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

**FOR THE YEAR  
ENDED 31 MARCH 1994**

**NO. 1**

**(REVENUE RECEIPTS)  
GOVERNMENT OF ORISSA**



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हड़िसा विधान सभा में  
स्थापन किया गया.....  
Laid before the Orissa  
Legislative Assembly  
on 29 JUN 1995.....

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## **PREFATORY REMARKS**

This Report for the year ended 31st March 1994 has been prepared for submission to the Governor under Article 151(2) of the Constitution.

The audit of revenue receipts of the State Government is conducted under Section 16 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. This Report presents the results of audit of receipts comprising sales tax, taxes on motor vehicles and passengers, land revenue, state excise and other tax receipts, forests 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 1993-94 as well as those noticed in earlier years but could not be covered in previous years' Reports.



## OVERVIEW

This Report contains 37 paragraphs relating to non-levy, short-levy of tax, penalty, interest etc. involving Rs.9.27 crores. Some of the major findings are mentioned below:

### 1. General

- (i) The total revenue raised by the Government of Orissa during the year 1993-94 was Rs.1,275.34 crores comprising tax revenue of Rs.859.89 crores and non-tax revenue of Rs.415.45 crores. While the tax revenue consisted mainly of Sales Tax (Rs.514.33 crores), non-tax revenue was mainly from Mines and Minerals (Rs.131.10 crores) and Forest (99.47 crores).

(Paragraph 1.1)

- (ii) Test check of the records of Sales Tax, Motor Vehicles, State Excise, Forest and other departmental offices conducted during the year 1993-94 revealed underassessment/short-levy/loss of revenue amounting to Rs.62.31 crores in 17,363 cases. During the course of the year 1993-94 the concerned departments accepted under-assessment etc. of Rs.4.02 crores involved in 2417 cases of which Rs.0.16 crore involved in 12 cases were pointed out in 1993-94 and the rest in earlier years.

(Paragraph 1.8)

### 2. Sales Tax

- i) Application of incorrect rate of tax led to short levy of tax amounting to Rs.20.80 lakhs.

{Paragraph 2.2(a)(b)}

- ii) Irregular allowance of exemption in respect of sale turnover of finished iron goods on the ground that raw-materials had already suffered tax resulted in short levy of tax amounting to Rs.121.82 lakhs in 5 cases.

{Paragraph 2.5(a)}

### 3. Taxes on Motor Vehicles and passengers

- i) Composite tax amounting to Rs.17.82 lakhs in respect of 2569 vehicles plying under National Permit Scheme was not realised.

{Paragraph 3.2 (a) and (b)}

- ii) Tax and additional tax amounting to Rs.34.78 lakhs in respect of 449 vehicles was not realised.

{Paragraph 3.4}

- iii) In respect of 101 motor vehicles, which violated off-road declarations, tax amounting to Rs.13.60 lakhs was not realised nor was any penalty, though leviable upto Rs.27.21 lakhs, imposed.

{Paragraph 3.7(b)}

- iv) Penalty on belated payment of tax in respect of 1462 motor vehicles amounting to Rs.118.04 lakhs was not levied.

{Paragraph 3.12}

### 4. LAND REVENUE

- i) Premium etc. amounting to Rs.24.96 lakhs were not recovered from Orissa State Electricity Board, Orissa Cashew Development Corporation and Central Government Departments.

{Paragraph 4.2 (a), (b) & (c)}

- ii) Court fee amounting to Rs.2.19 lakhs was not realised from the banks.

{Paragraph 4.3}

### 5. STATE EXCISE

- i) Loss of excise revenue amounting to Rs.42.12 lakhs incurred due to levy of duty at lower rate.

{Paragraph 5.2}

- ii) Excise duty on country spirit amounting to Rs.30.90 lakhs was not levied on the quantity which fell short of the minimum guaranteed quantity.

{Paragraph 5.3}

**6. STAMP DUTY AND REGISTRATION FEES**

Stamp duty amounting to Rs.4.23 lakhs was short realised due to application of incorrect rate of additional stamp duty.

{Paragraph 6.2}

**7. FOREST RECEIPTS**

Interest amounting to Rs.5.93 lakhs on belated payment of consideration money/royalty was not levied.

{Paragraph 7.3}

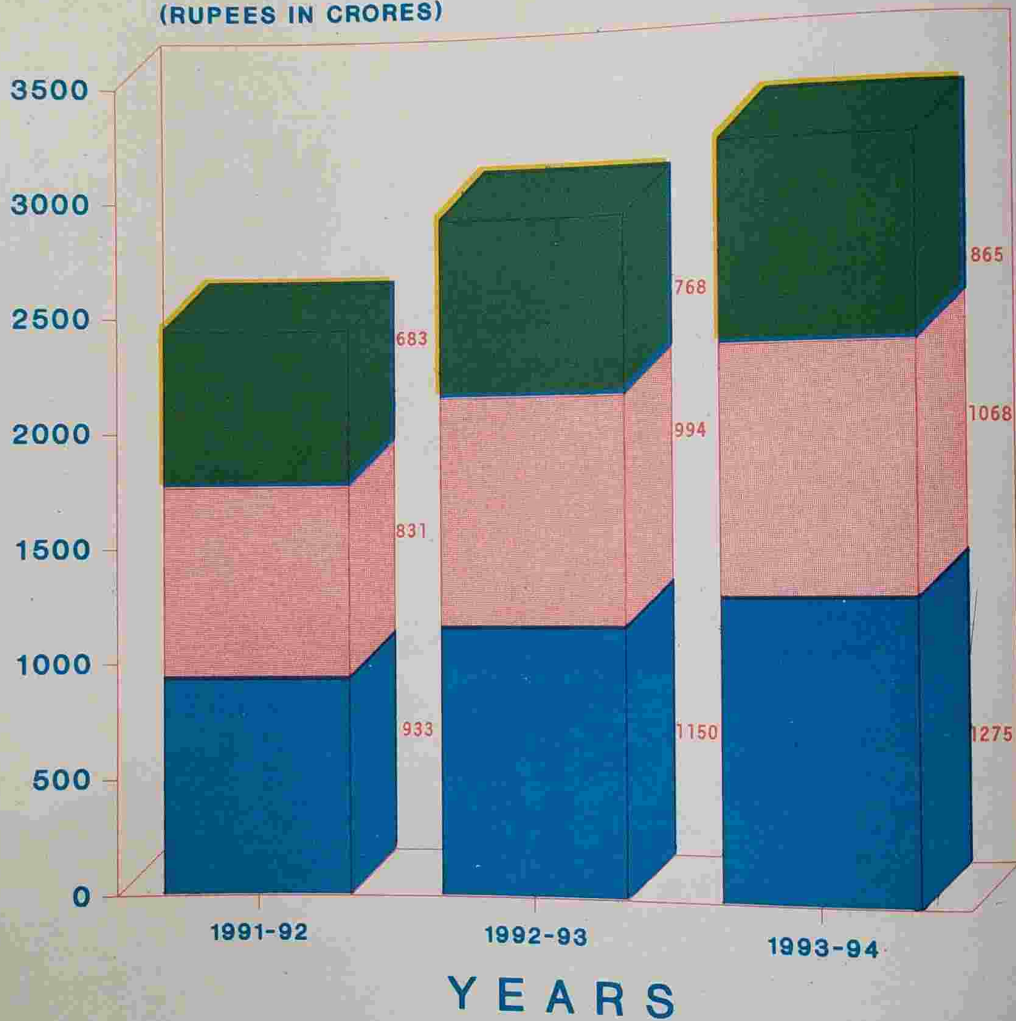
**8. MINING RECEIPTS**

Interest amounting to Rs.6.28 lakhs on belated payment of mining dues in 19 cases was not levied.

{Paragraph 8.3}

# CHART-I TREND OF REVENUE RECEIPTS

(RUPEES IN CRORES)



■ TAX & NON-TAX REV.      ■ STATE SHARE OF UT  
■ GRANTS-IN-AID

(Paragraph : 1.1)

YELL

# CHART-I TREND OF REVENUE RECEIPTS

(RUPEES IN CRORES)



■ TAX & NON-TAX REV.      ■ STATE SHARE OF UT  
■ GRANTS-IN-AID

(Paragraph : 1.1)

YELL

# CHAPTER 1

## GENERAL

### 1.1 Trend of Revenue Receipts

The tax and non-tax revenue raised by Government of Orissa during the year 1993-94, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding two years are given below and also exhibited in Chart-I.

