681	1152	713	439	61.89
Tax on Works contracts	1,201	883	2084	1,028	1,056	49.33
<b>Total</b>	<b>4,81,070</b>	<b>6,21,331</b>	<b>11,02,401</b>	<b>5,66,780</b>	<b>5,35,621</b>	<b>51.41</b>

### 1.7 Evasion of Tax

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

(Rupees in crore)

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2003	Cases detected during 2003-2004	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc. raised		No. of cases pending finalisation as on 31 March 2004
					No. of cases	Amount of demand	
1.	Sales Tax	240	172	412	262	22.57	150
2.	State Excise	1,217	332	1,549	245	0.02	1,304

### 1.8 Refunds

The number of refund cases pending at the beginning of the year 2003-2004, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-2004 as reported by the departments are given below:-



(Rupees in crore)

Sl. No.	Category	State Excise	
		No. of cases	Amount
1.	Claims outstanding at the beginning of the year	176	1.43
2.	Claims received during the year	17	0.30
3.	Refunds made during the year	35	0.79
4.	Balance outstanding at the end of the year	158	0.94

### 1.9 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamps and Registration Fees, Other Tax Receipts, Forest Receipts and other Non-tax Receipts conducted during the year 2003-2004 revealed under-assessment/short levy/loss of revenue amounting to Rs.920.26 crore in 1,96,236 cases. During the course of the year the departments accepted under-assessment and other losses of Rs.392.58 crore in 96,740 cases pointed out in 2003-2004 and earlier years. No replies have been received in respect of the remaining cases.

This Report contains 42 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc. involving Rs.125.53 crore. The Department/Government accepted audit observations involving Rs.26.26 crore.

### 1.10 Lack of responsiveness of Government to audit

Inspection Reports (IR) issued upto December 2003, pertaining to various offices of Commercial tax, Land revenue, Registration and other departments under Government of Madhya Pradesh disclosed that 20,261 paragraphs relating to 5,929 IRs remained outstanding since 1980-81 to the end of December 2003. Department wise position of the outstanding IRs and paragraphs was as under:-

(Rupees in crore)

S. No.	Department	No. of IRs	No. of Para	Amount
1.	2.	3.	4.	5.
1.	Commercial Tax	952	5,749	422.82
2.	Land Revenue	1449	3,745	988.92
3.	Excise	332	1,120	489.95
4.	Entertainment	162	219	3.82
5.	Mining	204	613	343.67
6.	M.V.T.	236	1,532	269.88



1.	2.	3.	4.	5.
7.	Electricity	80	251	173.45
8.	Registration and Stamp duty	862	1,960	70.36
9.	D.R.A.P. (PWD Irrigation PHE)	1,057	3,521	329.41
10.	Forest	595	1,551	857.74
	Total	5,929	20,261	3,950.02

A review of the IRs which were pending due to non-receipt of replies, in respect of Commercial Tax, Land Revenue and Registration Department revealed that the Head of the Offices and the Heads of the departments did not send reply to a large number of IRs/paragraphs, indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out by AG in the IRs. The Principal Secretaries/Secretaries of the departments, who were informed of the position through half yearly reports, also did not ensure that the concerned offices of the Department take prompt and timely action.

Inaction against the defaulting officers facilitated the continuance of financial irregularities and loss to the Government, though these were pointed out in Audit. It is recommended that Government should re-look into the procedure for action against the officials who failed to send replies to IRs/paragraphs within the prescribed time schedule, take action to recover loss/outstanding advances/over payments in a time bound manner and revamp the system to ensure proper response to the audit observations in the Department.

### ***1.11 Departmental Audit Committee Meetings/special drive***

High Power Committee consisting of representatives from the Government, the Heads of the Department and the Senior Deputy Accountant General met in the month of June 2003, 13 IRs and 137 paras in respect of Forest Department were settled. As a result of special drive in November 2003, 71 inspection reports and 894 paras in respect of Commercial Tax Department were settled.

### ***1.12 Response of the departments to Draft Audit Paragraphs***

The Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Audit Office to the Principal Secretaries/Secretaries of the departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from departments is invariably indicated at the end of each paragraph included in the Audit Report.

Draft paragraphs included in this Report were sent to the Principal Secretaries/Secretaries of the respective departments by name. The Principal Secretaries/Secretaries of the departments did not send replies to the draft paragraphs.

These paragraphs have been included in this report without the response of the Principal Secretaries/Secretaries of the Departments.

***1.13 Follow up on Audit Report***

The Report of the Comptroller & Auditor General of India for the year ended 31 March 2003 (Revenue Receipts) was laid on the table of Vidhan Sabha on 09 December 2004. Reports upto the year 1994-95 have been discussed.

The Audit Reports for the period 1995-96 to 2001-2002 have been discussed partially and recommendations of Public Accounts Committee (PAC) have not been received. Action taken reports on the PAC recommendation upto 1985-86 have been received. In respect of Audit Report 1986-87, the reports have been received only from eight departments.

**CHAPTER - II**  
**COMMERCIAL TAX**

**2.1 Results of Audit**

Test-check of assessment cases and other records relating to Commercial Tax Department during the year 2003-2004 revealed under-assessment, non/short-levy of tax and penalty, application of incorrect rate of tax etc., involving Rs.135.46 crore in 1282 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Review on Exemption and Concessions in Commercial Tax against declaration forms/certificates	01	64.90
2.	Non/short-levy of tax	212	6.94
3.	Application of incorrect rate of tax	150	3.38
4.	Incorrect determination of taxable turnover	113	6.42
5.	Incorrect grant of exemption/deduction/set off	295	17.87
6.	Others	511	35.95
	<b>Total</b>	<b>1,282</b>	<b>135.46</b>

During the year 2003-2004, the Department accepted under-assessment of tax etc. of Rs.35.51 crore in 506 cases.

A review, 'Exemptions and Concessions in Commercial Tax against Declaration Forms/Certificates' and other important observations involving Rs.71.19 crore are given in the following paragraphs:

## **2.2 Review on Exemption and Concessions in Commercial Tax against declaration forms/certificates**

### *Highlights*

- Declarations furnished in support of sales valued at Rs.509.76 crore involving tax of Rs.20.76 crore were not referred to concerned authorities for cross verification.  
(Paragraph 2.2.5)
- Non/short-levy of tax of Rs.22.56 crore due to incorrect allowance of exemption and incorrect levy of concessional rate of tax against incomplete declarations was noticed.  
(Paragraph 2.2.6)
- There was under-assessment of tax of Rs.11.58 crore due to incorrect allowance of transfer of goods to places not included in the registration certificates.  
(Paragraph 2.2.7)
- Exemptions/deferment of payment of tax of Rs.5.25 crore on eligibility certificates was incorrectly granted.  
(Paragraph 2.2.8)
- Purchase tax and penalty of Rs.4.07 crore was not levied/imposed in 27 cases.  
(Paragraph 2.2.9)

### **2.2.1 Introduction**

The Madhya Pradesh *Vanijyik Kar Adhiniyam*, 1994 (*Adhiniyam*) provides that the State Government may, by notification and subject to such restrictions and conditions as may be specified therein, exempt any class of dealers; or any goods or class of goods, in whole or in part from the payment of tax under this Act for such period as may be specified in the notification. The State Act, also required that the registered dealer purchasing the goods exempted in whole or in part, from the payment of tax under this Act, shall furnish a declaration or certificate to the effect that the goods purchased were used by him for the purpose/in the manner and within the period specified in the notification granting such exemption/concession.

Under the Central Sales Tax Act, 1956 (CST Act) registered dealers are eligible for certain exemptions and concessions of tax on inter-State sales to registered dealers, to the Government, for transfer of goods to branches/agent and on export of goods out of the territory of India on the strength of prescribed declaration forms.

### **2.2.2 Organisational set-up**

The Commercial Tax Department functions under the overall control of the Commissioner, Commercial Tax (CCT) with Headquarters at Indore, assisted by eight

Additional Commissioners at Headquarters and Zonal levels, 23 Deputy Commissioners (DCs) both at Zonal and Divisional level, 59 Assistant Commissioners (ACs), 155 Commercial Tax Officers (CTOs), 266 Assistant Commercial Tax Officers (ACTOs) and 306 Commercial Tax Inspectors at Circle level. The Principal Secretary, Commercial Tax Department is the administrative head of the department.

### **2.2.3 Audit objective**

Test check of records was conducted with a view to ascertain :

- compliance of the various provisions of the Act, Rules and Procedures;
- effectiveness of regulations and procedures laid down by the department for verification of declaration forms;
- adequacy of internal control for verification of declaration forms and their proper use by the departmental authorities;

### **2.2.4 Scope of Audit**

Assessment cases of 36 Assessing Officers out of 94 Assessing Officers, assessed during the period between April 1998 and March 2003, were test checked between July 2003 and April 2004.

### **2.2.5 Lack of internal controls in verification of declaration forms**

• The Commissioner, Commercial Tax in his instructions of June 1984 and June 1997 directed all the Assessing Authorities to send a list of all declarations exceeding Rs.20,000/- for verification to those circle offices within whose jurisdiction declarations/certificates were issued. The verification report in this regard was required to be received from the concerned circles within one month from the date of their despatch. However, no return was prescribed at apex level to watch such verification.

Test-check of records of 10 units<sup>1</sup> revealed that neither records of cases that required cross verification by the assessing authority were maintained in any unit by the assessing authority nor was any list of declaration forms/certificates sent by them to the concerned circle offices. It was noticed that in nine offices, 146 cases valued at Rs.491.83 crore involving tax effect of Rs.19.08 crore were finalised between April 2001 and March 2003 without getting the declarations verified from the concerned circles though the declarations exceeded the prescribed limit of Rs.20,000/-.

After this was pointed out in audit, the Assessing Authorities stated that list for cross verification could not be sent due to rush of work and shortage of staff. This is a clear indication of violation of the instructions. Besides, there was no monitoring at the apex level to watch the verification of the declaration forms.

• The CCT of the State of Bihar intimated in February 1996 to the CCT of M.P. that forged declarations in Form C/F were being used by the dealers of Bihar in

<sup>1</sup> AC Bhopal, Dewas, Indore (3), Ratlam, Ujjain, CTO-2 and 3 Bhopal and CTO-1 Ratlam

respect of purchase/transfer of goods against C/F forms. The CCT, Bihar had also requested CCT, M.P. not to accept the C/F Forms issued by the dealers of Bihar till verification by the issuing CTOs. The CCT, M.P. also issued instructions in July 1996 to all the Assessing Authorities of the State for cross verification of those transactions supported by such declarations before finalisation of the assessments.

Test-check of the records of five units<sup>2</sup> revealed that concessional rate of tax/exemption from payment of tax was allowed in nine cases of sales/transfers of goods valued at Rs.17.93 crore against declarations in Form C/F issued by the dealers of Bihar assessed between April 2001 and November 2002. No cross verification was done by the assessing authority inspite of the instructions though tax effect of Rs.1.68 crore was involved.

After this was pointed out in audit, the Department stated that cross verification of these transactions would be conducted in future. Further report on action taken in the matter had not been received (May 2005).

- In accordance with the instructions dated 29 June 1984 issued by CCT, internal audit wing was required to scrutinise the working of assessing officers to ensure the correctness of declarations/certificates on the basis of which exemptions were allowed. A report of the verification was required to be sent to CCT by internal audit wing.

During the course of audit, it was noticed that no internal audit was conducted in the units test-checked. Consequently, the correctness of the declarations made/certificates produced could not be verified or checked/brought to the notice of the CCT.

After this was pointed out, the Department confirmed the non-verification of the declaration forms/certificates and stated that internal audit wing was not at all functioning in four out of six units formed for internal audit due to non-posting of staff.

#### **2.2.6 *Incorrect allowance of exemption/concession on incomplete declaration forms***

Tax was exempted on sales made in the course of export out of the territory of India provided that such sales were supported by valid certificates in Form- H along with proof of export and export agreement. Similarly in case of branch transfer out of the state, in interstate trade or commerce and supplies to the Government were required to be supported by valid F, C, D Forms.

During the course of audit it was noticed that 68 dealers furnished incomplete declaration forms in support of sales made by them. However, the Assessing Authorities incorrectly allowed the exemption/concession resulting in short-levy of tax of Rs.22.56 crore as detailed under:-

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<sup>2</sup> *AC Dewas and Indore (4)*

**Cases relating to Export***(Rupees in crore)*

Sl. No.	Assessment Year/ No. of Units	No. of dealers/ cases	Nature of observations	Amount
1.	April 2001 to <u>March 2003</u> 09 Units	23	The declaration forms produced in support of export sales Rs.199.31 crore did not contain full particulars such as date of issue of purchase order, agreement between foreign buyers and the exporters. Besides, none of the assessments were based on export agreements between exporter and foreign purchaser. The declaration forms were liable to be rejected and the goods were liable to be taxed by the Assessing Authority.	8.43
<b>Remarks-</b> After this was pointed out, the Department stated that there was sufficient evidences in the case file to prove the export goods outside India. Reply is not tenable as exemption was allowed on the basis of incomplete declaration forms, which should have been rejected. Besides, there was no agreement between foreign purchaser and exporter.				

**Cases relating to Branch transfer***(Rupees in crore)*

Sl. No.	Assessment Year/ No. of Units	No. of dealers/ cases	Nature of observations	Amount
2.	April 2001 to <u>March 2003</u> 08 Units	15	Declarations produced in Form 'F' in support of transfer of goods to branches valued at Rs.112.86 crore did not contain full particulars such as date of delivery of goods, number and date of railway receipt/lorry, annexures were not signed by authorised persons. The Assessing Authority instead of rejecting the declaration forms exempted the sales from levy of tax.	11.71
<b>Remarks -</b> After this was pointed out, the Department stated that there were sufficient evidences in the case file to prove to the transfer of goods to other States. Reply was not tenable as exemption was allowed on the basis of incomplete declaration forms, which should have been rejected. No other evidence except Form F, which is incomplete was in the case file.				

**Cases relating to interstate sale/sale to Government department***(Rupees in crore)*

Sl. No.	Assessment Year/ No. of Units	No. of dealers/ cases	Nature of observations	Tax leviable
3.	May 2001 to <u>March 2003</u> 11 Units	20	The declarations in form "C" and "D" produced in support of interstate sale valued at Rs.26.05 crore did not contain full particulars such as registration numbers, effective date, invoice number, date and amount and purchase order number and date/challan number and date. The declarations were liable to be rejected and tax was liable to be levied at 10 per cent or at the rate applicable to the sale inside the State, which ever is higher, instead of 4 per cent levied by the department.	1.49
<b>Remarks-</b> After this was pointed out, the Department stated that action would be taken after verification. Further reply had not been received.				

- Under the CST Act and Rules made thereunder, any subsequent sale during the movement of goods from one State to another, is exempt from payment of tax, provided certificates in Form E-1 and declaration in Form C, containing the prescribed particulars duly signed by the concerned registered dealer, are furnished at the time of assessment.

(Rupees in crore)

Sl. No.	Assessment Year/ No. of Units	No. of dealers/ cases	Nature of observations	Tax leviable
4.	April 2001 March 2003 05 Units	10	The certificates in form E-1 produced in support of subsequent inter-State sales valued at Rs.17.29 crore did not contain number and date of railway receipt, description of quantity of goods, registration certificate numbers of the dealers who issued the certificates, name of the place and State from which the movement of goods commenced and that to which consigned and number and date of declaration in form-C received.	0.93
<b>Remarks:</b> After this was pointed out, the Department stated that action in two cases would be taken after verification and exemption in remaining cases was allowed correctly. Reply in remaining cases was not acceptable as the exemption was allowed on the basis of incomplete certificate, which should have been rejected.				

It was further seen that there was no monitoring at the apex level to verify the genuineness of the declarations, once these were accepted by the assessing authority.

### 2.2.7 *Incorrect acceptance of transfer of goods*

Under the CST Act, and Rules made thereunder, places of business in or outside the State(s) along with the address and other necessary particulars are required to be mentioned in the registration certificate of the dealer.

Test-check of records of three units<sup>3</sup> revealed that in seven cases of six dealers, assessed between May 2001 and June 2002, exemption from payment of tax on branch transfer of goods valued at Rs.115.84 crore to the places which were not specified as their branches in their registration certificates, was allowed. This resulted in under-assessment of tax of Rs11.58 crore.

After this was pointed out in audit, the Department stated that action would be taken after verification. Further report on action taken in the matter had not been received (May 2005).

### 2.2.8 *Incorrect grant of exemption/deferment of tax on eligibility certificates.*

According to different exemption schemes introduced by the State Government from time to time, exemption from payment/deferment of tax was not available, to a dealer who did not possess a valid eligibility certificate or manufactured/sold those goods that are not mentioned/specified in his eligibility certificate or sold goods beyond the exemption limits as specified in the eligibility certificate.

<sup>3</sup> AC Dewas, Gwalior and Indore



Test-check of records of eight units<sup>4</sup> in 21 cases of nine industrial units assessed between January 2000 and December 2002, revealed that the units claimed and were allowed exemption either in respect of those goods which were not mentioned in their eligibility certificates or the exemption was allowed beyond the permissible limits/period. This resulted in incorrect deferment/exemption of Rs.5.25 crore. A few illustrative cases are as under:-

- At Regional Office, Gwalior in two cases assessed in December 2002, a dealer was allowed exemption from payment of tax of Rs.3.14 crore on sale of Fluorescent Tube Lamp Shell valued at Rs.32.28 crore though this product was not mentioned in the eligibility certificate issued to the dealer under the tax exemption scheme of 1994 for the period 22 August 1996 to 21 August 2005. After this was pointed out, the Department agreed to take action.
- At Regional Office, Dewas in 12 cases assessed between January 2000 and June 2002, two dealers were entitled to tax deferment of Rs.3.12 crore against which the dealer had availed the deferment of tax of Rs.4.95 crore. This resulted in excess availment of deferment of tax of Rs.1.83 crore. After this was pointed out, the Department agreed to take action.
- At Regional Office, Gwalior in two cases assessed in November 2002, the dealer was allowed deferment of tax on the strength of provisional eligibility certificate issued in March 1998 and valid upto September 1998. However, the Assessing Authority allowed deferment of tax on sales of Rs.3.41 crore made during the year 1999-2000 which was incorrect. This resulted in non-levy of tax of Rs.13 lakh. After this was pointed out, the Department agreed to take action.

### 2.2.9 Non-levy of purchase tax/penalty

Under the *Adhiniyam*, a dealer who purchases goods on declarations without payment of tax for use or consumption as raw material in the manufacture of other goods for sale, is liable to pay tax at concessional rates on the purchase price of such goods. Further, if the tax free raw material purchased, is not used or consumed in the manufacture of goods specified in the eligibility certificate or the finished goods manufactured out of such raw material, is not sold within the State or in interstate trade, the dealer is liable to pay tax at full rate/ differential rate of tax, as the case may be, on the purchase price of such goods. Penalty equal to 25 per cent of the amount of tax is also payable under the *Adhiniyam*.

Test-check of records of 10 units<sup>5</sup> revealed that purchase tax and penalty amounting to Rs.4.07 crore was not levied by the assessing officers in 27 cases. A few illustrative cases are as under:

- At Regional Office, Gwalior in a case assessed in June 2002, raw material (Caprolactum) valued at Rs.68.01 crore was purchased on declarations without payment of tax. Purchase tax of Rs.78 lakh though leviable was not levied. After this was pointed out, the Department levied purchase tax of Rs.78 lakh.
- At Regional Office, Dewas in two cases assessed in March 2001 and May 2002, the Industrial Unit purchased Viscos Staple Fibre valued at

<sup>4</sup> AC Dewas, Gwalior (3), Indore, CTO Dhar, Gwalior and CTO V Indore

<sup>5</sup> AC Dewas, Gwalior, Indore (5), Ujjain, CTO Ratlam and CTO Vidisha

Rs.13.31 crore without payment of tax and consumed in the manufacture of Synthetic yarn. The purchase tax amounting to Rs.33.25 lakh though leviable was not levied. This resulted in non-levy of purchase tax of Rs.33.25 lakh. After this was pointed out, the Department agreed to take action.

- At Regional Office, Ujjain in one case assessed in December 2002, the industrial unit purchased raw material (Paper, Plastic, Gum etc.) amounting to Rs.3.50 crore without payment of tax and consumed in the manufacture of corrugated boxes. The purchase tax though leviable was not levied. This resulted in non-levy of the purchase tax of Rs.16.12 lakh. After this was pointed out, the Department agreed to take action.
- At Regional Office, Indore in one case assessed in June 2002, the industrial unit purchased raw material (Wheat) of Rs.10.87 crore without payment of tax and consumed in the manufacture of atta. But the atta was transferred to headquarters/branches situated outside the State on consignment basis. The purchase tax though leviable on purchase price of raw material was not levied. This resulted in non-levy of purchase tax of Rs.54.00 lakh.

This was pointed out to the Department in June 2004. Final reply was awaited.

### **2.2.10 Unauthorised exemption from production of declarations**

Under the *Adhiniyam* and Rules made thereunder, the goods used inside the State for generation or distribution of electric energy, shall be levied at the concessional rate of four per cent on production of a declaration in Form 32, otherwise, tax at full rate is leviable. Further, the State Government may by notification exempt any dealer from any provision of the *Adhiniyam* or any provision of a rule made thereunder.

Test-check of the records of four units<sup>6</sup> revealed that in 11 cases of eight dealers, the sales were not supported by declaration in Form 32 and the assessments for sale of transformers valued at Rs.14.03 crore were made between April 2001 and March 2003 at concessional rate. This resulted in under-assessment of tax of Rs.68 lakh.

After this was pointed out (between September 2003 and March 2004), the Department stated that the Commissioner, Commercial Tax in his instruction (December 1991) had exempted the dealer from production of declaration. The reply is not tenable as the concessional rate is allowable only on the basis of a notification by the State Government.

### **2.2.11 Recommendations**

The Government may consider to:

- evolve a system to ensure cross verification of declaration forms with other states/circles before allowing exemption.
- ensure that exemptions/deferments are supported by declaration forms properly filled in and with evidences.

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<sup>6</sup> AC Indore, Mandsaur, Ratlam and CTO-1 Ratlam

- strengthen internal control mechanism with a view to monitor that exemptions/deferments are within prescribed limits and as per eligibility certificates.

The matter was reported to the Commissioner, Commercial Tax and the Government in June 2004; their reply had not been received (May 2005).

### **2.3 Incorrect exemptions/determination of taxable turnover**

Under *Adhiniyam*, and rules made thereunder, transfer of goods in kind, in job work, is sale and is taxable. Dyes and chemicals are taxable at the rate of 13.8 and 4.6 per cent respectively.

**2.3.1** Test-check of records at Regional Office, Dewas revealed that a dealer used dyes and chemicals valued at Rs.3.43 crore in job work during 1998-99. However, while finalising the case in June 2002, the Assessing Authority exempted the turnover from payment of tax. This resulted in non-levy of tax of Rs.36.37 lakh.

After this was pointed out in audit, the Department raised the demand of Rs.36.37 lakh in August 2003. Details of recovery are awaited (May 2005).

**2.3.2** Under *Adhiniyam*, and rules made thereunder, taxable turnover is determined after allowing admissible deductions. Every dealer is required to maintain a correct account of his transactions and pay tax accordingly. Further, packing material sold alongwith taxable goods is taxable under the provisions of Act.

In three regional offices<sup>7</sup> and five circle offices<sup>8</sup> in 10 cases assessed between March 1999 and January 2003, taxable turnover was determined less by Rs.1.58 crore due to non-inclusion of hire charges, packing material and non-reconciliation of figures between the returns furnished and trading account/balance sheet etc. This resulted in short-levy of tax of Rs.8.12 lakh.

After this was pointed out in audit between July 2000 and October 2003, the Assessing Authorities agreed to take action in three cases and final reply in other cases is awaited.

The matter was reported to the Government between January 2003 and February 2004; their final reply had not been received (May 2005).

### **2.4 Non-levy of tax on sales incorrectly treated tax-free**

Under *Adhiniyam*, read with CST Act, commercial tax is leviable on the sale of PVC pipes, paddy and cotton bandage at the rates specified in the schedule/notifications issued time to time.

**2.4.1** Test-check of records of Regional Office, Dewas revealed that a dealer assessed in May 2002 had purchased whole pulses (*gram*) in 1998-99 without payment of tax and sold it outside the state, without undergoing any manufacturing

<sup>7</sup> Regional office- Gwalior and Indore (2)

<sup>8</sup> Circle office- Gwalior and Indore (4)

process. But the Assessing Officer treated it as sale of separated pulses and did not levy tax on these whole pulses valued at Rs.2.66 crore. This resulted in non-levy of tax of Rs.5.33 lakh.

After this was pointed out in audit, the Assessing Authority stated that action would be taken after verification.

**2.4.2** In three cases of Regional Offices, Indore and Gwalior and Circle Office, Rewa assessed between December 1999 and January 2003 for the period April 1996 to March 2000, incorrect deduction of tax free sale of PVC pipes, paddy and cotton bandage valued at Rs.2.47 crore involving tax effect of Rs.9.46 lakh was allowed. This resulted in non-levy of tax of Rs.9.46 lakh.

After this was pointed out in audit between March 2001 and August 2003, the demand of Rs.6.03 lakh was raised in May 2004 by the Regional office, Indore. Final reply had not been received in other cases.

The matter was reported to the Government between December 2003 and February 2004; their final reply had not been received (May 2005).

## **2.5 Non-levy of value added tax**

Under section 9-B of Madhya Pradesh *Vanijyik Kar (Sanshodhan) Adhiniyam*, 1997 value added tax (VAT) is leviable on added value of resale of any goods specified in Schedule-II, Part-II to VII of the Act, arrived at after prescribed deductions, in the case of turnover exceeding Rs.1 crore during the period 1997-99 and Rs.50 lakh thereafter. VAT is also leviable on added value of goods purchased from exempted unit and cash discount received but not deducted from purchase price of the goods.

Test-check of records of five Regional Offices<sup>9</sup> and Circle Office, Indore, revealed that in 12 cases assessed, for the period April 1997 to March 2000 between August 2000 and March 2003, VAT amounting to Rs.20.23 lakh was not levied on the added value of Rs.2.47 crore on resale of goods.

After this was pointed out in audit between January and September 2003, the Assessing Authority at Dewas, Guna, Gwalior and Indore raised additional demand of Rs.11.11 lakh including penalty. Further report on recovery is awaited. Final reply in other cases had not been received.

The matter was reported to the Government between December 2003 and February 2004; their final reply had not been received (May 2005).

## **2.6 Application of incorrect rate of tax**

Schedule-II to Madhya Pradesh General Sales Tax Act, (MPGST Act) 1958 and *Adhiniyam* 1994, specify the rates at which Sales Tax/Commercial Tax is leviable on different commodities.

<sup>9</sup> Regional office-Dewas, Guna, Gwalior and Indore (2)

Test-check of records between September 1998 and October 2003 in six regional offices<sup>10</sup> and 5 circle offices<sup>11</sup> revealed that in 13 cases assessed between April 2001 and January 2003 for the period from April 1998 to March 2000, tax on sales aggregating Rs.16.51 crore was levied at lower rates. This resulted in short-levy of tax amounting to Rs.45.66 lakh.

After this was pointed out in audit, the Assessing Authorities raised demand of Rs.12.34 lakh in five cases. In other cases final reply was awaited.

The matter was reported to the Government between April 2003 and January 2004; their final reply was awaited (May 2005).