	1991-92	1992-93	1993-94
<b>I</b>	<b>(Rupees in Crores)</b>		
Revenue raised by State Government			
(a) Tax Revenue	673.65	761.90	859.89
(b) Non-Tax Revenue	259.80	388.15	415.45
<b>Total:</b>	<b>933.45</b>	<b>1150.05</b>	<b>1275.34</b>
<b>II</b>			
Receipts from Government of India			
(a) State's share of divisible union taxes	830.53	994.88	1067.85**
(b) Grants-in-aid	683.33	768.23	865.05
<b>Total</b>	<b>1513.86</b>	<b>1763.11</b>	<b>1932.90</b>

\*\* For details, please see Statement No.- 11- Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Orissa for the year 1993-94. Figures under the head "0021- Taxes on Income other than Corporation Tax- share of net proceeds assigned to States" booked in the Finance Accounts under A - Tax Revenue have been excluded from Revenue raised by the State and included in State's share of divisible Union Taxes in this Statement.

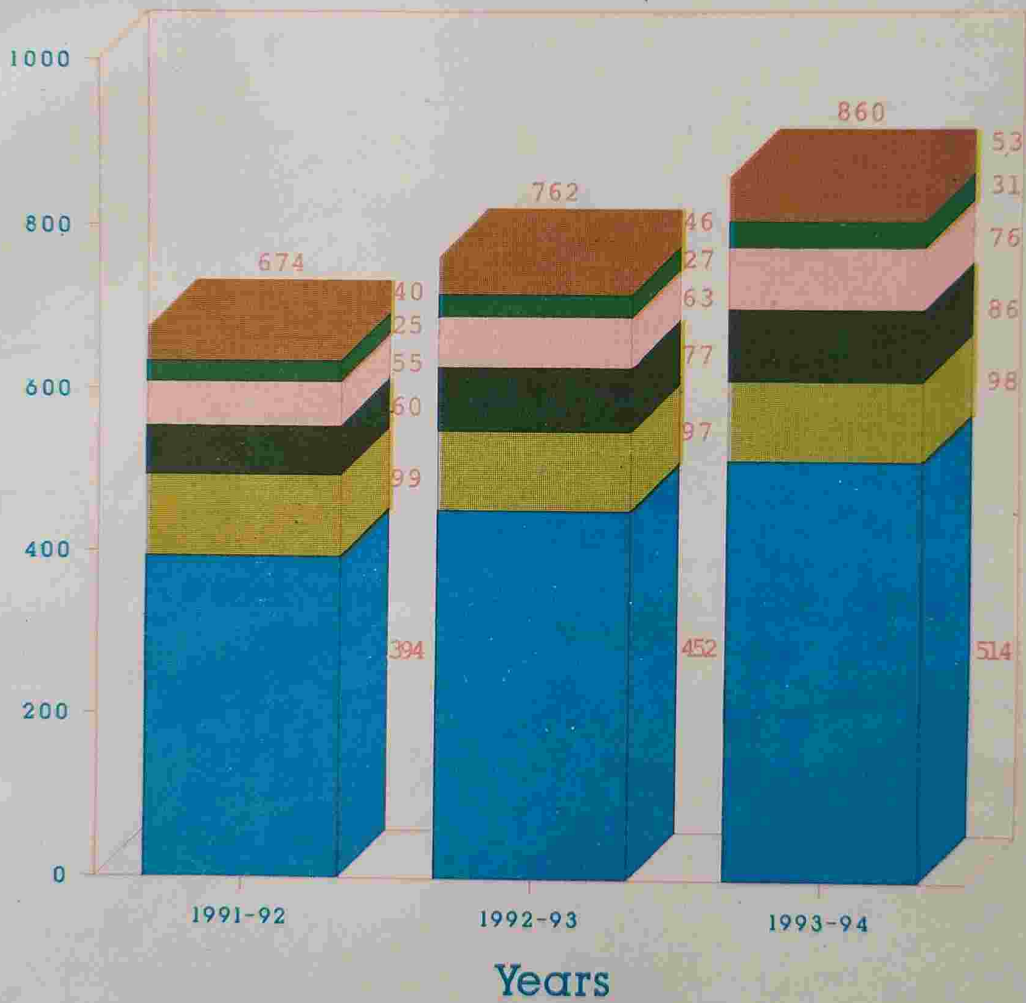
III	<b>Total Receipt of the State Government (I+II)</b>	2447.31	2913.16	3208.24
IV	<b>Percentage of I to III</b>	38.14	39.47	39.75

(i) The details of the tax revenue raised during the year 1993-94 alongwith figures for the preceding two years, are given below and also exhibited in Chart-II.

Heads of Revenue	1991-92	1992-93	1993-94	Percentage of increase (+) or decrease(-) in 1993-94 over 1992-93
(Rupees in Crores)				
1. Sales Tax	394.16	452.00	514.33	(+) 13.78
2. Taxes and duties on electricity	99.46	97.34	98.46	(+) 1.15
3. Land Revenue	24.77	27.16	31.46	(+) 15.83
4. Taxes on Vehicles	59.75	77.13	86.44	(+) 12.07
5. Taxes on goods and passengers	0.02	0.01	0.01	--
6. State excise	55.07	62.77	76.18	(+) 21.36
7. Stamp duty and registration fees	35.43	40.64	47.98	(+) 18.06
8. Other taxes and duties on commodities and services	4.99	4.85	5.03	(+) 3.71
<b>Total :</b>	<b>673.65</b>	<b>761.90</b>	<b>859.89</b>	

## CHART-II GROWTH OF TAX REVENUE

(RUPEES IN CRORES)



<span style="color: blue;">■</span> SALES TAX	<span style="color: olive;">■</span> Elect. DUTY	<span style="color: black;">■</span> MVT
<span style="color: pink;">■</span> STATE EXC.	<span style="color: green;">■</span> LAND REV.	<span style="color: brown;">■</span> OTHERS

(Paragraph : 1.1(1))



# CHART-III GROWTH OF NON-TAX REVENUE

(RUPEES IN CRORES)



- FOREST
- INTEREST
- MINES & MINS.
- IRRIGATION
- EDUCATION
- OTHERS

[PARAGRAPH 1.1(11)]

YELL

Reasons for variations in receipts during 1993-94 compared to those of 1992-93, as intimated by the respective departments are given below :-

(a) "Sales Tax"- The increase (13.78 *per cent*) was due to adoption of additional resource mobilisation measures and inflationary increase in value of goods.

(b) "Land Revenue"- The increase (15.83 *per cent*) was due to special drive to maximise the revenue collection.

(c) The reasons for variation in respect of other heads i.e. "Taxes on vehicles", "Stamp Duty & Registration fees" and "State Excise" though called for from the departments concerned have not been received (November 1994).

(ii) The details of major non-tax revenue realised during the years 1991-92 to 1993-94 are given below and also exhibited in chart-III.

Heads of Revenue	1991-92	1992-93	1993-94	Percentage of increase (+) or decrease(-) in 1993-94 over 1992-93
(Rupees in Crores)				
1. Forest	84.72	104.00	99.47	(-) 4.36
2. Mines and Minerals	67.87	115.93	131.10	(+) 13.08
3. Education	10.31	10.85	9.52	(-) 12.25
4. Interest	34.03	58.25	87.69	(+) 50.54
5. Public Health Sanitation and water supply	5.76	5.66	6.02	(+) 6.36
6. Irrigation Navigation Drainage and Flood Control Project	6.26	14.68	6.55	(-) 55.38
7. Police	4.85	6.65	6.93	(+) 4.21
8. Others	46.00	72.13	68.17	(-) 5.49
<b>Total</b>	<b>259.80</b>	<b>388.15</b>	<b>415.45</b>	

Reasons for variations in receipts during 1993-94 compared to those of 1992-93, as intimated by the respective departments are given below :

- (a) " Mines and Minerals" - The increase (13.08 *per cent*) was due to increase in production and collection of revenue thereon.
- (b) "Interest"- The increase (50.54 *per cent*) was mainly due to adjustment of arrears due from the Orissa State Electricity Board.
- (c) The reasons for variation in respect of "Education" and "Irrigation Navigation, Drainage and Flood control", though called for from the departments concerned have not been received (November 1994).