## **2.7 Non-recovery of tax from closed Industrial units.**

Under MPGST Act and *Adhiniyam* 1994, and notifications issued thereunder, industrial units availing exemption from payment of tax under tax exemption schemes, 1986 and 1994, shall keep the unit running during the period of eligibility and continue to do so for a further period of five years from the date of expiry of eligibility certificate, failing which, shall render the eligibility certificate liable for cancellation with consequent recovery of the amount of exemption availed by the Unit.

**2.7.1** Test-check (between September 2002 and July 2003) of records at Regional Office, Gwalior revealed that an industrial unit exempted from payment of tax under tax exemption scheme, 1986 for the period from 23 September 1991 to 22 September 2000, was required to run up to 22 September 2005. The unit was, however, closed on 3 January 2001 i.e. within the stipulated period and the registration certificate was also cancelled with effect from 3 January 2001. The exemption of tax of Rs.11.28 crore so allowed during the aforesaid period though recoverable was not recovered.

After this was pointed out in audit, the Assessing Authority stated in July 2003 that eligibility certificate was not cancelled by Director of Industries. However, a reference for cancellation of eligibility certificate had been made to DIC Gwalior. Further action is awaited (May 2005).

**2.7.2** Similarly in four Regional Offices<sup>12</sup>, four industrial units were granted eligibility certificates under 1986 and 1994 schemes, for the period from 2 January 1992 to 17 July 2003. All the units were closed during the exemption period, therefore, the amount of tax exemption availed was recoverable. No action was, however, taken by the Department for recovery. This deprived the Government of revenue of Rs.14.23 crore as detailed below:-

<sup>10</sup> Regional office- Bhopal, Dewas, Gwalior (2), Jabalpur and Ujjain

<sup>11</sup> Circle Office- Bhopal, Dewas, Indore (2) and Jabalpur

<sup>12</sup> Regional offices - Gwalior, Indore (2), Ratlam

Sl. No.	Name of Unit	Period of assessment/ Date. of order	Commodity	Tax effect (in crore)
1.	2.	3.	4.	5.
1.	A.C. Gwalior	<u>1995-96 to</u> 1998-99	C.R. Steel strips	3.77
<b>Remarks :-</b> The unit was allowed exemption w.e.f. 21.11.1992 to 20.11.2001 but was closed in June 1999 hence the amount of exemption of tax availed during the period from April 1995 to March 1999 was recoverable. The Assessing Authority accepted the audit observation.				
2.	RAC Indore	<u>1998-1999</u> 26.6.2002	PVC Pipes & PVC Compound	1.26
<b>Remarks :-</b> The dealer was allowed exemption w.e.f. 29.8.1995 to 28.8.2004, but the unit was closed during the exemption period, hence the amount of tax exemption availed during the year 1995-96 and 1996-97 was recoverable. The Assessing Officer stated that the unit had been closed, however, the eligibility certificate once issued can not be cancelled retrospectively. Reply was not tenable since on breach of condition of notification, the amount of tax availed was recoverable.				
3.	RAC Indore	<u>1997-1998</u> 30.3.2001	Medicines	0.66
<b>Remarks :-</b> The industrial unit was exempted from payment of tax under 1986 exemption scheme for the period w.e.f. 1.2.1992 to 31.1.2001. The unit was required to run upto 31.2.2006 but was closed in February 1998. The eligibility certificate was required to be cancelled with consequent recovery of amount of tax exemption availed. After this was pointed out the Department stated that exemption was allowed on the basis of eligibility certificate. Reply is not tenable as because of violation of conditions, the tax exemption availed was required to be recovered.				
4.	A.C. Ratlam	<u>April 1997</u> March 1999	Edible oil & Ghee	8.54
<b>Remarks :-</b> The unit was granted exemption under 1994 scheme for the period w.e.f. 18.7.1997 to 17.7.2003. The unit was required to run upto 17.7.2009 but was closed in July 2001. The amount of tax exemption availed was recoverable. After this was pointed out the Department stated that the factory was given on lease and was operating. Reply was not tenable as the factory was leased on 25 August 2003 i.e. after the expiry of the exemption period.				

The matter was reported to the Government between February 2002 and September 2003; their final reply had not been received (May 2005).

## 2.8 Incorrect deduction of tax paid sales

Under *Adhiniyam*, 1994 and rules made thereunder, goods other than iron and steel manufactured out of tax paid iron and steel is taxable. In view of decision of Hon'ble Supreme Court of India<sup>13</sup>, manufacture of fabricated steel structures iron and steel is a manufacturing process.

Test-check of records at Circle Office, Jabalpur revealed that in a case, deduction of tax paid sale of fabricated steel structure manufactured out of tax paid iron & steel

<sup>13</sup> *M/s Ashirwad Ispat Udhyog and others V/s S.L.C. and other (1999) 32 VKN 65*

was allowed in April 2001, though it was taxable. This resulted in non-levy of tax of Rs.7.82 lakh on aggregated sale of Rs.84.97 lakh.

After this was pointed out in audit, the Department stated that conversion of Iron & Steel into structure is not a manufacturing process. Reply is not tenable in view of decision of Hon'ble Supreme Court of India.

The matter was reported to the Government; their final reply had not been received (May 2005).

## **2.9 Non-levy of entry tax**

Under the Madhya Pradesh *Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam*, 1976 and notifications issued thereunder, entry tax is leviable on goods entering in local area for sale, use or consumption as raw material or as incidental goods or as packing material at specified rates.

Test-check between December 2002 to August 2003 of records of four Regional Offices<sup>14</sup> revealed that in eight cases assessed between April 2001 to December 2002, entry tax was not levied on entry of poultry feed, paper, carbofarum tech, iron and steel, and machinery and parts valued at Rs.20.55 crore. This resulted in non-levy of entry tax of Rs.20.76 lakh.

After this was pointed out in audit between December 2002 and August 2003, in three cases the assessing officers raised the demand for Rs.5.76 lakh, while in the remaining five cases, final reply is awaited.

The matter was reported to the Government between December 2002 and December 2003; their final reply had not been received (May 2005).

<sup>14</sup> Regional Offices- Bhopal, Gwalior, Indore and Jabalpur





**CHAPTER - III**  
**STATE EXCISE**

**3.1 Results of Audit**

Test-check of records of State Excise conducted during 2003-2004 revealed non-assessment, under-assessment, loss of revenue and non-levy of penalty amounting to Rs.187.21 crore in 7660 cases, which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Loss in foreign liquor trade in Madhya Pradesh	2,833	44.69
2.	Loss of revenue due to low yield of alcohol	252	11.58
3.	Accumulation of arrears of licence fees/ auction money	627	34.65
4.	Non-levy of penalty for breach of conditions of licence	819	14.19
5.	Non-levy/recovery of duty on excess wastage	1,515	9.31
6.	Others	1,613	37.43
7.	Review on Working of distilleries	01	35.36
	<b>Total</b>	<b>7,660</b>	<b>187.21</b>

During the year 2003-2004, the Department accepted under-assessment of tax of Rs.167.96 crore involved in 7,167 cases.

A review, **Working of distilleries** and other important observations involving Rs.13.10 crore are discussed in the following paragraphs:

### **3.2.1 Review on Working of Distilleries**

#### **Highlights**

- Penalty of Rs.45.53 lakh was not imposed on short-production of 1.52 lakh proof litres alcohol.  
(Paragraph 3.2.7)
- Duty on export of foreign liquor worth Rs.1.71 crore on account of non-receipt of verification reports within the prescribed period was not recovered.  
(Paragraph 3.2.11)
- Penalty of Rs.1.17 crore was not imposed on non-maintenance of prescribed minimum stock by the distilleries.  
(Paragraph 3.2.14)

#### **3.2.2 Introduction**

Alcohol is produced in distilleries mainly from molasses and other bases like Mahua, Grain and Salseed' khali etc. through fermentation and distillation. Country and foreign liquor is manufactured from alcohol through process of blending/reduction, compounding and flavouring or colouring or both. The manufacture, distribution and sale of country and foreign liquor is governed by the Madhya Pradesh Excise Act, 1915 (Act)/rules and notifications issued thereunder. Licences for manufacture are granted/renewed every year on payment of prescribed fee by Excise Commissioner subject to prior approval of the State Government. Though the norms of production of alcohol from molasses have been prescribed in the Act, no norms have been laid down for production of alcohol from the base other than molasses.

Levy and collection of duties and fees on the production, possession, sale, export and import is the main source of the revenue of the Excise Department.

#### **3.2.3 Organisational set-up**

The Principal Secretary, Commercial Tax Department is administrative head at Government level and the Excise Commissioner (EC) is the Head of the Department. He is assisted by two Additional Excise Commissioners (Addl. ECs.), a Deputy Excise Commissioner (DEC), an Assistant Excise Commissioner (AEC) and two District Excise Officers (DEOs) with head quarter at Gwalior. One flying squad at State Level and seven flying squads at Divisional Level are working under the directions of EC. Collector is the head of Excise Administration in the district and is assisted by AECs at divisional head quarters and by DEOs at District head quarters/distilleries and bhang godowns.

#### **3.2.4 Scope of audit**

Records from 1999-2000 to 2003-04 of nine out of ten distilleries, 14 out of 17 bottling units in 11 districts and that of Excise Commissioner were test-checked between April 2003 and April 2004.

### 3.2.5 Audit objective

The review was conducted with a view to ascertain whether

- adequate norms exist for production of alcohol from raw materials and whether these are being adhered to
- proper compliance of the provisions of the Act/Rules is done by the Department.
- sufficient internal controls exist to safeguard the Government revenue.

### 3.2.6 Trend of Revenue

The budget estimates and actual revenue realised by the Excise Department during the last five years is shown in the table below:

(Rupees in crore)

Year	Budget estimates	Actuals	Variations	Percentage of variation
1999-2000	1,060	1,073.38	(+) 13.38	(+) 1.26
2000-2001	1,220	974.94	(-) 245.06	(-) 20.09
2001-2002	950	704.68	(-) 245.32	(-) 25.82
2002-2003	890	896.23	(+) 6.23	(+) 0.07
2003-2004	1,100	1,098	(-) 2.0	(-) 0.18

It would be seen from the above, that there was a huge variation between the Budget Estimates and the Actuals during 2000-2001 and 2001-2002.

### 3.2.7 Failure to achieve the norms of yield of alcohol

Madhya Pradesh Distillery Rules, 1995 require the distillers to maintain minimum fermentable and distillation efficiencies at 84 and 97 per cent respectively. Every quintal of fermentable sugar present in molasses as per departmental laboratory reports should yield 91.8 proof litres of alcohol. For this purpose, composite samples of the molasses are required to be drawn by the officer-in-charge of the distillery and sent for examination to the Departmental laboratory. In case, the distiller fails to maintain prescribed efficiencies and recovery of alcohol, the Excise Commissioner may impose maximum penalty of Rs.30 per proof litre.

It was seen in the audit of two distilleries<sup>1</sup> that as per chemical analysis report of departmental laboratory, 29,439.5 quintal fermentable sugar contained in 82,413 quintal of molasses used by the distillers the production of alcohol should have resulted in 27,02,547.4 proof litre of alcohol but the actual production of alcohol was 25,50,771.00 proof litre resulting in short-production of 1,51,776.4 proof litre of alcohol. However, the DEOs did not initiate any action to levy the penalty of Rs.45.53 lakh as detailed below:

<sup>1</sup> M/s Cox India Ltd., Nowgaon Chhatarpur and  
M/s Associated Alcohol and Breweries Barwah, Khargone

Period	Name of distillery	Molasses used in quintals	Quantity for fermentable sugar in quintals	Required production as per norms PL	Actual production PL	Shortfall PL	Penalty (Rupees in lakh)
May & June 2003	A	738	285.68	26,225.4	25,204.00	1,021.4	0.30
April to October 2003	B	81,675	29,153.83	26,76,322	25,25,567	1,50,755	45.23
		<b>82413</b>	<b>29,439.51</b>	<b>27,02,547.4</b>	<b>25,50,771</b>	<b>1,51,776.4</b>	<b>45.53</b>

The non-levy of penalty for non-achievement of the norms prescribed under the Act was also not monitored by the Excise Commissioner at any stage though a return in this regard was being sent to him by each DEO.

After this was pointed out in audit, the DEO (Distillery), Chhatarpur, stated that notices to the distillery would be issued while DEO (Distillery), Khargone, stated that production was according to the chemical analysis report of the Departmental laboratory. Reply was not tenable as the chemical analysis report of departmental laboratory has also indicated that the production was below the prescribed norm as such proceedings for levy of penalty should have been initiated by the DEO.

### **3.2.8 Production of alcohol not in consonance with the norms prescribed by ISS and Technical Excise Manual**

According to Indian Standard Specification (ISS) 95 per cent of total invert sugar<sup>2</sup> is fermentable.

Test-check of records of a distillery in Barwa Khargone revealed that the distiller used 1,06,425 quintal molasses between December 2002 and December 2003. As per departmental chemical analysis report the molasses contained invert sugar of 41,984.85 quintal from which fermentable sugar of 39,885.6 quintal should have been produced as per the ISS norms instead of 38,636.41 quintal shown to have been produced by the Department. This resulted in shortage of fermentable sugar of 1,249.20 quintal, which could yield 1,14,676.56 proof litre of alcohol involving excise duty of Rs.27.52 lakh.

This was pointed out in audit December 2003. The DEO (Distillery) stated that yield was on the basis of percentage of fermentable sugar shown in the chemical analysis report of the department laboratory.

The reply of the Department was not tenable as the quantity of the sugar fermentable as per departmental analysis was considerably less than that of ISS standard. The Department should therefore either follow ISS standard or should fix its own standards so that Government revenue is safe guarded against any future loss.

### **3.2.9 Production of alcohol from the base other than molasses**

The State Government has not laid down any norms for production of alcohol from the base other than molasses even after commitment of the Excise Commissioner (EC) in June 1997. However, as per provisions of Technical Excise Manual (TEM), a quintal of grain that may consist of Wheat, jawar and maize should yield 40.03 proof

<sup>2</sup> Invert sugar means the quantity of total reducing sugar present in the molasses

litre of alcohol while *mahua* and starch should yield 48.45 proof litre and 118.6 proof litre of alcohol respectively.