### 1.2 Variations between Budget Estimates and Actuals

The variations between Budget estimates of revenue for the year 1993-94 and the actual receipts under the Principal heads of tax and non-tax revenue and the reasons therefor as intimated by the respective departments are given below:

Heads of Revenue	Budget Estimates	Actual receipts	Variations Increase(+) Short fall(-)	Percentage of variation
(Rupees in Crores)				
1. Sales Tax	525.30	514.33	(-) 10.97	(-) 2.08
2. Forest	111.85	99.47	(-) 12.38	(-) 11.06
3. Taxes and Duties on electricity	116.24	98.46	(-) 17.78	(-) 15.29
4. Land Revenue	24.77	31.46	(+) 6.69	(+) 27
5. Taxes on vehicles	81.96	86.44	(+) 4.48	(+) 5.46
6. State Excise	76.80	76.18	(-) 0.62	(-) 0.80
7. Stamp duty and registration fees	56.04	47.98	(-) 8.06	(-) 14.38

Heads of Revenue	Budget Estimates	Actual receipts	Variations Increase(+) Short fall(-)	Percentage of variation
(Rupees in Crores)				
8. Mines and Minerals	123.86	131.10	(+) 7.24	(+) 5.84
9. Education	11.52	9.52	(-) 2.00	(-) 17.36
10. Interest	33.14	87.69	(+) 54.55	(+) 164.60
11. Police	5.09	6.93	(+) 1.84	(+) 36.14

- (a) "Forest"- The decrease (11.06 *per cent*) was due to short fall in timber royalty.
- (b) "Taxes and Duties on electricity"- No specific reason for short fall (15.29 *per cent*) could be assigned by the department.
- (c) "Stamp duty and registration fees"- The decrease (14.38 *per cent*) was due to the decrease in demand of stamps and stamp paper.
- (d) 'Land Revenue'- The increase (27 *per cent*) was due to the special drive for collection by revenue field staff.
- (e) "Interest"- The increase (164.60 *per cent*) was mainly due to adjustment of arrears due from Orissa State Electricity Board.
- (f) 'Police'- The increase (36.14 *per cent*) was due to collection of arrear dues.
- (g) "Education"- The reasons for variation though called for from the department have not been received (November 1994).

### 1.3 Analysis of Collection

The break up of the total collections (at the pre-assessment stage and after regular assessment) of Sales Tax during the year 1993-94 and the corresponding figures for the preceding two years as furnished by the department are given below:

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Amount of arrear demand collected	Other misc. receipt	Amount refunded	Net collection of tax	Percentage of col. 2 to 7
1	2	3	4	5	6	7	8
(Rupees in Crores)							
1991-92	366.55	29.82	5.82	-	8.34	393.85*	93
1992-93	410.91	28.90	15.45	-	3.43	451.83**	91
1993-94	474.24	26.08	23.54	-	11.20	512.66***	93

The position of revenue collected by Sales Tax Department as detailed above, shows that the collection of revenue at pre-assessment stage ranged between 93 and 91 *per cent* during last 3 years ending March 1994. This indicates a high degree of voluntary compliance by tax payers and limited role of tax collecting machinery in achieving the higher targets of collections.

- \* The difference of Rs.0.31 crores (Rs.394.16 crores (-) 393.85 crores) has been attributed by the department to pending reconciliation of intra-departmental figures
- \*\* The difference of Rs.0.17 crores (Rs.452 crores (-) Rs.451.83 crores) has been attributed by the department to the non-inclusion of miscellaneous receipts.
- \*\*\* The difference of Rs.1.67 crores (Rs.512.66 crores (-) Rs.514.33 crores) was attributed by the department to difference in misc. receipt (Rs.0.43 crore) and difference in refund figure (Rs.1.24 crores) which has not been reconciled by the department (November 1994).

#### 1.4 Cost of Collection

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collections during the years 1991-92, 1992-93 and 1993-94 alongwith the relevant all India average percentage of expenditure on collection to gross collections for 1992-93 are given below:

Head of Revenue	Year	Gross Collection		Expenditure on collection	Percentage of expenditure to Gross collection	All India Average percentage for the year 1992-93
		(Rupees	in Crores)			
1. Sales Tax	1991-92	394.16		8.29	2.1	1.5
	1992-93	452.00		8.80	1.9	
	1993-94	514.33		9.49	1.8	
2. Taxes on vehicle	1991-92	59.75		1.36	2.27	2.9
	1992-93	77.13		1.59	2.06	
	1993-94	86.44		1.75	2.02	
3. State Excise	1991-92	55.07		3.97	7.2	2.2
	1992-93	62.77		4.86	7.74	
	1993-94	76.18		4.68	6.14	
4. Stamps & Registration fees	1991-92	35.43		3.95	11.14	4.9
	1992-93	40.64		4.38	10.77	
	1993-94	47.98		4.74	9.87	
5. Taxes and duties on Electricity	1991-92	99.46		1.35	1.35	
	1992-93	97.34		1.47	1.5	
	1993-94	98.46		1.48	1.5	

The expenditure on collection of State Excise and Stamps and Registration fees as a percentage of total collection under the respective heads is higher as compared to the notional average.

### 1.5 Arrears of revenue

As on 31 March 1994, arrears of revenue under principal heads of revenue, as reported by the departments, were as under:

Head of revenue	Amount of arrears as on 31 March 1994	Arrears more than five years old	Remarks
	(Rupees in Crores)		
1. Sales tax	445.07	120.68	<p>The position of recovery of arrears under various stages is given below:</p> <p><b>(Rupees in Crores)</b></p> <p>(a) Recovery stayed by:</p> <p>(i) High Court and other judicial authorities 148.25</p> <p>(ii) Government/departmental authorities 99.67</p> <p>(b) Other stages:</p> <p>(i) Under third party notices 26.79</p> <p>(ii) Under show cause notices 116.19</p> <p>(c) Demands covered by certificate proceedings 51.67</p> <p>(d) Amounts likely to be written off 2.50</p> <hr/> <p><b>Total 445.07</b></p> <hr/>
2. Interest	253.11	126.09	<p>Interest payable by the State Electricity Board 140.87</p> <p>Interest on loans by Industries Department 13.22</p> <p>Interest on loans from Community Development 99.02</p> <hr/> <p><b>Total 253.11</b></p>

Head of revenue	Amount of arrears as on 31 March 1994	Arrears more than five years old	Remarks
(Rupees in Crores)			
3. Taxes and Duties on Electricity	75.86		The year-wise break up and specific action taken to effect the recovery has not been intimated by the department (November 1994)
4. Forest	23.49		The year-wise break up and specific action taken to effect the recovery has not been intimated by the department (November 1994).
5. Police	7.42	2.46	The specific action taken to effect the recovery has not been intimated by the department (November 1994)
6. Mines and Minerals	4.71	1.01	Out of the above arrears, recovery of Rs.34.92 lakhs was covered by certificate proceeding, Rs.17.20 lakhs was under stay orders of High Court and other judicial authorities, Rs.42.15 lakhs were under proposal for write off, Rs.90.34 lakhs were under dispute and the balance amount of Rs.285.89 lakhs was under process of recovery.
7. Stationery	1.35	0.25	Out of these arrears, an amount of Rs.9000 was covered by certificate proceedings and action taken to recover the remaining amount has not been intimated (November 1994).

The information from other departments though called for has not been received (November 1994)



### 1.6 Arrears in assessment

The details of Sales Tax assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and the number of cases pending finalisation at the end of each year, during 1989-90 to 1993-94, as furnished by the Department are given below:

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 6 to 4
1	2	3	4	5	6	7
1989-90	1,86,880	1,88,701	3,75,581	1,84,749	1,90,832	51
1990-91	1,90,832	1,90,981	3,81,813	1,81,936	1,99,877	52
1991-92	1,99,877	1,99,949	3,99,826	1,89,024	2,10,802	53
1992-93	2,10,802	1,87,167	3,97,969	1,81,342	2,16,627	54
1993-94	2,16,627	2,01,294	4,17,921	1,82,287	2,35,634	56

The above table shows that the number of outstanding cases went up from 1,90,832 at the end of 1989-90 to 2,35,634 at the end of 1993-94 registering an increase of 23 *per cent*.

### 1.7 Fraud and evasion of tax

The number of cases of evasion of tax detected by Sales Tax department during 1993-94 and assessments finalised are given below:

	Number of cases
A(i) Cases pending as on 31 March 1993	18,384
(ii) Cases detected during the year	8,704
<b>Total</b>	<b>27,088</b>
<hr/>	
B. Cases in which investigations/ assessments were completed during the year	9,334
<hr/>	
C. Cases which were pending at the end of the year	17,754

The amount of revenue involved in the above cases was not furnished by the department.

### 1.8 Results of Audit

Test check of the records of Sales Tax, Motor Vehicles, State Excise, Forest and other departmental offices conducted during the year 1993-94 revealed under assessment/short levy/loss of revenue amounting to Rs.6231.40 lakhs in 17,363 cases. During the course of the year 1993-94 the concerned departments accepted under assessment etc. of Rs.401.63 lakhs involved in 2,417 cases of which Rs.16.18 lakhs involved in 12 cases were pointed out in 1993-94 and the rest in earlier years.

This report includes 37 paragraphs involving financial effect of Rs.927.35 lakhs of which Rs.629.59 lakhs were accepted by the Government/Department.