Test-check of records of four distilleries<sup>3</sup> revealed that the distilleries used 51,469 quintal grain, 9,621 quintal mahua and 1,95,360 quintal of flour during June 2002 to March 2004 and showed a production of 134.49 lakh proof litre of alcohol as against 257.06 lakh proof litre which should have been produced under the provision of Technical Excise Manual. This resulted in short-production of 122.57 lakh proof litre of alcohol involving excise duty of Rs.29.42 crore.

Thus, it would be seen from the above that there is a need for framing the norms for production of alcohol from bases other than the molasses to save the Government from any loss.

### **3.2.10 Inadmissible wastage of spirit**

The Distillery Rules allow wastage between 0.1 and 0.2 per cent on account of leakage or evaporation of spirit transported or exported in tankers from a distillery/warehouse to another distillery/warehouse. In case of wastage beyond permissible limit, the Excise Commissioner or the officer authorised for the purpose may impose penalty.

Test-check of records of five district excise offices<sup>4</sup> revealed between June 2001 and December 2003 that 45.13 lakh proof litre rectified spirit was transported/exported in tankers by four distilleries on 181 permits but only 44.82 lakh proof litre was acknowledged by the warehouse/importing State. The wastage of 0.23 lakh proof litre was in excess of the permissible limit of 0.08 lakh proof litre. Though penalty of Rs.6.90 lakh was leviable, no action was initiated to levy the same by the Department.

After this was pointed out in audit, the DEOs stated that the cases were sent to the concerned districts for necessary action.

### **3.2.11 Non/Late receipt of verification reports**

Madhya Pradesh Foreign Liquor Rules, 1996 provide that for export of foreign liquor within India, the exporter shall obtain a verification report from the officer in charge of the importing unit and furnish it to the authority who issued the export permit within 21 days of the expiry of period of permit. If the exporter fails to do so, the leviable duty on the foreign liquor exported shall be recovered.

- Test-check of records of District Excise office<sup>5</sup> of six districts revealed that excise duty of Rs.1.71 crore was not recovered from licensees on export of 2.85 lakh proof litre of foreign liquor on 75 permits during June 2002 to February 2004 as the verification reports were not received even after a lapse of one to 11 months as against the specified period of 21 days. No action for recovery of duty was taken by the Department. The failure of Department to recover duty has resulted in non-realisation of revenue of Rs.1.71 crore.

After this was pointed out in audit, the Department stated that action to collect verification reports would be taken. The reply is not tenable as in the absence of

<sup>3</sup> M/s Cox India limited Nowgaon Chhatarpur

<sup>4</sup> Balaghat, Dewas, Khargone, Rajgarh and Ujjain

<sup>5</sup> Chhatarpur, Dhar, Gwalior, Indore, Khargone and Ratlam

receipt of verification report within the prescribed period, the excise duty should have been levied/collected by the Department.

- In one distillery excise duty of Rs.1.19 crore was not recovered from distiller on export of 1.98 lakh proof litre of foreign liquor on 43 permits during April to September 2003 though the verification reports were received late by four to 149 days, resulting in non-recovery of Government revenue to that extent.

After this was pointed out in audit, DEO (Distillery) stated that the distiller had been directed to deposit the excise duty. Further reply had not been received.

### ***3.2.12 Loss of revenue due to non-disposal of foreign liquor***

The Madhya Pradesh Foreign Liquor Rules, 1996 provide that on the expiry or cancellation of the licence in Form FL-9, the licensee may place the entire stock of spirit and bottled foreign liquor, under the control of the DEO. The former licensee may be permitted to dispose of such balances within 30 days of expiry or cancellation of the licence. If he fails to do so, the Excise Commissioner may ask any other licensee of the state to buy all or part of such balance at a rate fixed or give directions about its disposal.

Test-check of records of DEO, Rajgarh revealed that 13,732 proof litre of foreign liquor and 11,752 proof litre of spirit of a Bottling Plant involving excise duty of Rs.15.29 lakh remained undisposed from the date of expiry of his licence on 31 March 2002. There was nothing on record to indicate that EC had asked any other licensee of the state to sell of the stock of spirit pending disposal. Thus, inaction on the part of Department resulted in blockage of revenue of Rs.15.29 lakh.

### ***3.2.13 Non-realisation of expenditure incurred on Government establishment***

Madhya Pradesh Distillery Rules, 1995 provide that if the expenditure incurred on the State Government establishment in a distillery exceeds five per cent of revenue earned on the issue of spirit there from by export fee or any other levy, the amount in excess of five per cent shall be realised from the distillers.

Test-check of records of four distillers<sup>6</sup> revealed that the expenditure incurred on Government establishment during 2002-2003 was Rs.12.20 lakh and the revenue earned by Government was Rs.42.93 lakh. Thus, expenditure of Rs.10.06 lakh in excess of five percent of revenue earned was realisable but not realised from the distillers.

After this was pointed out in audit, the Department stated that action would be taken to raise the demand in accordance with the rules. Further reply had not been received (May 2005).

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<sup>6</sup> *Gwalior Distillery Ltd., Rairu, Gwalior*  
*Rairu Distillery Ltd., Rairu Gwalior*  
*M/s Associated Alcohol Pvt. Ltd., Khodigram, Barwah, Khargone.*  
*M/s Agrawal Distillery Sabalpura Barwah, Khargone*

### 3.2.14 Non-maintenance of minimum stock of spirit at distillery

Madhya Pradesh Distillery Rules, 1995 require licensees to maintain prescribed minimum stock of spirit at the distillery. A penalty not exceeding Rs.5 per proof litre may be leviable on the quantity found short of the minimum prescribed stock by the EC.

Test-check of records of DEOs of four distilleries<sup>7</sup> revealed that the distillers did not maintain prescribed minimum stock of spirit on 26 occasions during December 2002 to March 2004. However, DEOs did not initiate any action to send the case to the EC for levy of penalty of Rs.1.17 crore on 23.47 lakh proof litre spirit found short. The EC also did not monitor the maintenance of the stock though a return in this regard was being sent to him by the DEOs.

After this was pointed out in audit, Officers incharge of all the distilleries stated that show cause notices for short-maintenance of stock have been issued. However, no action to initiate penalty proceedings was taken.

### 3.2.15 Recommendation

To plug loopholes and enforce control over working of distilleries the Government may consider:

- prescribing norms for chemical analysis of molasses and other bases to calculate and regulate production of alcohol to keep control over revenue leakage.
- evolving effective internal control and monitoring system for realisation of duty and levy of penalty.

## 3.3 Non-fixation of norms for yield of beer

Madhya Pradesh Brewery Rules, 1970 and 2002 do not lay down any norms for yield of beer. However, Para 243 of Technical Excise Manual provides that 36 gallon of wort is obtainable from 84 pounds of malt or 56 pounds of sugar. Further, Para 208 of the Manual provide an allowance of 5 percent wastage in the process of manufacture.

Test-check of records of DEO, Bhopal revealed that in one brewery 40,005 quintal malt and 10,296 quintal sugar were used during the period from October 2001 to January 2004 which yielded 185.05 lakh bulk litre as against produceable yield of 238.41 lakh bulk litre of wort under the provision of Technical Excise Manual. Short-production of 53.36 lakh bulk litre of wort or 50.69 lakh bulk litres of beer resulted in loss of excise duty of Rs.339.16 lakh.

This was pointed out in audit, Assistant Excise Commissioner, Bhopal stated that norms for yield of beer have not been provided in the rules. Reply is not tenable as in the absence of any norms, the provisions of 'Technical Excise Manual' should have been followed. No action to fix the norms had been taken by the department.

<sup>7</sup> M/s Associated Alcohol Pvt. Ltd., Barwah Khargone  
M/s Agarwal Distillery Barwah Khargone  
M/s Cox India Ltd. (Distillery) Nawgaon Chhatarpur  
M/s Ratlam Alcohol & Carbondioxide Plant Ratlam

The matter was reported to the Government (March 2004); their reply had not been received (May 2005).

### **3.4 Non-realisation of excise duty on unacknowledged export**

Madhya Pradesh Foreign Liquor Rules, 1996 provide that the leviable duty is to be recovered if verification reports of foreign liquor exported are not furnished by the exporters within the specified period of 21 days of the expiry of period of permit.

Test-check of records of DEO (Brewery), Indore revealed (November 2003) that excise duty of Rs.13.81 lakh was not recovered from one licensee on export of 1.38 lakh bulk litre beer during the period from June to October 2003. The verification reports were not received from importers after lapse of one to five months from the specified period. This resulted in non-recovery of excise duty of Rs.13.81 lakh.

After this was pointed out in audit, the DEO (Brewery), Indore stated that action to collect verification reports has been taken. The reply is not tenable as the rules require recovery of excise duty in the event of non-production of verification reports within prescribed period.

The matter was reported to the Government (February 2004); their reply had not been received (May 2005).

### **3.5 Non-pursuance of R.R.C. cases**

Madhya Pradesh Excise Act, 1915 provides for the recovery of excise revenue from the person primarily liable to pay the same or from his surety (if any) as arrears of land revenue. Further for finalisation of RRC (Revenue Recovery Certificates) cases, action was to be taken by the Tahsildar under whose jurisdiction the case falls.

Test-check of records of DEO, Mandsaur revealed that in two cases after cancellation of licence, RRC's for recovery of Rs.8.11 crore were issued between August 2000 and December 2001 to Tahsildar, Mandsaur. In one case the Tahsildar after receipt of RRC in December 2001 had not even issued Demand Notice while other case was irregularly transferred to Collector, Neemuch for further action in jurisdiction of another Tahsildar. Thus, transfer of the case to Collector, Neemuch resulted in non-realisation of revenue of Rs.8.11 crore.

After this was pointed out in audit (August 2002), DEO stated that the revenue recovery certificate was sent to the Collector, Neemuch for effecting recovery of dues. The reply is not tenable as the defaulters belonged to Mandsaur district hence transmission of revenue recovery certificate to the Collector, Neemuch was irregular.

The matter was reported to the Government (January 2003); their reply had not been received (May 2005).



**CHAPTER - IV**  
**TAXES ON VEHICLES**

**4.1 Results of Audit**

Test-check of records relating to taxes on vehicles during the year 2003-2004 revealed non-assessment/under-assessment of tax and losses of revenue amounting to Rs.25.83 crore in 28,301 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Non/short-levy of vehicle tax, penalty and composition fee on public service vehicles	1,733	10.68
2.	Non/short-levy of vehicle tax and penalty on goods vehicles	884	2.87
3.	Others	25,684	12.28
	<b>Total</b>	<b>28,301</b>	<b>25.83</b>

The Department accepted under-assessment/losses etc. in 28,297 cases involving Rs.25.80 crore, which were pointed out in audit during 2003-2004.

A few illustrative cases involving Rs.16.80 crore are given in the following paragraphs:

## **4.2 Working of National Permit Scheme and Taxes on All India Tourist Permit Vehicles**

### **4.2.1 Introduction**

National Permit Scheme was introduced in December 1975 by the Government of India under the provisions of the Motor Vehicles Act (MV Act), 1988 with a view to promote nationwide smooth operation of goods carriage by road to achieve the economic development of the country through long distance transportation by road. Under the scheme, States and Union Territories are authorised to grant national permits to the owners of public carriers for carriage of goods throughout the country or in such contiguous States not being less than four in number including home State. According to the provisions of the Central Motor Vehicles Rules, 1989 a tourist permit is granted to a tourist vehicle subject to fulfilment of specified conditions, with a view that service has to be maintained regularly to provide un-interrupted transport facility to the public.

The intending operators are required to pay the prescribed permit fee and authorisation fee to the home State in addition to the taxes levied for issue of National/Tourist permit. A composite tax is also, required to be paid by an operator in advance for each year at one time or in two equal six monthly instalments at the time of grant of authorisation to respective State/Union Territory in lieu of permission to operate their vehicles. Taxes and fees are to be correctly levied and realised on due date under National Permit Scheme and All India Tourist Permit, in accordance with the provisions of Acts/Rules and instructions issued by the Transport Commissioner. The records of Transport Department were test-checked.

### **4.2.2 Deposit of bank drafts in the Government Account**

To guard against the non-accountal, delay in accounting/encashment and revalidation of bank drafts received from other States under National Permit Scheme, the Transport Commissioner (TC) issued (July 1992) instructions to the tax officer to ensure prompt deposit and credit of Bank drafts in the Government account and revalidate time barred bank drafts.

- Test-check of records of the office of T.C. revealed that 17,189 bank drafts valued at Rs.6.83 crore were deposited late either by the Tax Officer or were credited late by the banks and the delay ranged from one to 11 months between April 1998 and August 2000. As a result, the Government was deprived of interest of Rs.12.08 lakh calculated at the minimum saving bank rate of four per cent per annum.
- 3,374 bank drafts valued at Rs.84 lakh received from other States were returned to the concerned States for revalidation between November 1998 and March 2002, but the bank drafts returned were not received back. Failure of the Tax Officer in getting/crediting the bank drafts immediately after their receipts within the validity period, resulted in non-realisation of Government revenue of Rs.84 lakh.

After this was pointed out in audit in July 2003, the TC stated that reply would be furnished after examination of the cases. Further report on action taken had not been received (May 2005).

### 4.2.3 Non-conduct of periodical reconciliation with treasury records

As per provision in the Madhya Pradesh Financial Code and instructions issued by the Transport Commissioner (July 1992), bank drafts received from other States on account of National Permit Scheme were to be remitted into the bank accompanied by a challan with instructions to credit the amount into Government account. In order to ensure that the amount has actually been credited into Government accounts, a periodical reconciliation of credit with treasury records has to be carried out.