Recovery made in these cases amounted to Rs.1.89 lakhs upto November 1994. Audit observations with a total revenue effect of Rs.88.80 lakhs have not been accepted by the Department/Government but their contentions being at variance with the facts or legal position have been appropriately commented upon in the relevant paragraphs.

### 1.9 Outstanding Inspection Reports and audit observations

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

(b) The year-wise break up of the outstanding reports and audit observations issued upto December 1993, as on 30 June 1994 is given below:

	Number of Outstanding		Revenue involved
	Inspection Reports	Audit Observations	(Rupees in lakhs)
upto 1991-92	2186	6837	5135.97
1992-93	227	1202	1763.49
December 1993	235	1277	1724.78
<b>Total</b>	<b>2648</b>	<b>9316</b>	<b>8624.24</b>

(c) Department-wise break up of the inspection reports and audit observations outstanding as on 30th June 1994 is given below:

Department	Nature of receipts	Number of outstanding			Year to which observations relate	Number of inspection reports to which even first replies had not been received
		Inspection reports	Audit observations	Amount of receipts involved (Rupees in lakhs)		
1. Revenue and Excise	Land Revenue	740	1821	3912.79	1975-76 to 1993-94	47
	Stamp Duty & Registration	283	364	6.00	1976-77 to 1993-94	85
	State Excise	132	384	750.91	1973-74 to 1993-94	34
2. Commerce and Transport (Transport)	Taxes on vehicles	198	2016	890.90	1968-69 to 1993-94	4
	Taxes on passengers	70	237	375.26	1973-74 to 1987-88	-
3. Finance	Sales Tax	523	2275	1448.40	1972-73 to 1993-94	63
	Entertainment Tax	165	237	9.20	1973-74 to 1993-94	60
4. Forest and Environment	Forest	421	1772	866.57	1965-66 to 1993-94	39
5. Steel and Mines	Mining Receipts	116	210	364.21	1974-75 to 1993-94	16
<b>Total</b>		<b>2648</b>	<b>9316</b>	<b>8624.24</b>		<b>348</b>

The matter was brought to the notice of the Chief Secretary to Government between May 1994 and October 1994; intimation regarding steps taken by the Government to settle the outstanding Inspection Reports and Audit observations has not been received (November 1994).

## CHAPTER 2

### SALES TAX

#### 2.1 Results of Audit

Test check of assessments and refund cases and the connected documents in the Commercial Tax Offices during the period from April 1993 to March 1994 revealed underassessment of tax or loss of revenue amounting to Rs.1682.69 lakhs in 1127 cases which may broadly be categorised as under:

	Number of cases	Amount (Rs. in lakhs)
	-----	-----
1. Short-levy due to incorrect computation of taxable turnover	69	851.97
2. Underassessment due to application of incorrect rate	55	40.09
3. Irregular grant of exemption	90	328.15
4. Non-levy of interest	605	6.40
5. Other cases	308	456.08
<b>Total</b>	<b>1127</b>	<b>1682.69</b>
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During the course of 1993-94, the concerned Department accepted underassessment etc. of Rs.160.50 lakhs involved in 328 cases, of which 12 cases involving Rs.16.18 lakhs were pointed out during 1993-94 and the rest in earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.338.47 lakhs are mentioned in the following paragraphs.

## 2.2 Short levy of tax due to application of incorrect rate

(a) Under the provisions of the Orissa Sales Tax Act, 1947, different rates of tax are applicable in respect of different commodities. Application of incorrect rates of tax in 4 cases resulted in short levy of tax of Rs.19.83 lakhs as per details given below:

Sl. No.	Name of the Circle	Year assessed	Name of commodity/ goods	Taxable turnover (Rs. In lakhs)	Rate of tax applicable	Rate of tax levied	Short levy (Rs.in lakhs)	Remarks
1.	Bhubaneswar -II	1989-90 to 1991-92	Hire charges of machinery	41.79	12% upto June 90 16% from July 90	8% upto June 90 12% from July 90	1.78	Demand of Rs.1.90 lakhs raised. The dealer has deposited Rs.1.20 lakhs (December 1993) and gone for appeal. The balance amount is under stay order.
2.	Cuttack-I (Central)	1986-87 to 1989-90	Radio	29.57	13%	8%	1.48	Demands of Rs.74,825 for 1988-89 & 1989-90 and Rs.73,000 for 1986-87 & 1987-88 were raised in January 1994 and July 1994 respectively.
3.	Cuttack-II	1991-92	Tooth Powder	96.28	12%	4%	7.70	Demand of Rs.7.70 lakhs raised (December 1993).
4.	Cuttack-I (West)	1991-92	Vegetable Ghee	201.52	12%	8%	8.87	Demand of Rs.8.87 lakhs raised (July 1993). The dealer has preferred appeal thereafter.
<b>Total</b>							<b>19.83</b>	

(b) Under the provisions of the Central Sales Tax Act, 1956, on the inter State sale of goods (other than declared goods) by a registered dealer, tax is leviable at the rate of 4 per cent if such sales are supported by prescribed declarations in form "C". Otherwise, tax is leviable at the rate of 10 per cent or the rate leviable on the sale of such goods within the State under the State Law, whichever is higher.

In three cases of inter State sale of goods (other than declared goods) not covered by prescribed declaration, tax was levied at incorrect rates resulting in short levy of tax of Rs.96,826 as per details given below:

Name of the Circle	Year assessed	Name of commodity /goods	Taxable turnover (Rupees in lakhs)	Rate of tax applicable	Rate of tax levied	Short levy (in Rupees)	Remarks
1. Kalahandi	1989-90	Tamarind	5.19	10%	4%	31,130	The assessing officer issued rectificatory notice (March 1994). Report on realisation has not been received (November 1994).
2. Bolangir-II	October 1990 to February 1991	Kendu leaf	9.18	16%	12%	36,720	The assessing officer reopened the case (December 1993). No further report has been received (November 1994).
3. Keonjhar	1990-91	Tea	14.49	12%	10%	28,976	The assessing officer raised (May 1994) demand of Rs.28,976. Further report on realisation has not been received (November 1994).
<b>Total</b>						<b>96,826</b>	

### 2.3 Irregular grant of exemption

(a) Under the Provision of the Orissa Sales Tax Act, 1947, purchase or sale of goods which directly go into the composition of finished products when sold to or purchased by a registered dealer who is certified by the concerned General Manager, District Industries Centre as village/cottage/Small Scale Industry set up on or after 1 April 1986 and starting commercial production thereafter inside the State is exempt from tax, subject to furnishing a declaration in form-I-B obtained from the manufacturing registered dealer to the effect that the goods purchased shall be used as raw-materials for the purpose of manufacture inside the State. However, under the Act *ibid*, certain industries have been kept outside the purview of the exemption scheme. Tailoring unit, other than those manufacturing readymade garments, is one such ineligible industry.



During the course of audit of Cuttack-I(West) circle, it was noticed (May 1993) that a registered dealer engaged in making High Density Poly Ethylene (HDPE) sacks by stitching HDPE fabrics sold sacks valued at Rs.71.60 lakhs during the years 1989-90 and 1990-91. The entire sale was exempted from tax on the ground that the dealer being a new industry was entitled to the exemption despite the fact that the dealer's application for issue of blank declaration Forms-1-B for making tax free purchase of raw material was rejected (February 1993) by the assessing authority on the ground that no manufacturing process was involved in converting fabrics into bags by stitching. The industry being a tailoring unit (other than that making readymade garments) and also not being involved in any manufacturing process, was not entitled to the exemption. The irregular exemption resulted in short levy of tax of Rs.7.37 lakhs (including additional Sales Tax of Rs.49,578 and surcharge of Rs.26,427).

On this being pointed out (May 1993) the assessing officer reopened the case (June 1993) for reassessment and raised demand of Rs.7.37 lakhs (October 1994). Further report on realisation has not been received (November 1994).

The matter was reported to Government (September 1993), followed by a reminder in October 1994; their reply has not been received (November 1994).

(b) Under the Orissa Sales Tax Act, 1947, sale of goods connected with the activity of photography, cameras and enlargers, lenses, films and plates and other component parts, accessories required for use therewith including photographic chemicals and photographic papers and cloth, were taxable at the rate of 13 *per cent* upto 30 June 1990 and 16 *per cent* thereafter.

During the course of audit of Cuttack-I-Central circle it was noticed (May 1993) that a registered dealer sold photographic cloth such as jacket cloth, filter cloth and damping cloth valued at Rs.5.31 lakhs during 1989-90. The sale was exempted from tax treating the same as mill made cloth which was tax free under the State Act. As photographic cloth was taxable at the rate of 13 *per cent*, the exemption allowed was irregular which resulted in short levy of tax amounting to Rs.74,342 (including additional tax of Rs.5310).