Test-check of records of the Transport Commissioner Office revealed in July 2003 that the Department had neither carried out periodical reconciliation of credit with treasury records nor taken follow up action to ensure that 8,422 bank drafts amounting to Rs.3.42 crore had been credited into Government accounts between 1998-99 and 2002-2003. As a result Government revenue of Rs.3.42 crore remained un-credited/un-realised for the period ranging from one to five years. The year wise position was as under:

<i>(Rupees in lakh)</i>			
S. No.	Year	No. of bank drafts not credited/not realised	Amount
1.	1998-1999	555	13.58
2.	1999-2000	5,518	215.46
3.	2000-2001	259	10.43
4.	2001-2002	46	1.51
5.	2002-2003	2,044	100.93
	Total	8,422	341.91

Non-observance of the codal provisions and instructions issued by the Transport Commissioner resulted in non-realisation of revenue of Rs.3.42 crore.

After this was pointed out in audit, the Department stated in July 2003 that reply would be furnished after examination of the cases. Further progress had not been received (May 2005).

### 4.2.4 Non-levy/short-levy of vehicle tax and penalty on public service vehicles plying on All India Tourist Permits.

According to the Madhya Pradesh *Motoryan Karadhan Adhinyam*, (MPMKA), 1991, a tax shall be levied on every motor vehicle used or kept for use as a contract carriage<sup>1</sup> in the State at the rate specified. If the tax due was not paid within the specified time, the owner shall be liable to pay a penalty at the prescribed rates.

- Test-check of records of four RTOs<sup>2</sup>, ARTOs, Guna and Seoni and DTO, Balaghat revealed that vehicle tax of Rs.78.55 lakh and penalty of Rs.1.45 crore in respect of 24 contract carriages plying on All India Tourist Permits for the period between April 1998 and March 2003 was neither paid by the vehicle owners nor

<sup>1</sup> "Contract Carriage" means a motor vehicle which carries a passenger or passengers for hire or reward and is engaged under a contract whether expressed or implied, for the use of such vehicle as a whole for the carriage of passengers mentioned therein and entered into by a person with a holder of permit in relation to such vehicle or any person authorised by him in this behalf on a fixed or an agreed rate or sum.

<sup>2</sup> RTO-Bhopal, Indore, Jabalpur and Sagar

demanded/recovered by the Taxation Authorities. This resulted in non-levy of vehicle tax of Rs.78.55 lakh. In addition, penalty of Rs.1.45 crore was also leviable.

After this was pointed out in audit between May 2003 and April 2004, the Regional Transport Officer, Sagar stated that demand notices have been issued. Reply from other Transport Officers had not been received (May 2005).

- Test-check of records of the RTO Bhopal, Indore and DTO, Shivpuri revealed between October 2003 and April 2004 that vehicle tax for the period from May 1999 to March 2003 in respect of six contract carriages plying on All India Tourist Permit was levied at lesser rate. This resulted in short-realisation of tax of Rs.7.20 lakh. Besides, a penalty of Rs.13.03 lakh for short-payment of tax though leviable was not levied.

After this was pointed out in audit between October 2003 and April 2004, the RTOs Bhopal, Indore and DTO, Shivpuri stated that action would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

#### **4.2.5 Non-levy/non-realisation of composition fee**

The Central Motor Vehicles Rules, 1989 requires every holder of an All India Tourist Permit to submit a quarterly return, indicating the name and residential particulars of self/hirer as well as driver and registration mark of vehicle, along with the particulars of starting and destination points, with the journey time at both ends. Failure to submit the same, renders the permit liable for cancellation/ suspension or compoundable for levy of composition fee at the rate of Rs.500/1,000 per quarter.

Test-check of records of All India Tourist Permits maintained in the office of the Transport Commissioner in July 2003 revealed that holders of 215 All India Tourist Permits had failed to furnish 1,904 quarterly returns for the period between April 1998 and March 2003. Neither any action to cancel or suspend the permits was taken nor composition fee of Rs.12.44 lakh was levied on the defaulting permit holders by the Department.

After this was pointed out in audit in July 2003, the Department stated that recovery would be made from the defaulting vehicle owners. Further progress of recovery had not been received (May 2005).

#### **4.2.6 Loss of revenue due to assignment of sleepers in deluxe buses**

According to the provisions of the MPMKA, 1991 and *Niyam*, 1991 thereunder, a tax shall be levied on every deluxe bus with reference to seats assigned to it. Rule 128 (10) of the Central Motor Vehicles Rules, 1989 specify the arrangement of seating capacity, lay out, wheel base etc. in respect of deluxe buses. There is no provision for assignment of sleepers in deluxe buses in the rules.

Test-check of records of RTOs, Bhopal and Indore revealed that seven deluxe buses of 205"/210" wheel base were assigned 20 sleeper + 8 to 10 seats instead of 35 seats as compared to other buses of 205" wheel base and hence, Government suffered a loss of revenue of Rs.7.91 lakh during the period May 2001 to March 2003.

After this was pointed out in audit between November 2003 and March 2004, the RTO, Bhopal stated in November 2003 that action for recovery would be taken after examination of the cases, where as RTO, Indore stated that the sleepers were assigned

as per directions issued by the higher authority. The reply is not tenable, as there is no provision for assignment of sleeper in deluxe bus in the rules.

The matter was reported to the Government between August 2003 and April 2004; their reply had not been received (May 2005).

#### 4.3 Non-levy/recovery of vehicle tax and penalty on vehicles

Under the MPMKA, 1991 read with *Niyam*, 1991 made thereunder, a tax shall be levied on every motor vehicle used or kept for use in the state at the rate specified. If the owner fails to pay the tax due, he shall in addition to the tax due, be liable to pay a penalty at the rate of one-third of the unpaid amount of tax for the default of each month or part thereof but not exceeding twice the unpaid amount of tax. The rate of penalty has been revised on percentage basis vide Government notification dated February 2003.

• Test-check of records of 18 Transport Offices between August 2002 and February 2004 revealed that neither vehicle tax and penalty was paid by the owners of 1,334 vehicles nor was it demanded by the Taxation Authority between April 1999 and March 2003. This resulted in non-realisation of revenue of Rs.3.68 crore together with penalty of Rs.5.31 crore as detailed below -

(Rupees in crore)

Sl. No.	Name of offices	Number/category of vehicle	Period	Tax	Penalty	Total
1.	5 Regional Transport Offices <sup>3</sup> (RTO's) 6 Additional Regional Transport offices <sup>4</sup> (ARTO's) 6 District Transport offices <sup>5</sup> (DTO's)	334 Reserve or Spare stage carriages	April 1999 to March 2003	1.63	2.25	3.88
2.	5 RTO's <sup>3</sup> 5 ARTO's <sup>6</sup> 6 DTO's <sup>5</sup>	146 Public Service Vehicles plying on Permit	April 1999 to March 2003	1.05	1.40	2.45
3.	5 RTO's <sup>3</sup> 7 ARTO's <sup>7</sup> 6 DTO's <sup>5</sup>	711 Goods Carriages	April 1999 to March 2003	0.92	1.52	2.44
4.	3 RTO's <sup>8</sup> 4 ARTO's <sup>9</sup> 2 DTO's <sup>10</sup>	143 Omni buses <sup>11</sup>	April 1999 to March 2003	0.08	0.14	0.22
	18 Units	1334		3.68	5.31	8.99

<sup>3</sup> Bhopal, Morena, Rewa, Sagar and Ujjain

<sup>4</sup> Chhatarpur, Guna, Khandwa, Khargone, Mandsaur and Shahdol

<sup>5</sup> Balaghat, Datia, Mandla, Rajgarh, Shajapur and Shivpuri

<sup>6</sup> Guna, Khandwa, Khargone, Mandsaur and Shahdol

<sup>7</sup> Chhatarpur, Guna, Katni, Khandwa, Khargone, Mandsaur and Shahdol

<sup>8</sup> Bhopal, Morena and Rewa

<sup>9</sup> Chhatarpur, Guna, Khargone and Shahdol

<sup>10</sup> Mandla and Shajapur

<sup>11</sup> Omni bus means any motor vehicle constructed or adapted to carry more than six persons excluding the driver

After this was pointed out in audit, the Department stated between August 2002 and February 2004 that action for recovery would be taken after examination of records. Further reply had not been received (May 2005).

The matter was reported to the Government between December 2002 and April 2004; their reply had not been received (May 2005).

- Test-check of records of four RTOs<sup>12</sup> and five ARTOs<sup>13</sup> revealed between August 2002 and January 2004 that vehicle tax in respect of 73 public service vehicles/private service vehicles during the period between April 1999 and March 2003 was paid late by one to 30 months. Neither penalty at the prescribed rates for late payment was levied nor recovered by the Taxation Authorities. Failure of the Taxation Authorities resulted in non-levy and recovery of penalty of Rs.12.00 lakh.

After this was pointed out in audit between August 2002 and January 2004, the Department stated that action for recovery would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government between December 2002 and February 2004; their reply had not been received (May 2005).

#### **4.4 Short-recovery of vehicle tax and penalty**

According to MPMKA and *Niyam* 1991, tax on every public service vehicle shall be levied at the rates specified in the First Schedule. The rate of tax on contract carriage is higher as compared to private service vehicles.

**4.4.1** Test-check of records of the RTO, Morena, ARTO, Khandwa and Shahdol revealed between July and September 2003 that the owners of 22 public service vehicles paid the tax at lesser rates between April 1999 and March 2003. This resulted in short-realisation of revenue of Rs.4.01 lakh. Taxation Authority also failed to detect short-recovery of tax. Consequently, penalty of Rs.7.27 lakh though leviable was not levied.

**4.4.2** Test-check of records of RTO, Rewa revealed in April 2003 that 27 contract carriage permits were issued to four public service vehicles during the period between February 2001 and March 2003, but the tax was paid at the lower rate applicable to the private service vehicles. Thus, failure of the Taxation Authority resulted in short-levy of vehicle tax of Rs.7.46 lakh and penalty of Rs.9.87 lakh.

After this was pointed out in audit between April and September 2003, the Department stated between April and September 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken was awaited (May 2005).

The matter was reported to the Government between August and December 2003; their reply had not been received (May 2005).

<sup>12</sup> Bhopal, Morena, Rewa and Ujjain

<sup>13</sup> Chhatarpur, Guna, Katni, Khandwa and Khargone

**4.5 Non-recovery of vehicle tax and penalty on goods carriages of other state plying on countersigned permits**

Under the provisions of the MPMKA and *Niyam*, 1991, a tax shall be levied on every goods carriage in respect of other States plying in the State of Madhya Pradesh on countersigned permits at the rate of 85 per cent of the rates specified. If the tax due has not been paid, the owner shall, in addition to tax due be liable to pay a penalty at the prescribed rates.

Test check of records of Transport Commissioner's office, Gwalior revealed in July 2003 that vehicle tax of Rs.5.22 lakh and penalty of Rs.7.78 lakh in respect of 53 goods carriages of Uttar Pradesh plying in Madhya Pradesh on countersigned permits for the period between April 2002 and March 2003 was neither paid by the vehicle owners nor was it levied/recovered by the Taxation Authority.

After this was pointed out in audit in July 2003, the Transport Commissioner stated in July 2003 that action for recovery would be taken after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government in September 2003 and April 2004; their reply had not been received (May 2005).

**4.6 Non-recovery of vehicle tax and penalty on public service vehicles of Uttar Pradesh plying on corridor routes**

The MV Act, specified that where both the starting and the terminal point of a route are situated within the same State, but part of such route lies in any other State and the length of such part does not exceed 16 kilometers, the permit shall be valid in the other state in respect of that part of the route which is in that other state notwithstanding that such permit has not been countersigned by the State Transport Authority, or the Regional Transport Authority of the other State. Routes having their starting point and terminal point in Uttar Pradesh but which had to pass through a small portion of the territory of the Madhya Pradesh were notified as corridor routes in the Reciprocal Transport Agreement entered between Uttar Pradesh and Madhya Pradesh. As per instructions issued in May 2002 by the Department, tax was to be levied and recovered on every public service vehicle of Uttar Pradesh plying on corridor routes in Madhya Pradesh at the rate specified in the First Schedule of the MPMKA, failing which the owner shall be liable to pay a penalty at the prescribed rates.

Test check of records of ARTO, Chhatarpur revealed in September 2003 that in respect of nine Public Service Vehicles of Uttar Pradesh plying on three corridor routes during the period between April 2001 and March 2003, neither the tax was paid by the vehicle owners nor was it demanded by the Taxation Authority. This resulted in non-levy/recovery of tax of Rs.3.04 lakh, besides, a penalty of Rs.5.67 lakh was also leviable but not levied.

After this was pointed out in audit, the ARTO stated in September 2003 that audit would be intimated after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government between November and December 2003; their reply had not been received (May 2005).

**4.7 Loss of revenue due to allotment of reserve registration numbers to the vehicles without levy of fee**

As per notification issued in February 2001 and incorporated in the Madhya Pradesh Motor Vehicles Rules, 1994 the registering authority shall allot the reserve registration numbers in any series in operation to any vehicle on payment of fees as prescribed in the aforesaid notification.

Test check of the records of District Transport Office, Datia revealed in February 2004 that the registration number reserved by the State Government were allotted by the Registering Authority to 71 vehicles between February and December 2001 without recovery of fees from the vehicle owners as specified in the rule. This resulted in loss of revenue amounting to Rs.8.65 lakh.

After this was pointed out in audit, the District Transport Officer, Datia stated that the demand notices would be issued to the vehicle owners after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government between March and April 2004; their reply had not been received (May 2005).

**4.8 Loss of revenue due to irregular grant of permits to contract carriage**

As per provisions of the MV Act, "Contract carriage" means a motor vehicle which carries a passenger or passengers for hire or reward and is engaged under a contract, whether expressed or implied for the use of such vehicle as a whole for the carriage of passengers on a fixed or an agreed rate, whereas "Private service vehicle" means a motor vehicle ordinarily used by or on behalf of the owner for the purpose of carrying persons for or in connection with his trade or business otherwise than for hire or reward at the rates specified in the First Schedule of the MPMKA. The rate of tax in respect of contract carriages is higher than private service vehicles.