On this being pointed out (May 1993) the assessing officer stated that jacket cloth and filter cloth are mill made clothes as no stitching, embroidery or anything of the sort was done on such clothes, and hence tax free. The contention of the assessing officer is not tenable in view of the fact that the items were specifically covered under entry 68 of the list of specified goods and are taxable at the rate of 13 *per cent*. However, the case has been sent for suo-motu revision (August 1994). No further report has been received (November 1994).

The matter was reported to Government (November 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

(c) Under the Orissa Sales Tax Act, 1947, mill made fabrics wholly or partly of cotton, staple fibre, rayon, artificial silk or wool including processed fabrics made in the processing mills and as described in column-3 of the first schedule to the Additional duties of Excise (Goods of special importance) Act, 1957 are exempt from tax. It has been judicially held\* by the honourable Orissa High Court that High Density Poly Ethylene (HDPE) sacks are plastic products.

During the course of audit of Balasore-I circle (July 1993) it was noticed that a registered dealer manufactured and sold High Density Poly Ethylene (HDPE) sacks valued at Rs.1253.36 lakhs during the years 1990-91 and 1991-92. The entire sale was exempted from tax by the assessing officer on the ground that HDPE sacks were mill made artificial silk fabrics. In view of the judicial pronouncement that HDPE woven sacks are plastic products, the exemption allowed was irregular which resulted in short levy of tax amounting to Rs.160.26 lakhs (including additional sales tax of Rs.1.24 lakhs and surcharge of Rs.13.56 lakhs).

On the omission being pointed out in audit (July 1993), the assessing officer reopened the case for reassessment (July 1993). No further report has been received (November 1994).

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\* In the case of M/s Soosree Plastic Industry (P) Ltd. and others Vrs. Union of India and others (O.J.C) No.2755 of 1988.

The matter was reported to Government in November 1993 followed by a reminder in October 1994; their reply has not been received (November 1994).

#### 2.4. Underassessment due to misclassification of goods

Under the Orissa Sales Tax Act, 1947 perfumery, perfumed oil and cosmetics of all varieties are taxable at the rate of 16 *per cent*.

During the course of audit of Cuttack I (West) circle it was noticed (December 1993) that a registered dealer sold perfumed 'hair oil' valued at Rs.2.75 lakhs during the year 1991-92. The sale was taxed at the rate of 4 *per cent* instead of at the rate of 16 *per cent* treating the product as 'drug' on the ground that it was a medicinal preparation. The misclassification resulted in short levy of tax of Rs.36,307 including surcharge of Rs.3,301.

On this being pointed out (December 1993) the assessing officer reopened the case (December 1993) and raised demand of Rs.33,164 (May 1994). Further report on realisation has not been received (November 1994).

The matter was reported to Government (February 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

#### 2.5 Underassessment due to allowance of irregular exemption

(a) Under the Orissa Sales Tax Act, 1947, sale of iron and steel goods is taxable at the rate of 4 *per cent* at the first point in a series of sales. It has been judicially held\* by the Honourable Supreme Court that manufactured goods like steel rounds, flats, angles or similar goods in any other shape could be taxed again even if the materials out of which they are made had already suffered tax, as the finished products were separate commercial commodity and therefore, were to be considered as a separate taxable item for the purpose of levy of tax.

In course of audit of 2 circles (Rourkela I and Dhenkanal) it was noticed (between March 1993 and October 1993) that in 5 cases sale of iron goods valued at Rs.3045.56 lakhs during the years 1990-91 and 1991-92 was

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\* State of Tamilnadu vs. Pyarelal Malhotra {37 STC-319-SC(1976)}

irregularly exempted from tax on the ground that the raw materials had already suffered tax. As the finished products such as M.S. rounds, flats etc. manufactured out of raw-materials like scraps etc. were commercially different commodities in view of the decision of the Supreme Court, the sale in question was taxable accordingly. The non-levy of tax resulted in underassessment of tax of Rs.121.82 lakhs (4 *per cent* on Rs.3045.56 lakhs).

On this being pointed out (between March 1993 and October 1993) in 3 cases the assessing officers concerned agreed to reopen/reopened the cases for reassessment. In the remaining two cases, relating to Rourkela-I Circle the assessing officers contended (March 1993) that in view of the decision\* of the Orissa High Court no further tax was leviable. The contention of the assessing officers is not tenable as the decision of the Orissa High Court was not applicable in these cases as the point decided there was that clearing iron and steel products made out of raw-material was not a violation of declaration which included only the basic raw-materials. No further report has been received (November 1994).

The matter was reported to Government (June 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

(b) Under the Orissa Sales Tax Act, 1947, 'Timber' has been notified to be taxed at first point of sale in a series of sales with effect from 1 January 1990 at the rate of 8 *per cent* (upto 30 June 1990). Under the Act, sale price of goods declared to be taxed at the first point is to be included in the taxable turnover of the first seller notwithstanding that the goods so specified are sold to a registered dealer in whose certificate of registration the goods so specified are included.

(i) During the course of audit of Dhenkanal circle, it was noticed (October 1993) that one registered dealer (Divisional Forest Officer, Dhenkanal) sold timber valued at Rs.8.65 lakhs during 1 January 1990 to 31 March 1990 to another registered dealer (M/s Orissa Forest Development Corporation) and claimed deduction towards sales to registered dealers on the strength of

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\* Konark Steel Industries (P) Ltd v. State of Orissa - (1988/-69 STC-187 (Orissa))

declarations in form XXXIV. The deduction claimed was also allowed in the assessment. As the selling dealer was the first seller in Orissa the deduction was not admissible. The allowance of inadmissible deduction resulted in short-levy of tax of Rs.77,820 (including additional tax of Rs.8,647).

On this being pointed out in audit (October 1993), the assessing officer reopened the case (October 1993). No further reply has been received (November 1994).

The matter was reported to Government (April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

(ii) Under the Orissa Sales Tax Act, 1947 "Refractories" are to be taxed at the first point of sale in a series of sales at the rate of 16 *per cent* with effect from 1 July 1990.

During the course of audit of Sambalpur-III circle it was noticed (January 1994) that a registered dealer, manufacturer of 'refractory bricks' sold fire clay bricks (Refractories) valued at Rs.2.06 lakhs during 1991-92. The sale was allowed as deduction at the time of assessment as sales to registered dealers on the strength of declarations in Form XXXIV. As the selling dealer was the first seller in Orissa, the deduction allowed was inadmissible which resulted in short levy of tax of Rs.36,299 (including surcharge of Rs.3,300).

On this being pointed out in audit (January 1994), the assessing officer agreed to reopen the case. No further reply has been received (November 1994).

The matter was reported to Government (March 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

(c) Under the Orissa Sales Tax Act, 1947, 'Sale price' means amount payable to a dealer as consideration for sale or supply of goods including any sum charged for anything done by the dealer in respect of the goods at the time of or before the delivery thereof.

In course of audit of Sambalpur-III circle, it was noticed (January 1994) that a dealer executed a contract with the Railways for supply of ballast including its transportation and stacking. The agreement indicated that it was a supply contract. During the year 1990-91 the dealer received payment of Rs.5.83 lakhs towards supply, transportation and stacking of ballast. The assessing officer allowed deduction of Rs.4.24 lakhs towards transportation and stacking and levied tax on Rs.1.59 lakhs only. As transportation and stacking were incidental to the sale and the sale was not completed till these processes were completed, the deduction allowed was irregular. This resulted in short levy of tax of Rs.53,385 (including additional tax of Rs.1,351 and surcharge of Rs.5,375).

On this being pointed out in audit (January 1994), the assessing officer reopened the case (January 1994). No further reply has been received (November 1994).

The matter was reported to Government (March 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

## 2.6 Non-levy of surcharge

Under the Orissa Sales Tax Act, 1947, every dealer whose gross turnover during any year exceeds rupees ten lakhs shall, in addition to tax payable by him, pay surcharge at the rate of 10 *per cent* of the total amount of tax payable by him with effect from 1 July 1990.

(a) During the course of audit in eight circles\* it was noticed (June 1992 to March 1994) that in sixteen cases assessments for the years 1990-91 and 1991-92 were completed (between June 1991 and March 1993) without levy of surcharge though the gross turnover in these cases exceeded the limit prescribed for levy of surcharge. The omission led to non-levy of surcharge amounting to Rs.1.87 lakhs.

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\* Bhubaneswar-I, Bolangir-II, Cuttack-II, Ganjam-III, Keonjhar, Mayurbhanj, Rourkela-I, Sambalpur-I,

On this being pointed out (June 1992 to March 1994) assessing officers of Keonjhar, Cuttack-II, Rourkela-I, Sambalpur-I and Bhubaneswar-I circle raised demand of Rs.94,066 (between October 1992 and May 1994) out of which Rs.45,418 was realised (between October 1992 and March 1994). In other cases the assessing officers agreed to reopen/rectify or reopened the cases (June 1992 to March 1994). No further reply has been received (November 1994).