Test check of records of Regional Transport Office, Rewa revealed in April 2003 that private service vehicle permits were granted erroneously by the Taxation Authority to four owner of public service vehicle instead of contract carriages permits during the periods between August 2001 and March 2003. This resulted in loss of revenue of vehicle tax of Rs.7.90 lakh.

After this was pointed out in audit, the RTO, Rewa stated in April 2003 that audit would be intimated after examination of the cases. Further progress of action taken had not been received (May 2005).

The matter was reported to the Government between August and December 2003; their reply had not been received (May 2005).



## CHAPTER - V

### LAND REVENUE

#### 5.1 Results of Audit

Test-check of records relating to assessment and collection of land revenue during the year 2003-2004 revealed non-assessment/under-assessment of revenue and non-raising of demand amounting to Rs.295.14 crore in 1,34,329 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Delay in collection of revenue against Revenue Recovery Certificate	15,148	73.49
2.	Non/under-assessment of <i>Nazul</i> rent, premium and ground rent on <i>Nazul</i> land	3,792	99.88
3.	Non/short-assessment and non-revision of diversion rent and premium	6,018	6.33
4.	Non-levy of <i>Panchayat</i> cess and non-realisation of fines and penalties	75,023	19.53
5.	Others	34,348	95.91
	<b>Total</b>	<b>1,34,329</b>	<b>295.14</b>

During the year 2003-2004 the Department accepted under-assessment etc. of Rs.80.48 crore involved in 48,555 cases.

A few illustrative cases involving Rs.97 lakh are discussed in the following paragraphs:

## 5.2 Non-levy of process expenses

According to the provision of the Madhya Pradesh Land Revenue (MPLR) Code, 1959 and the Madhya Pradesh *Lokdhan (Shodhya Rashiyon ki Vasuli) Adhiniyam*, 1987 and *Niyam* 1988, the recovery officer of revenue court, on receipt of Revenue Recovery Certificate (RRC), shall register the case and initiate recovery proceedings as laid down in MPLR Code. Under the provisions of Madhya Pradesh *Lokdhan Adhiniyam*, process expenses of three per cent of the principal amount due from the defaulters, shall be included in the demand to be raised against RRC.

• Test-check of records revealed between December 2002 and August 2003 that 286 RRC cases of five Tahsil Offices<sup>1</sup> for Rs.2.66 crore received during the period between 1998-99 and 2001-2002, were not registered by the revenue courts thereby recovery process were not started for the period ranging from two to four years. This resulted in non-realisation of revenue of Rs.7.98 lakh.

After this was pointed out in audit, the concerned Tahsildars stated between December 2002 and August 2003 that action for registration and recovery would be taken. Further progress had not been received (May 2005).

The matter was reported to the Government (between April and September 2003); their reply had not been received (May 2005).

• Similarly, in Tahsil, Maihar (Satna) (December 2003) in 33 cases, process expenses amounting to Rs.12.88 lakh, on principal amount of Rs.4.29 crore were not included in demand raised between October 1999 and January 2003. Consequently, the process expenses amounting to Rs.12.88 lakh remained un-realised.

After this was pointed out in audit, the Tahsildar stated that necessary action to recover the process expenses would be taken after scrutiny of cases. Further report had not been received (May 2005).

The matter was reported to the Government (February 2004); their reply had not been received (May 2005).

## 5.3 Non-recovery of collection charges

According to *Panchyat Raj Adhiniyam*, 1993 and instructions (June 1999) issued there under, the amount so collected by Government on account of land revenue, cess, fees and other taxes shall be credited to '*Panchayat Raj Nidhi*' after deducting 10 per cent of the amount collected as collection charges.

Test-check of records of 10 Tahsils<sup>2</sup> revealed between December 2000 and December 2003 that the revenue of Rs.3 crore collected during the period October 1999 to September 2003 were credited by Tahsildar to *Panchyat Raj Nidhi* without deducting recovery expenses of Rs.30 lakh. This resulted in non-recovery of Government revenue to that extent.

After this was pointed out in audit, the concerned Tahsildar's stated between December 2000 and December 2003 that the order regarding deduction was not

<sup>1</sup> Tahsil Deosar (Sidhi), Mahidpur (Ujjain), Navgaon (Chhatarpur), Pichhore (Shivpuri), Tendukheda (Narsinghpur)

<sup>2</sup> Dindori (Mandla), Mahidpur (Ujjain), Mandla, Nateran (Vidisha), Niwas, Ratlam, Sardarpur (Dhar), Seoni, Tendukheda (Narsinghpur) and Vidisha

received in Tahsil Offices and action would be taken after obtaining the directions from the district office.

The matter was reported to the Government between April 2003 to February 2004; their reply had not been received (May 2005).

#### **5.4 Non renewal of temporary leases**

The Madhya Pradesh Revenue Book Circulars Part-II and Government Notification issued on 2 August 1994, provide for renewal of the temporary lease after recovery of revised premium and ground rent from lessee. In case of any default, penalty and fine not exceeding Rs.1,500 per case will be levied under section 248 of MPLR Code, 1959.

Test-check of records of the Collectorate, Chhindwara revealed in September 2003 that in two cases temporary lease of land due for renewal during April 1997 and April 1999 were not renewed. In one case the lessee had applied in October 2002 for renewal and in another case the lessee did not apply for renewal but continued to occupy land unauthorisedly. The revised premium and ground rent was also not fixed and recovered from the lessee though they continue to occupy the land. This resulted in non-realisation of revenue of Rs.23.32 lakh on account of premium, ground rent including penalty.

After this was pointed in audit in September 2003, the Collector (*Nazul*) stated that the cases would be examined and action would be taken. Further report on action taken had not been received (May 2005).

The matter was reported to the Government (November 2003); their reply had not been received (May 2005).

#### **5.5 Non-raising of demand of diversion rent and premium**

According to the Madhya Pradesh Revenue Book Circulars, Part-II, the Sub-Divisional Officer (Revenue) shall intimate to the Tahsildar concerned, the demand for re-assessed rent on diverted land used for purposes other than agriculture and to incorporate the change in the Tahsil record. Further, demand of premium, diversion rent and fines imposed under the penal provisions of Land Revenue Code and Revenue Book Circulars is also to be noted in the demand and collection register of the Tahsil before affecting recovery.

Test-check of records of two Tahsils revealed <sup>3</sup> in February 2003 and January 2004 that the diversion rent, premium and fines aggregating to Rs.22.36 lakh in respect of 15 villages for the period from 2000-2001 to 2002-2003 were not noted in Demand and Collection Register of Tahsils although the recovery statement in Form B-1 was received in Tahsil office on 30 July 2001 and 10 April 2002. This resulted in non-realisation of revenue of Rs.22.36 lakh including fine of Rs.0.02 lakh.

<sup>3</sup> *Chhatarpur and Rajnagar (Chhatarpur)*

After this was pointed out in audit, the concerned Tahsildars stated between February 2003 and January 2004 that action to raise the demand would be taken. Further reply had not been received (May 2005).

The matter was reported to the Government (between May 2003 and March 2004); their reply had not been received (May 2005).

**CHAPTER VI**  
**OTHER TAX RECEIPTS**

**6.1 Results of Audit**

Test-check of records relating to Stamp Duty and Registration Fee and Entertainment Duty during the year 2003-2004 revealed non-assessment, under-assessment and other loss of revenue amounting to Rs.20.09 crore in 13,580 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
<b>STAMP DUTY &amp; REGISTRATION FEES</b>			
1.	Inordinate delay in finalisation of cases	3,488	9.32
2.	Short-realisation of stamp duty and registration fee due to under-valuation of properties	600	1.83
3.	Incorrect exemption from payment of stamp duty and registration fees	1,812	1.65
4.	Loss due to misclassification of documents	93	0.45
5.	Others irregularities	846	6.29
	<b>Total</b>	<b>6,839</b>	<b>19.54</b>
<b>ENTERTAINMENT DUTY</b>			
1.	Non/short deposit of Entertainment duty by the proprietors of VCR's and VCP's	30	0.01
2.	Non-recovery of security deposit/entertainment duty from cable operators	6,314	0.29
3.	Non-recovery of Entertainment duty	139	0.13
4.	Others	258	0.12
	<b>Total</b>	<b>6,741</b>	<b>0.55</b>
	<b>Grand Total</b>	<b>13,580</b>	<b>20.09</b>

The departments accepted under-assessment of duty and losses of Rs.9.70 crore involved in 9916 cases.

A few illustrative cases involving Rs.1.99 crore are discussed in the following paragraphs:

## STAMP DUTY AND REGISTRATION FEES

### 6.2 Sale and purchase of stamps

#### 6.2.1 Introduction

Under the Constitution of India the duties on instruments enumerated in Entry 91 of List 1, though levied by Government of India, are to be collected and retained by the State within which such duty is leviable. The receipts from non-judicial stamps and sale thereof in Madhya Pradesh (MP) are regulated under the Indian Stamp Act, 1899, MP Stamp Rules, 1942, Revised Rules for Supply and Distribution of Stamp, 1981 and notifications and orders issued from time to time by the State Government.

Stamps are supplied by Central Stamp Depot (CSD), Nasik and Hyderabad to treasuries and sub-treasuries. Nodal points for supply of stamps are created at 12<sup>1</sup> District Treasuries. Stamps are supplied directly to treasuries/sub-treasuries through nodal points. Treasury and sub-treasury sell stamps to public and licenced stamp vendors (vendor). The licenced vendors sell stamps to the public at places indicated in their licences. Finance Department issued instructions in August 1991 for affixing seal of sub-treasury/treasury with signature on reverse side of judicial/non-judicial stamp of Rs.500 or more.

#### 6.2.2 Supply

Test-check of records revealed that in 12 treasuries<sup>2</sup> stamps worth Rs.50.20 crore during 1999-2000 to 2002-2003 were received without demand/more than the demand.

After this was pointed out in audit, the Treasury Officer (TO), Bhopal stated that stamps of Rs.1.89 crore received without demand were brought to notice of IGR in March 2002. TO Shajapur stated that the stamps valued at Rs.5.90 crore were supplied in excess of demand as such the TO was not responsible. Reply in other cases was still awaited from the Department (May 2005).

#### 6.2.3 Short-supply

Test-check of records of four treasuries<sup>3</sup> revealed that stamps worth Rs.67.55 lakh for the period from 1998-99 to 2003-04 were received short from CSD than that depicted in the invoice. Short receipt of stamps of Rs.17.56 lakh was reported to CSD, Nasik by Indore, Raisen, Sehore and Vidisha TOs. No further action was taken by the TOs.

<sup>1</sup> Bhopal, Jabalpur, Gwalior, Indore, Rewa, Sagar, Ujjain, Gwalior, Indore, Rewa, Sagar and Ujjain

<sup>2</sup> Bhopal, Dewas, Guna, Khandwa, Mandla, Narsinghpur, Ratlam, Rewa, Sagar, Shajapur, Shivpuri and Vidisha

<sup>3</sup> Indore (Rs.9.75 lakh), Raisen (Rs.7.80 lakh), Sagar (Rs.1 lakh) and Shajapur (Rs.49 lakh)

## 6.2.4 Sale of Stamps

### *Accounting by licensed vendors*

As per provisions of MP Stamp Rules, 1942 the Collector of Stamps would grant licence to vendors for sale of stamp, both judicial and non-judicial, at places indicated in the licence for a period of one year.

- Test check of records of Harda treasury in April 2004 revealed that a stamp vendor was selling stamp at the places other than that indicated in the licence. The Collector had ordered the TO in May 2001 not to issue stamps to the vendor till further orders. The vendor was supplied non-judicial stamps of Rs.21.41 lakh by the TO in contravention of the order of the Collector during the period May 2001 to March 2002.

After this was pointed out in audit, the TO stated in June 2004 that stamps of Rs.21.41 lakh were sold to the stamp vendor on verbal instruction of the District Collector, Harda.

- Test check of records of DRs further revealed that in five districts<sup>4</sup> purchase of adhesive stamp/fake adhesive stamps of Rs.45.86 lakh were made from three unauthorised stamp vendors<sup>5</sup> by different banks, insurance companies and industry in September 2000. Out of these, fake adhesive stamps of Rs.2.76 lakh were seized by DR Indore. The first information report (FIR) in respect of these fake stamps was lodged in Indore and Satna in September 2000 and January 2004 respectively. The matter relating to fake stamps purchased at Dewas was taken up by the DR, Indore with the Police Department at Dewas but confirmation of registration of police case was not obtained by him.

After this was pointed out in audit, the Inspector General of Registration (IGR) stated in April 2004 that the use of fake stamps was beyond imagination so provision for scrutiny of source of purchase of stamp was not made.

This indicates that there is a need for fixing the norms for conducting inspections and also authorising the inspectors to ascertain the genuineness of the stamps used.

- As per provisions of MP Stamp Rules, 1942, sale of stamps by any person who is not authorised under the Act/Rules is prohibited. Under article 268 of the Constitution, duty on insurance documents though levied by the Government of India it is to be collected and retained by the State within which such duty is leviable. IGR had also issued instructions in November, 2000 to Zonal/Regional office of Insurance companies of the state not to purchase stamps from other States.

A cross check of the information obtained from Life Insurance Corporation of India with the records of three DTOs at Bhopal, Gwalior and Jabalpur revealed that insurance stamps worth of Rs.2.79 crore were purchased by the six Divisional Offices of Life Insurance Corporation of India from three stamps vendors of Jamshedpur (Jharkhand) and Pune (Maharashtra) during 1998-99 to 2000-2001 but neither license

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<sup>4</sup> Bhopal Rs.2.39 lakh, Dewas Rs.1.40 lakh, Harda 0.40 lakh, Indore Rs.37.05 lakh and Satna Rs.4.62 lakh.

<sup>5</sup> M.P. Enterprises Bhopal Rs.2.59 lakh  
Malwa Enterprises Indore Rs.39.85 lakh  
Jyoti Kumar Sathe, Pune Rs.3.42 lakh

number nor copy of license was produced in favour of above vendors. As such the genuineness of the vendors could not be verified in audit.

This was pointed out in audit and the Collector of Stamps, Shahdol confirmed the facts. Report regarding action, as provided in the Indian Stamp Act, 1899, taken by the Department is still awaited (May 2005).

#### **6.2.5 Inspection of vendor's account**

As per provisions of MP Stamp Rule, 1942 every stamp vendor will allow District Registrar or Sub-Registrar of any revenue officer not below the rank of Naib Tahsildar or any official duly authorised in that behalf by Collector or by the State Government at any time to inspect their register of sales, daily transaction and examine their licence and stock of stamps in their possession.

It was noticed that no inspection of registers of 3,185 vendors out of 4,306 vendors was conducted in eleven districts<sup>6</sup> during the period 1993-94 to 2002-2003. After this was pointed out in audit, IGR stated (December 2004) that due to shortage of staff inspection of registers of all stamp vendors is not possible.

This matter was reported to the Government in November 2004; their final reply is awaited (May 2005).

### **6.3 Non-reimbursement of stamp duty and registration fees**

According to the Government notifications (September 1989), stamp duty and registration fees leviable on lease/sale deeds executed in favour of persons displaced by Narmada Valley Development Projects (NVDP) in respect of land acquired for them was to be reimbursed to the Government by Narmada Valley Development Authority (NVDA) within one month from the date of registration of documents.

Test check of records in Sub-Registrar Offices, Barwah (Khargone) and Khategaon (Dewas) revealed June 2003 that 52 sale deeds were executed in favour of persons displaced by NVDP during 2002-2003. However, stamp duty and registration fee of Rs.14.55 lakh though reimbursable to the Government was not reimbursed by the NVDA. This resulted in non-realisation of the Government dues to that extent.

After this was pointed out in audit, I.G.R stated in September 2004 that an amount of Rs.9.15 lakh has been reimbursed in 33 cases in March and April 2004. The matter was reported to Department and Government between September 2003 and April 2004. Final action taken had not been received (May 2005).

### **6.4 Loss of revenue in instruments executed by/in favour of co-operative housing societies**

As per Government Notification of October 1980, instruments executed in favour of Primary Co-operative Housing Societies (societies) for acquisition of land for housing purpose were exempt from payment of stamp duty. Department directed in August

<sup>6</sup> *Betul, Chhatarpur, Dewas, Guna, Indore, Mandla, Panna, Rajgarh, Seoni, Sidhi and Shahdol*



2001 to review all such cases where the societies were granted exemption from payment of stamp duty on conveyance deeds and later on the land was used for the purposes other than housing of its members. In such cases the stamp duty and the registration fees, which were exempted at the time of purchase of such land were to be recovered.

It was noticed that three Sub-Registrar<sup>7</sup> exempted between October 2001 and February 2003 six sale deeds conveying the purchase of land for housing purposes from payment of stamp duty and registration fee of Rs.8.90 lakh. However, a perusal of the records revealed that the said land was either sold by the Societies or was used for purpose other than that of housing. Consequently, the stamp duty & registration fee exempted was recoverable from the societies. However, no action was taken to recover the same resulting in loss of Government revenue of Rs.8.90 lakh.

After this was pointed out, Sub-Registrar Gwalior and Indore stated in August 2003 and January 2004 that the cases would be sent to Collector of Stamps for necessary action. Final reply from Sub-Registrar Jabalpur had not been received (May 2005).

#### **6.5 Under valuation of properties**

The Stamp Act, 1899 requires market value of property to be specified in any deed of transfer of properties for determining stamp duty and registration fee leviable. Government introduced (December 1993) an amendment in the M.P. Prevention of Undervaluation of Instruments Rules, 1975 and it was made mandatory for a Sub-Registrar to refer the cases, after registration, to Collector of Stamps for determination of market value in case the value shown in the instrument was found less than the annual statements of minimum values issued by District Collectors. Government further amended the Act, (March 2000) and introduced Market Value Guideline Rules, 2000 thereunder effective from 1 August 2000. Accordingly Sub-Registrar was made responsible for referring the cases having less market value to the Collector before registering the document.

- Test check of records between February 2003 and January 2004 in Sub-Registrar office, Gotegaon (Narsinghpur) and Indore revealed that in seven instruments registered between April 2000 and March 2003, the market value of the property was Rs.1.91 crore as per the guidelines rules while the cases were registered for Rs.1.44 crore resulting in under valuation of Rs.47 lakh involving stamp duty and registration fee of Rs.5.03 lakh. The Sub-Registrar did not refer these instruments to the concerned Collector for determination of correct value of the properties and duty leviable thereon. This resulted in short-realisation of Government revenue to that extent.

After this was pointed out, the Department stated in July 2004 that all the seven cases had been registered for revaluation during March 2003 and the year 2003-2004 by concerned Collectors for necessary action.

<sup>7</sup> Gwalior, Indore and Jabalpur

• Test check of the records of seven Sub-Registrar offices<sup>8</sup> between April and December 2003 revealed that 450 documents referred to the Collector between April 1999 and January 2003 for determination of market value of the properties, had not been finalised. The difference aggregating Rs.1.58 crore of stamp duty and registration fees, recoverable on these documents based on the market value proposed by the registering officer, remained unrealised.

After this was pointed out in audit the concerned Sub-Registrars stated between April and December 2003 that cases were pending with the Collector and the Collector would be requested for early disposal of cases.

The Government to whom the matter was reported between August 2003 to April 2004 endorsed in July 2004 the reply of the IGR where in it was stated that the Collector tries to dispose off such cases within stipulated period but non-serving of summons resulted in delay. It was also stated that special drive would be carried out during the period from July to September 2004.

## **ENTERTAINMENT DUTY**

### **6.6 Non-levy of entertainment duty on Cinema Houses**

The Madhya Pradesh Entertainment Duty and Advertisement Tax (MPEDA) Act, 1936 (amended April 1999) provides that no duty shall be levied on such amount not exceeding one rupee per ticket as may be determined by the Collector on the basis of payment for admission for providing facilities to persons admitted in cinema houses. If the Collector is not satisfied with the facilities provided, he may recover the duty on the amount allowed for such facilities.

Test-check of records of two offices<sup>9</sup> revealed between May and September 2003 that 21 proprietors of cinema houses had collected Rs.11.40 lakh between April 2002 and April 2003 on sale of tickets for providing facilities to persons admitted in the cinema hall without getting it determined by the Collector. Neither the proprietors submitted any claim for exemption nor the Collector determined any amount for exemption from payment of duty. Thus, entertainment duty though leviable on the entire amount collected by the owners was not levied. This resulted in non-levy of entertainment duty amounting to Rs.5.13 lakh.

After this was pointed out in audit, the Excise Officers stated between May and September 2003 that action for recovery would be taken after determination of the amount recoverable by Collectors for providing facilities.

The matter was reported to the Government (between August 2003 and March 2004); their reply had not been received (May 2005).

<sup>8</sup> *SR Barwah (Khargone), Jabalpur, Morena, Nalkheda (Shajapur), Rewa, Sheopurkalan (Sheopur) and Tendukheda (Narsinghpur)*

<sup>9</sup> *District Excise Officer (Entertainment) Shivpuri and Assistant Excise Commissioner (Entertainment) Ujjain*

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**6.7 Non-recovery of entertainment duty**

According to the MPEDA Tax Act and Rules made thereunder, every proprietor of Cable Television Network providing entertainment through cable service shall pay entertainment duty at prescribed rates.

Test-check of records of four districts offices<sup>10</sup> revealed between May 2003 and February 2004 that entertainment duty of Rs.7.76 lakh from 193 cable operators for the period from April 2002 to January 2004 was neither demanded nor recovered by the Department. This resulted in non-recovery of entertainment duty of Rs.7.76 lakh.

After this was pointed out, all DEO's stated between May 2003 and February 2004 that the action for recovery would be taken after scrutiny of the cases. The DEO, Badwani intimated (June 2004) that amount of Rs.1.12 lakh has since been recovered.

The matter was reported to the Government between August 2003 and March 2004, their reply had not been received (May 2005).

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<sup>10</sup> Barwani, Khandwa, Shajapur and Ujjain



**CHAPTER - VII**  
**FOREST RECEIPTS**

**7.1 Results of Audit**

Test-check of records of forest receipts during 2003-2004 revealed loss of revenue amounting to Rs.168.65 crore in 161 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Loss due to non-exploitation of Bamboo/Timber coupes	30	90.44
2.	Loss due to sale below upset price	11	4.84
3.	Loss due to deterioration/shortage of forest produce	37	10.93
4.	Loss of revenue due to re-measurement of timber	03	0.58
5.	Loss due to non-accountal of forest produces	10	5.49
6.	Loss due to low yield timber/bamboos against estimated yield	12	11.41
7.	Others	58	44.96
	<b>Total</b>	<b>161</b>	<b>168.65</b>

The Department accepted loss of Rs.12 lakh involved in 18 cases during the year 2003-2004.

A few illustrative cases involving Rs.0.79 crore are discussed in the following paragraphs:

### **7.2 Loss of revenue due to non-observance of procedure in the disposal of forest produce**

As per provisions of Forest Manual, forest produce shall be disposed off in public auction after determination of upset price. In case the sale price obtained is not equal to upset price, sealed tenders shall be invited to dispose off the forest produce.

Test-check of records in February 2004 of Divisional Forest Office (General), Guna, revealed that 40,465 *khair* trees kept in 230 lots were sold in auction in September 2002 at Rs.7.72 lakh as against the upset price of Rs.75.99 lakh which resulted in loss of revenue of Rs.68.27 lakh to the Government. The sale price of these lots ranged between 87 and 91 per cent below the upset price.

After this was pointed out in February 2004, Divisional Forest Officer (DFO) stated that forest produces were kept in auction five to thirty times between January 1999 and March 2002, but no bid was received therein, as the alternative *Gaimbeer* and synthetic *katha* were in circulation in market which affected the demand of *khair* trees. The reply was not acceptable as in the event of receipt of less value in the auction, efforts should have been made to dispose off the trees by inviting sealed tenders so that better price could have been fetched, which was not done.

The matter was reported to the Government in June 2004, which stated (August 2004) that the inviting of sealed tenders in respect of each lot is not practicable and accordingly the revision of forest manual is under consideration.

### **7.3 Non-working in bamboo coupes**

Departmental instructions (October 1975) require that all bamboo coupes due for felling should be worked without exception. Prior sanction of the Conservator of Forests shall be obtained, if a coupe can not be worked due to compelling circumstances. These instructions were further reiterated in August 2000 by the Chief Conservator of Forest (Production) (CCF[P]) that felling cycle of bamboo coupes was four years. Non-working of bamboo coupes beyond four years has adverse effect on its crop/production.

Test-check of records of Divisional Forest Office (General), Burhanpur between April 2002 and August 2003 revealed that ten bamboo coupes involving area of 6122.900 hectare were due for working during 2001-2002 and 2002-2003 but were left un-worked.

After this was pointed out between April 2002 and August 2003, the Government stated in August 2004 that the period of working plan of the division expired in December 2000. Extension of the working plan for the period up to December 2005 was approved by the State Government in October 2000 and sent to the Central Government in October 2000 for their approval, which is awaited. These coupes were therefore, not worked. The reply is not tenable, as the Central Government in their directions of 1999 had stated that no future extension of the working plans would be granted to the existing working plans and revised working plans should be ensured. Thus, the proposal of extension of working plan was itself contrary to the ibid

instructions. The State Government should devise the plans in such a way and within the prescribed time limit to ensure that no working season of bamboo areas is lost.

#### **7.4 Irregular retention of commercial tax revenue**

According to the provisions of Madhya Pradesh, Commercial Tax Act, 1994 every dealer is liable to pay tax due, failing which interest at the rate of two per cent per month shall be levied from the date of the tax so payable to the date of its payment or to the date of order of assessment whichever is earlier. With a view to avoid the liability of interest/penalty the Additional Principal Chief Conservator of Forest (Production) issued (January 2003) instructions that the amount of commercial tax collected during the month should be deposited in the commercial tax receipt head within 30 days of the following month.

Test check of records in January 2004 of Divisional Forest Office (General), Satna, revealed that commercial tax collected from sale of forest produce during the period from April 1999 to November 2003 amounting to Rs.21.18 lakh was not deposited, which resulted in unauthorised retention of revenue of commercial tax. Further, due to non-deposit of commercial tax the liability of interest up to March 2004 worked out to Rs.10.42 lakh.

After this was pointed out in audit, the DFO stated in January 2004 that the commercial tax due would be deposited after assessment of tax by the commercial tax department. The reply is not tenable as the revenue collected on account of commercial tax should have been remitted to the treasury within the prescribed period.

The matter was reported to the Government in March and May 2004; their reply had not been received (May 2005).





**CHAPTER - VIII**  
**MINING RECEIPTS**

**8.1 Results of Audit**

Test-check of records relating to assessment and collection of mining revenue during the year 2003-2004 revealed non/short-assessment of royalty, dead rent, non-recovery of contract money, royalty, mineral area development cess and short-levy of interest on belated payment of royalty etc. amounting to Rs.58.49 crore in 1,015 cases which can broadly be categorised as under:

*(Rupees in crore)*

S. No.		Number of cases	Amount
1.	Non/short-realisation of mineral area development cess and revenue against Revenue Recovery Certificates	507	1.79
2.	Non-assessment of royalty and dead rent	65	2.20
3.	Short-levy of interest on belated payments of royalty	67	9.51
4.	Non-levy of royalty and penalty on minor minerals and non-recovery of contract amount, stamp duty and registration fee	59	26.12
5.	Others	317	18.87
	<b>Total</b>	<b>1,015</b>	<b>58.49</b>

During the year 2003-2004, the Department accepted under-assessment etc. of Rs.58.49 crore involved in 1,015 cases.