The matter was reported to Government (July 1992 to May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

(b) During the course of audit of Keonjhar circle, it was noticed (February 1994) that the assessment of a registered dealer (Contractor) for the year 1991-92 was completed with gross turnover of Rs.1140.22 lakhs and tax payable Rs.137.88 lakhs. Surcharge at the rate of 10 *per cent* of tax payable was not levied. This resulted in non-levy of surcharge of Rs.13.79 lakhs.

In spite of the first appellate authority ordering (September 1993) levy and collection of surcharge which was to be effected by issue of corrigendum to the assessment orders, no rectificatory order was issued till June 1994. The reason for non-issue of rectification notice when called for (June 1994) was stated to be the appeal filed by the dealer in Sales Tax Tribunal for which assessment records were sent in March 1994. No reason for non-issue of notice prior to dealer's filing 2nd appeal was assigned.

Final reply on raising of demand and realisation has not been received (November 1994).

The matter was reported to Government (May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

## **2.7 Incorrect treatment of supply contract as indivisible works contract**

Under the Orissa Sales Tax Act, 1947, taxable turnover in respect of works contract shall be deemed to be the gross value received or receivable by

the dealer for carrying out such contract less the amount of labour charges incurred for execution of works. In the case of indivisible contract, the component of labour charges will be determined by the assessing officer at a certain percentage of the gross value of work executed. The turnover is taxable at the rate of 4 *per cent*. It was, however, judicially held\* that contract for supply of chips and stones after quarrying them is a transaction of sale and not that of work and labour. Accordingly, tax has to be levied at appropriate rate as applicable to sale of such goods. Laterite stone being an unspecified item is exigible to tax at the rate of 8 *per cent*.

(a) During the course of audit (September 1992) in Cuttack-II circle, it was noticed that a dealer (works contractor) executed a contract, during the year 1989-90 for supply, conveying and stacking of dressed laterite stones and received payment of Rs.7.72 lakhs. The taxable turnover in respect of the supply contract was determined at Rs.5.37 lakhs allowing a deduction of Rs.2.35 lakhs towards labour charges and taxed at the rate of 4 *per cent*. The agreement clearly stipulates that it is only for supply, conveying and stacking of laterite stones. Therefore, deduction of labour charges from sale value of laterite stone towards labour and subjecting the balance turnover to tax at 4 *per cent* instead of 8 *per cent* was irregular which resulted in short levy of tax of Rs.42,656.

On this being pointed out in audit (September 1992) the assessing officer raised an extra demand of Rs.42,520 including additional sales tax of Rs.2,308 (September 1993). Further report on realisation has not been received (November 1994).

The matter was reported to Government (January 1993); they have confirmed the fact of raising demand in October 1993.

(b) During the course of audit of Cuttack-II circle, (February 1994) it was noticed that a dealer (Works contractor) executed contract for supply of ballast

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\* In the case of State of Orissa Vrs. Utkal Distributors Private Ltd., (1974) 34 STC-347 (Orissa)  
M/s Anamolu Seshagiri & Co. Vs. State of Andhra Pradesh  
45-STC 388 (1988)



the dealer for carrying out such contract less the amount of labour charges incurred for execution of works. In the case of indivisible contract, the component of labour charges will be determined by the assessing officer at a certain percentage of the gross value of work executed. The turnover is taxable at the rate of 4 *per cent*. It was, however, judicially held\* that contract for supply of chips and stones after quarrying them is a transaction of sale and not that of work and labour. Accordingly, tax has to be levied at appropriate rate as applicable to sale of such goods. Laterite stone being an unspecified item is exigible to tax at the rate of 8 *per cent*.

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On this being pointed out in audit (September 1992) the assessing officer raised an extra demand of Rs.42,520 including additional sales tax of Rs.2,308 (September 1993). Further report on realisation has not been received (November 1994).

The matter was reported to Government (January 1993); they have confirmed the fact of raising demand in October 1993.

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M/s Anamolu Seshagiri & Co. Vs. State of Andhra Pradesh  
45-STC 388 (1988)

and spreading it along the railway tracks. During the year 1990-91, the dealer received payment of Rs.4.75 lakhs (after July 1990). After deduction of labour and service charges from the above payment the taxable turnover was determined at Rs.1.90 lakhs and tax was levied thereon at the rate of 4 per cent which worked out to Rs.8352 (including surcharge of Rs.759). As the rate for supply of ballast and their spreading charges were specified in the contract at Rs.127 and Rs.12.50 per M.T. respectively the cost of ballast supplied worked out to Rs.4.32 lakhs. Thus the tax payable, calculated @ 12 per cent on the above supply value, worked out to Rs.57,028 (including surcharge of Rs.5184). This resulted in short levy of tax of Rs.48,676 (including surcharge).

On this being pointed out in audit (February 1994), the assessing officer reopened (February 1994) the case for reassessment. Further report on realisation has not been received (November 1994).

The matter was reported to Government (May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

## 2.8 Turnover escaping tax

Under the Orissa Sales Tax Act, 1947, taxable turnover in respect of works contract shall be deemed to be the gross value received or receivable by a dealer for carrying out such contract, less the amount of labour and service charges incurred for the execution of contract.

In course of audit of Rourkela-I circle it was noticed (March 1993) that a registered dealer (contractor) received payment of Rs.140.74 lakhs towards execution of supply contract (Rs.85.19 lakhs) and works contract (Rs.55.55 lakhs) during the year 1987-88 which should have constituted his gross turnover for that year. The assessing officer, however, determined gross turnover for 1987-88 at Rs.134.05 lakhs (supply Rs.78.50 lakhs and works Rs.55.55 lakhs) and omitted payment of Rs.6.69 lakhs received towards supply contract in the gross turnover. This resulted in short levy of tax of Rs.83,616 (including additional sales tax of Rs.3,345).

On this being pointed out (March 1993) the assessing officer reopened the case (March 1993). The reassessment has not been completed till November 1994.

The matter was reported to Government (April 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

## 2.9 Short levy of tax due to mistake in computation

Under the Orissa Sales Tax Act, 1947, if a registered dealer does not furnish return in respect of any period by the prescribed date, the assessing authority shall, after giving the dealer a reasonable opportunity of being heard, assess to the best of his judgement, the amount of tax, if any, due from the dealer.

(a) During the course of audit of Kalahandi circle. it was noticed (January 1994) that the assessing officer assessed (December 1992) a registered dealer to the best of his judgement on the basis of available records pertaining to the year 1991-92. However, while determining the gross turnover which was also the taxable turnover, the same was erroneously computed at Rs.135.03 lakhs instead of Rs.145.03 lakhs due to arithmetical mistake. This resulted in short levy of tax of Rs.40,000.

On this being pointed out in audit (January 1994) the assessing officer reopened the case (January 1994) for reassessment and raised demand of Rs.40,276 (May 1994). Further report on realisation has not been received (November 1994).

The matter was reported to Government (April 1994). They confirmed the position of raising demand (September 1994).

(b) In Kalahandi circle, a registered dealer did not produce his books of accounts for the year 1988-89. The assessing officer, therefore, completed the assessment on best judgement basis. However, while calculating the tax at the rate of 8 *per cent* on the sale turnover of Rs.17.07 lakhs the same was erroneously calculated as Rs.13,656 instead of Rs.1,36,567. This resulted in short levy of tax of Rs.1.23 lakhs.

On this being pointed out (January 1994) the assessing officer raised an additional demand of Rs.1.23 lakhs (June 1994). Further report on realisation has not been received (November 1994).

The matter was reported to Government (April 1994) followed by a reminder in October 1994. They confirmed (September 1994) the fact of raising demand. The report on realisation has not been received (November 1994).

#### 2.10 Non-levy of interest on belated payment of tax

If a dealer defaults in making payment of any amount of tax by the due date specified in the notice issued to him, he would be liable to pay interest on the amount due at 18 *per cent* (6 *per cent* prior to 12 August 1983) *per annum* for the first three months and at 24 *per cent* (12 *per cent* prior to 12 August 1983) thereafter under the Orissa Sales Tax Act, 1947 and at 6 *per cent*, for the first three months and at 12 *per cent* thereafter under the Central Sales Tax (Orissa) rules, 1957. However, no interest shall be charged in respect of any amount which remained unpaid at any time prior to 1 January 1971, under the State Act and prior to 1 July 1971, under the Central Act.