A few illustrative cases involving Rs.19.76 crore are discussed in the following paragraphs:

## 8.2 Evasion of royalty due to suppression of coal stocks

The Mineral Concession Rules, 1960 provide that a lessee shall keep accurate accounts showing the quantity and other particulars of all minerals obtained and dispatched from the mine.

Test-check of records of Mining Office, Shahdol revealed that three lessees had furnished monthly royalty return during April 2001 to March 2003. A perusal of the returns revealed that the lessees had suppressed stock of 6.03 lakh tons of coal by incorrectly depicting the Opening Balance and Closing Balance of the coal extracted resulting in suppression of stock by 6.03 lakh tons of coal involving evasion of royalty of Rs.6.36 crore as detailed below:-

(Rupees in crore)

Sl. No.	Name of Unit Period	Closing stock should be (in lakh tons)	Closing stock shown in the return (in lakh tons)	Difference in stock (in lakh tons)	Royalty element involved
1.	Jamuna U.G. Kotma (2001-2002)	25.75	22.86	2.89 <sup>1</sup>	2.75
2.	Jamuna U.G. & Kotma West (3487.84 Acre) (2002-2003)	4.77	2.97	1.80 <sup>2</sup>	2.07
3.	Bhadra (3467.84) (2002-2003)	1.77	0.43	1.34	1.54
	Grand Total	32.29	26.26	6.03	6.36

Thus, non-verification of the monthly returns has resulted in short realisation of Government revenue to that extent.

After this was pointed out, the Department stated that action would be taken after verification of facts.

## 8.3 Short-realisation of royalty

The Mineral Concession Rules, 1960 provide that the holder of a mining lease shall pay royalty in respect of any mineral removed or consumed by him or by his agent, manager, employee, contractor or sub-lessee from the leased area at the rate for the time being specified in respect of that mineral, failing which, the Government may determine the lease and forfeit the whole or a part of security deposit.

Test check of returns of five mining offices<sup>3</sup> revealed that lessees were liable to pay royalty and dead rent of Rs.29.10 crore during the period July 2000 to March 2003. Against this, the lessees had paid Rs. 27.27 crore resulting in short-realisation of

<sup>1</sup> Rates of royalty for Sl. No. 1 Rs. 95 per tonne

<sup>2</sup> Rates of royalty for Sl. No. 2,3 Rs.115 per tonne

<sup>3</sup> Bhopal, Katni, Rewa, Shivpuri and Sidhi

royalty of Rs.1.83 crore. The amount was neither demanded by the Mining Officer nor was it paid by the lessee.

This was pointed out in August to September 2003; the Department stated that action would be taken after verification of the cases.

#### 8.4 Loss of revenue due to non-registration/non-renewal of lease deeds

Under the Registration Act, 1908 deeds conveying lease hold rights for period beyond one year are required to be registered compulsorily. Under the provisions of the Indian Stamps Act, 1899 in case of lease of a mine in which royalty or share of produce is received as rent or part of a rent, stamp duty and registration fees are leviable on average annual royalty. Under the Mineral Concession Rules, 1960 application for renewal of mining lease shall be disposed off within 12 months from the date of receipt by the Government.

During the course of audit it was noticed that two lessees of lime stone units applied for renewal of the lease deeds on 31 March 2004 in five cases. However, in none of the cases of lime stone units, the leases were renewed though the lessees continued to extract minerals. Non-renewal of the leases resulted in a loss of revenue of Rs.7.72 crore in the shape of registration fee and stamp duty as detailed below:-

(Rupees in Crore)

Sl. No.	Name of Unit	No. of cases	Lease period	Date of application for renewal	Average royalty amount	Stamp duty	Registration Fees	Total realisable revenue
1.	Katni	1	10.6.91 to 9.6.01 (10 years)	2.6.2000	2.56	0.19	0.14	0.33
		1.	15.5.92 to 14.5.02 (10 years)	15.5.2001	2.57	0.19	0.14	0.33
2.	Satna	1	24.2.81 to 22.12.01 (20 years)	15.2.2000	5.70	0.43	0.32	0.75
		1	22.6.79 to 21.6.99 (20 years)	4.6.1998	17.83	1.34	1.00	2.34
		1	17.10.76 to 16.10.96 (20 years)	3.6.1996	30.23	2.27	1.70	3.97
	Total	5				4.42	3.30	7.72

After this was pointed out in audit, the Mining Officers stated that the renewal of leases were pending at Government level.

### **8.5 Non/short-recovery of royalty on the minerals used for construction work**

The Mines and Mineral (Regulation and Development) Act, 1957 provides for payment of royalty in advance at the time of removal of minerals from the lease area.

Test-check of the records of eight mining offices<sup>4</sup> revealed that 15,14,915.78 MT of minerals i.e. sand, boulder, gitti and morrum during the year 2001-02 and 2003-04 were utilised for construction of roads and other works by the contractors of the PWD in eight districts. However, the royalty was neither paid by the contractors nor was recovered by the PWD to whom the Collector had directed for recovery. This resulted in short-realisation of royalty Rs.2.43 crore.

After this was pointed out in audit (August 2003 & April 2004), the Department stated that the action for recovery would be taken.

### **8.6 Non-realisation of dead rent**

Madhya Pradesh Minor Mineral Rules, 1996 provide that a lessee shall pay for every year except for the first year of lease yearly dead rent at the rates specified from time to time.

Test-check of records in March 2004 revealed that a quarry lease of granite of 40 hectare in forest area was sanctioned in favour of Madhya Pradesh State Mining Corporation for a period of 10 years. However, it was transferred to a private firm from July 1998 on the same terms and conditions. The possession of land was not given till March 2004 due to non-completion of joint demarcation of land by the Mining and Forest departments. This resulted in a loss of Rs.23.15 lakh payable by way of dead rent payable to the Government.

After this was pointed out in audit (March 2004), the Mining Officer stated that the Division Forest Officer was asked from time to time for joint demarcation but the area was not demarcated. Therefore, the lessee could not get the possession of leased area.

In an another case, the lessee was given surface right after three years from the date of sanction of lease and Mining Officer was directed to collect the dead rent from July 2001 i.e. the date of grant of surface right. The reasons for delay in grant of the possession was not available in the Mining Office. Thus, lack of co-ordination between the Mining Department/Forest Department/Revenue Department deprived Government of revenue of Rs.18.63 lakh by way of dead rent.

### **8.7 Non-realisation of revenue due to delay in re-grant of lease area**

Under the Minor Mineral Rules, 1996, the land which was previously held or is being held under a mining/quarry lease or prospecting license should be made available for

<sup>4</sup> Betul, Damoh, Indore, Raisen, Rewa, Shahdol, Shivpuri and Sidhi

re-grant on expiry of the lease or surrender after issuing a notification in Gazette and making an entry to this effect in the prescribed register.

Test-check of records of Bhind district revealed that notification for re-grant of lease after termination of lease by the previous lessee (lease terminated in March 2001) was not issued. The revenue forgone by way of dead rent as a result of this omission amounted to Rs.42.46 lakh. Besides, an amount of Rs.2.58 lakh outstanding against earlier lessee was also not recovered.

After this was pointed out in audit (December 2003), the Mining Officer stated that action to re-allot the lease is being taken and demand notice to recover the outstanding amount of Rs.2.58 lakh from the lessee had been issued (December 2003).

### **8.8 Non-submission of return**

Under M.P. Minor Minerals Rules, 1996, every quarry lease holder shall submit the monthly, half yearly, yearly returns on due dates as prescribed in the agreement. If these returns are not received by the prescribed date, the sanctioning authority may impose the penalty on the lessee not exceeding an amount equivalent to twice the amount of annual dead rent.

Test-check of the records of five mining offices<sup>5</sup> revealed that 28 lessees did not submit the returns for the year 2002-2003, as such the assessment of royalty could not be completed. The Mining officer did not take any action to impose the penalty. This resulted in non-realisation of revenue of Rs.55.55 lakh.

After this was pointed out in audit between July 2003 and April 2004, the Mining Officers stated that the lessees had been asked to submit the returns. The reply is not tenable as the Department failed to take action as required under the rules as no system to monitor the receipts of returns by the prescribed date had been devised/formulated.

<sup>5</sup> *Bhind, Chhindwara, Gwalior, Katni and Raisen*



**CHAPTER - IX**  
**OTHER NON-TAX RECEIPTS**

**9.1 Results of Audit**

Test-check of records relating to Water Resources, Co-operative, Food and Civil Supplies Department during the year 2003-2004 revealed non/short-realisation and loss of revenue amounting to Rs.29.44 crore in 9,908 cases which can broadly be categorised as under:

(Rupees in crore)

S. No.		Number of cases	Amount
<b>WATER RESOURCES DEPARTMENT</b>			
1.	Non-levy of betterment contribution	566	2.02
2.	Non-imposition of penalty for non-employment of technical staff	23	0.01
3.	Short-levy of water charges due to incorrect assessment	06	0.65
4.	Non-levy of water rates and irrigation cess	05	0.17
5.	Non-recovery of outstanding dues of water charges	105	9.95
6.	Others	8,364	3.89
	<b>Total</b>	<b>9,069</b>	<b>16.69</b>
<b>CO-OPERATIVE DEPARTMENT</b>			
1.	Non-recovery/short-recovery of audit fee	268	0.35
2.	Non-recovery of instalment of outstanding loan and interest	73	10.43
3.	Others	293	1.42
	<b>Total</b>	<b>634</b>	<b>12.20</b>
<b>FOOD &amp; CIVIL SUPPLIES DEPARTMENT</b>			
1.	Non-disposal of confiscated goods	72	0.152
2.	Non-recovery of interest due on belated payment of advances	13	0.374
3.	Others	120	0.024
	<b>Total</b>	<b>205</b>	<b>0.55</b>
	<b>Grand Total</b>	<b>9,908</b>	<b>29.44</b>

The departments accepted non-assessment/under-assessment of tax and losses of Rs.14.52 crore involved in 1,266 cases.

A few illustrative cases involving Rs.0.93 crore are discussed in the following paragraphs:

## Water Resources Department

### 9.2 Non-levy of betterment contribution

The Madhya Pradesh Irrigation Act, 1931 provides for levy of betterment contribution at the rate of Rs.140 per acre payable in lump sum or at the rate of Rs.224 per acre payable in 20 annual consecutive installments from the permanent holders of land benefited by canals constructed after 1 April 1951 at a cost of Rs.5 lakh or more or having a command area of 1,000 acre or more. The contribution is recoverable from such date as may be notified by the Government, but not earlier than three years from the commencement of operation of canal.

Test-check of records of two water resources divisions between December 2003 and February 2004 revealed that six irrigation schemes were completed at a cost of Rs.65.84 crore between the years 1997-98 and 1999-2000. The Department neither notified the dates from which betterment contribution would become leviable nor specified the command area. Non observance of provisions of the Acts resulted in non-levy/realisation of Rs.37.32 lakh.

After this was pointed out in audit, the Executive Engineer (EE), Khargone stated in December 2003 that designed capacity of the tanks could cater command area of less than 1,000 acres, hence betterment contribution was not leviable. EE, Khandwa stated in February 2004 that action is being taken in the matter. The reply of the EE Khargone was not tenable as the construction cost of the schemes was more than Rs.5 lakh as such a betterment tax was payable.

The matter was reported to the Government between March and May 2004, their reply had not been received (May 2005).

## Co-operative Department

### 9.3 Short-levy of audit fees

Madhya Pradesh Cooperative Societies Act, 1960 provides for the audit of accounts of each society at least once a year or getting the audit conducted by such person as may be authorised in writing. He will charge audit fee from the auditee units at the prescribed rate of Rs.0.15 per hundred Rupees on working capital and in addition Rs.500/- per branch prescribed by Government vide Notification dated October 1987. These rates were subsequently reduced by the Government in August 2001.

Test-check of records of three Assistant Registrars<sup>1</sup> Cooperative Societies between August 2002 and August 2003 revealed that audit fees for the year 2000-01 of nine co-operative units was to be levied at the higher rates applicable prior to 30 August 2001. Against the leviable audit fees of Rs.68.02 lakh, Rs.32.67 lakh was levied. This resulted in short-levy of audit fees of Rs.35.35 lakh.

After this was pointed out in audit, the Assistant Registrars stated that at the time of approval of Audit reports by higher authorities the revised rates were applicable. The reply was not tenable as the audit was conducted for the year 2000-01 and the rates applicable for this period should have been charged.

The matter was reported to the Government between July 2003 and May 2004; their reply had not been received (May 2005).

<sup>1</sup> (1) Bhind (2)Guna (3) Vidisha



**Food, Civil Supplies and Consumer Protection Department**

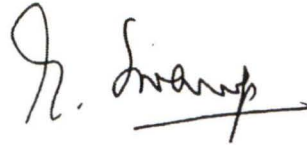
**9.4 Non-levy of interest on belated refund of loan**

The Government of Madhya Pradesh, Food Civil Supplies and Consumer Protection Department granted loans to various District Central Corporative Banks for storage of food grains for distribution in inaccessible areas during rainy season. The loans were required to be refunded by 31 October each year. In case of default, interest at the rate of 18 per cent per annum was leviable with effect from 1 November of the year.

Test-check of records of three Food Offices<sup>2</sup> revealed between September and October 2003 that loan of Rs.3.72 crore was paid to three District Central Corporative Banks for procurement and storage of food grains for distribution in inaccessible areas between the period 1998-99 to 2002-03. The refund of these loans was made by the Banks after a delay ranging between one to 341 days each year. However, interest amounting to Rs.20.03 lakh was not levied and recovered from the respective banks.

After this was pointed out in audit, the Department stated between September and October 2003 that the action to recover the interest on loans would be taken.

The matter was reported to the Government between November 2003 and January 2004, their reply had not been received (May 2005).



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*Countersigned*



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New Delhi  
The

5 JUL 2005

<sup>2</sup> (1) Rajgarh (2) Raisen (3) Sehore