In 20\* Commercial tax circles, local sales tax demands aggregating Rs.103.05 lakhs in 597 cases were due for collection on or after 1 January 1971 and Central Sales Tax demands aggregating Rs.2.13 lakhs in 8 cases were due for collection on or after 1 July, 1971. All the demands were finally settled during the year 1993-94. Even though the payments were made belatedly no interest was levied on such belated payments. Interest not levied worked out to Rs.6.40 lakhs.

On this being pointed out in audit (between April 1993 and March 1994) the assessing officers concerned agreed (between April 1993 and March 1994) to raise the demands. Reports on action taken have not been received (November 1994).

The cases were reported to Government (between June 1993 and June 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

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\* Balasore-I, Balasore-II, Bhubaneswar-I, Bhubaneswar-II, Bolangir-I, Bolangir-II, Cuttack-II, Cuttack-I(East), Cuttack-I(West), Cuttack-I (Central), Dhenkanal, Ganjam-II, Ganjam-III, Kalahandi, Keonjhar, Koraput-I, Mayurbhanj, Puri-I, Rourkela-I, Sambalpur-II

## CHAPTER 3

### TAXES ON MOTOR VEHICLES AND PASSENGERS

#### 3.1 Results of Audit

Test check of the records relating to assessment, collection and refunds of Motor Vehicles Tax in the offices of the State Transport Authority, Orissa and Regional Transport Offices conducted in audit during 1993-94 revealed underassessment or losses of revenue amounting to Rs.592.30 lakhs in 8987 cases, which may broadly be categorised as under:

	No. of cases	Amount (Rupees in lakhs)
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1. Short realisation/short levy of motor vehicles tax/ additional tax	453	58.63
2. Non-levy/non-realisation of motor vehicles tax/additional tax	2266	355.56
3. Short/non-realisation of compounding fees	178	3.19
4. Short/non-realisation of composite tax	2933	18.67
5. Short/non-realisation of trade certificate fees/tax	86	0.97
6. Loss due to other irregularities	3071	155.28
<b>Total</b>	<b>8987</b>	<b>592.30</b>
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During the course of 1993-94, the concerned Department accepted underassessments etc. of Rs.45.42 lakhs involved in 796 cases pertaining to earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.460.05 lakhs are mentioned in the following paragraphs.

### **3.2 Short realisation/non-realisation of composite tax/penalty under the National Permit Scheme**

Under the National Permit Scheme, the operator of a Public carrier goods vehicle authorised to ply in Orissa State but registered in another state, is liable to pay composite tax at the rate of Rs.1,500 per annum with effect from 1 March 1986. The composite tax which is in addition to the motor vehicle tax and other taxes payable in the State of registration is to be paid in advance either in lump sum on or before the 15th March or in two equal instalments, payable before 15 March and 15 September every year. Such composite tax is payable through demand drafts to the State Transport Authority of the home State in which the vehicle is registered for onward transmission to the State Transport Authority, Orissa. The National Permit Scheme read with the Orissa Motor Vehicles Taxation Rule, 1976 provides for imposition of penalty of Rs.100 for each month of default or any part thereof.

(a) During the course of audit of the State Transport Authority, Orissa it was noticed (May 1993 and June 1993) that composite tax in respect of 406 vehicles had not been realised at the applicable rate of Rs.1,500 per annum for the periods between October, 1991 and July 1993 during which the vehicles were authorised by the concerned home States to ply in Orissa. This resulted in short-realisation of composite tax amounting to Rs.1.60 lakhs.

On this being pointed out in audit (May 1993 and June 1993) the State Transport Authority, Orissa stated (July 1993) that the matter was being taken up with concerned State Transport Authorities for realisation of the dues. Further report on action taken has not been received (November 1994).

(b) It was also noticed (between May 1993 and February 1994) that composite tax in respect of 2163 vehicles was realised only for a part of the year instead of for the full year 1992-93 for which the vehicles were authorised to ply in

Orissa. This resulted in non-realisation of composite tax amounting to Rs.16.22 lakhs.

On this being pointed out in audit (between May 1993 and February 1994) the State Transport Authority, Orissa stated (July 1993 and February 1994) that steps were being taken to refer the matter to the concerned State Transport Authorities for realisation of dues. Further intimation in this regard has not been received (November 1994).

(c) During the course of audit, it was noticed (May 1993, June 1993 and February 1994) that in respect of 979 vehicles of other States authorised to ply in Orissa under the National Permit Scheme during the period from October 1991 to March 1993, penalty amounting to Rs.3.05 lakhs for belated payment of tax, was not collected by State Transport Authorities of other States on behalf of State Transport Authority, Orissa. No action was initiated by the State Transport Authority, Orissa to demand the amount from other State Transport Authorities concerned.

On this being pointed out in audit (May 1993, June 1993 and February 1994) the State Transport Authority, Orissa stated (July 1993 and February 1994) that the matter would be taken up with the concerned State Transport Authorities for realisation of the dues. Further report in the matter has not been received so far (November 1994).

The above cases were reported to Government (November 1993 and February 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.3 Non-realisation of composite tax in respect of goods vehicles entering the State under reciprocal agreement**

Under the provisions of Section 3-A of the Orissa Motor Vehicles Taxation (Amendment) Act, 1986, read with Section 4 of the Orissa Motor

Vehicles Taxation Act, 1975, where in pursuance of any agreement between the Government of Orissa and Government of any other State/States a goods vehicle enters the State of Orissa, such vehicle is liable to pay additional tax to be calculated for each entry into the States, at the rates specified therein. In respect of goods vehicles belonging to the State of Andhra Pradesh authorised to ply in the State of Orissa under reciprocal agreement, Government of Orissa decided (August 1986), to levy Rs.1,500 annually on each vehicle as composite tax with effect from July 1986 (in lieu of the additional tax payable for each entry). The composite tax is payable in advance in lump sum, on or before 15 April every year by crossed bank drafts, to the State Transport Authority, Andhra Pradesh for onward transmission to State Transport Authority, Orissa. In case of delay in payment, penalty of Rs.100 for each calendar month or part thereof of default is also payable in addition to the composite tax.

During the course of audit (May 1993) of countersignature of permits of Andhra Pradesh vehicles authorised to ply in Orissa under reciprocal agreement, it was noticed that composite tax in respect of 98 goods vehicles amounting to Rs.1.43 lakhs for the period from April 1992 to March 1993 was not realised. In addition, penalty of Rs.1.12 lakhs was also leviable.

On this being pointed out in audit (May 1993) the State Transport Authority, Orissa, Cuttack stated (July 1993) that the State Transport Authority of Andhra Pradesh has been requested (July 1993) to realise and remit the dues. Report on realisation has not been received (November 1994).

The matter was reported to Government (November 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

#### **3.4 Non-realisation/short realisation of tax and additional tax**

Under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986, tax/additional tax payable in respect of a stage carriage is to be determined on the basis of number of passengers (including standing passengers) which the vehicle is permitted to carry and the total distance it



covers in a day as per the permit and such tax is allowed to be paid monthly though permits issued for different periods. Further, seating accommodation of a stage carriage is regulated under rule 128 of Orissa Motor Vehicles Rules, 1940 and executive instructions of the Transport Commissioner, Orissa, issued in September 1982.

Non-compliance of the above provisions resulted in non-realisation/short realisation of tax amounting to Rs.34.78 lakhs in respect of 449 vehicles as per details given below :

Sl. No.	Number of regions	Number of vehicles	Period of taxation	Nature of irregularity	Amount of non-levy/ short levy involved (Rupees in lakhs)	When pointed out	Remarks
1.	2.	3.	4.	5.	6.	7.	8.
1(a)	4 <sup>A</sup>	45 (owned by Orissa State Road Transport Corporation(OSRTC))	Between April 1992 and March 1993	Stage carriages having valid permits and not covered by off-road declaration.	4.29	Between May 1993 and March 1994	All the taxing officers agreed (between August 1993 and March 1994) to realise the tax.
(b)	14 <sup>B</sup>	154 (owned by Private operators)	Between April 1991 and June 1993	-do-	18.68	Between June 1993 and March 1994	All the taxing officers agreed (between July 1993 and March 1994) to realise the dues while the taxing officer, Mayurbhanj issued (November 1993) demand notices.

A Balasore, Bargarh, Bolangir, Dhenkanal.

B Bhubaneswar, Balasore, Bolangir, Bargarh, Chandikhol, Cuttack, Dhenkanal, Ganjam, Koraput, Mayurbhanj, Phulbani, Rourkela, Sambalpur and Sundargarh.

Sl. No.	Number of regions	Number of vehicles	Period of taxation	Nature of irregularity	Amount of non-levy/short levy involved (Rupees in lakhs)	When pointed out	Remarks
1.	2.	3.	4.	5.	6.	7.	8.
2(a)	5 <sup>C</sup>	41 (owned by OSRTC)	Between August 1991 and March 1993	Adoption of incorrect rates.	4.95	Between May 1993 and March 1994	All the taxing officers agreed (between August 1993 and March 1994) to realise the dues. The taxing officer Chandikhol stated (January 1994) that the cases would be verified and results intimated to audit.
(b)	16 <sup>D</sup>	207 (owned by Private operators)	Between February 1992 and June 1993	Adoption of incorrect rates.	6.08	Between July 1993 and March 1994	All the taxing officers agreed (between July 1993 and March 1994) to realise the dues. The Taxing Officer Chandikhol agreed (January 1994) to examine the cases.
3	2 <sup>E</sup>	2	Between April 1986 and June 1993	Incorrect fixation of seating capacity.	0.78	July 1993 and January 1994	Both the taxing officers agreed (July 1993 and January 1994) to realise the dues after examination of the cases.
TOTAL:		449			34.78		

- C Balasore, Chandikhol, Dhenkanal, Kalahandi and Sambalpur.  
D Balasore, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rourkela, Sambalpur and Sundargarh.  
E Bhubaneswar and Bolangir.

The above cases were reported to Government (between October 1993 and May 1994) followed by a reminder in October 1994; their final reply has not been received (November 1994).

### **3.5 Underassessment of tax and additional tax in respect of stage carriages plying without permit**

Under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986, motor vehicles tax and additional tax in respect of a stage carriage is leviable on the basis of the number of passengers (including standees) which the vehicle is authorised to carry, and the distances it covers in a day as per permits. If any such vehicle is detected plying without a permit, the tax payable is to be determined on the basis of the maximum number of passengers (including standees) which the vehicle would have been permitted to carry, reckoning the distance covered each day as exceeding 320 Kilometers attracting the highest rate of tax as per explanation below item 4(A) and 4(B) of the Taxation Schedule.

(a) During the course of audit of nine regions\* it was noticed that 107 stage carriages were detected plying without any permit during various periods falling between April 1991 and May 1993. Tax in respect of these vehicles was not assessed and collected at the prescribed rate. This resulted in short realisation of tax amounting to Rs.2.49 lakhs.

On this being pointed out in audit (between June 1993 and March 1994) all the concerned taxing officers agreed (between July 1993 and March 1994) to realise the dues on issue of demand notices.

(b) During the course of audit of Phulbani Region, it was noticed (October 1993) that one stage carriage was detected (June 1992) by the enforcement staff of the Department plying between May 1992 and March 1993, as contract carriage without payment of tax and valid route permit. Though the enforcement wing had informed (September 1992) the taxing officer about the

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\* Balasore, Bhubaneswar, Bolangir, Cuttack, Ganjam Kalahandi, Koraput, Sambalpur and Sundargarh.

irregularity, the taxing officer failed to raise demand (October 1993). This resulted in non- realisation of tax amounting to Rs.68,750.

On this being pointed out in audit (October 1993) the taxing officer, Phulbani issued demand notice (September 1994) to realise the dues.

The above cases were reported to Government (between October 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.6 Short realisation of tax/additional tax on stage carriages under reciprocal agreement**

When a stage carriage plies on a route partly within the State of Orissa and partly in some other States, such stage carriage is liable to pay tax/additional tax calculated on the total distance covered by the vehicle on such route in a day in the State of Orissa, at the rates and in the manner specified under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986.

During the course of audit of the records of the State Transport Authority, Orissa and the records of three regions (Ganjam, Koraput and Sundargarh) it was noticed (between June 1993 to March 1994) that motor vehicles tax and additional tax for the period from April 1991 to March 1993 in respect of 34 stage carriages authorised to ply on inter State routes under reciprocal agreements was not correctly computed which resulted in short realisation of tax amounting to Rs.3.23 lakhs.

On this being pointed out in audit (between June 1993 and March 1994) the State Transport Authority, Orissa and the taxing officer, Sundargarh raised demand (between July 1993 and December 1993) while the taxing officer, Ganjam and Koraput agreed (October 1993 and March 1994) to realise the dues.

The matter was reported to Government (between November 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

**3.7 Non-realisation of motor vehicles tax/additional tax in respect of stage carriages whose off-road declarations were rejected/violated**

Under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986, motor vehicles tax and additional tax shall be levied on every motor vehicle used or kept for use in the State, unless prior intimation of non-use is given to the taxing officer on or before the date of expiry of the period for which tax has been paid specifying inter-alia the period of non-use and the place where the motor vehicle is to be kept during such period. If at anytime during the period covered by such intimation, the vehicle is found to be plying on the road or not found at the declared place, it shall be deemed to have been used throughout the said period and in such a case the owner of the vehicle is liable to pay tax and penalty as prescribed, for the entire period for which it was declared off-road. However, where the off-road declaration, is not accepted by the taxing authority, the owner of the vehicle is liable to pay tax for the period.

(a) During the course of audit of two regions (Ganjam and Puri) it was noticed (between October 1993 and December 1993) that off-road declarations in respect of twelve stage carriages owned by the Orissa State Road Transport Corporation (OSRTC) for the period from January 1992 to December 1992 were rejected on the ground of non-submission of the valid documents along with off-road declarations. Therefore OSRTC was liable to pay motor vehicles tax and additional tax for the period covered under off-road declarations i.e. January 1992 to December 1992 which was, however, not levied. The amount of tax/additional tax payable upto December 1992 by the OSRTC worked to Rs.3.42 lakhs.

On this being pointed out in the audit (between October 1993 and December 1993) the taxing officers agreed (between October 1993 and December 1993) to realise the dues.

(b) During the course of audit of ten regions\* it was noticed that 101 vehicles which had been declared off-road for various periods (between April 1990 and December 1993) were detected plying on road or not found at declared place by the Enforcement staff during the periods covered by such off-road declarations. But, no action was taken by the taxing officers to realise the tax and levy penalty in respect of such vehicles for the periods for violating the provisions of the Act. Tax/additional tax leviable on these vehicles worked out to Rs.13.60 lakhs. Besides, penalty not exceeding Rs.27.21 lakhs was also leviable.

On this being pointed out in audit (between May 1993 and March 1994), all the taxing officers concerned agreed (between July 1993 and March 1994) to realise the dues.

The above cases were reported to Government (between October 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.8 Short realisation of motor vehicles tax in respect of contract carriages**

Under the Orissa Motor Vehicles Taxation Act, 1975, motor vehicles tax in respect of contract carriages is to be realised as per the rates specified in item 4(B) of the taxation schedule of the Act, on the basis of number of passengers permitted (excluding driver) to be carried as per the permit.

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\* Balasore, Bhubaneswar, Chandilhol, Cuttack, Dhenkanal, Keonjhar, Koraput, Rourkela, Sambalpur and Sundargarh.

In three regions (Cuttack, Dhenkanal and Phulbani) in respect of 21 contract carriages tax for various periods between July 1989 and September 1993 was realised short by Rs.73,642 due to adoption of incorrect rates of tax (Rs.41,658) or mistakes in computation (Rs.31,984).

On this being pointed out in audit (between September 1993 and March 1994), the taxing officers concerned agreed to realise the tax (between September 1993 and March 1994). Further report on action taken has not been received (November 1994).

The matter was reported to Government (between November 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.9 Non-realisation/short realisation of tax in respect of stage carriages used as contract carriages**

Under the Orissa Motor Vehicles Taxation Act, 1975, (as amended in 1986 and 1989) when a motor vehicle in respect of which tax for any period has been paid as per registration, is proposed to be used in a manner for which higher rate of tax is payable the owner of the vehicle is liable to pay the differential tax. In determining such differential tax, any broken period in a month is to be considered as a full month.

During the course of audit of nine regions\* it was noticed in audit (between June 1993 and March 1994) that 155 stage carriages were permitted (between March 1992 and March 1993) to ply temporarily as contract carriages for which higher rate of tax was payable. Due to non-payment of higher rate of tax (Rs.2,62,545) and mistakes in computation (Rs.9,102) differential tax was not realised to the tune of Rs.2.72 lakhs.

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\* Bhubaneswar, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Koraput, Rourkela and Sambalpur.

On this being pointed out in audit (between June 1993 and March 1994) all the taxing officers agreed (between July 1993 and March 1994) to realise the dues. The taxing officer, Chandikhol agreed (between December 1993 and January 1994) to examine the cases for realisation of the dues.

The matter was reported to Government (between October 1993 and May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.10 Short realisation of motor vehicle tax and additional tax in respect of goods carriages**

Under the Orissa Motor Vehicles Taxation Act, 1975 (as amended in 1986), motor vehicles tax/additional tax in respect of a goods carriage is to be determined on the basis of the registered laden weight of the vehicle and realised at the rates specified in the schedule appended to the Act.

During the course of audit (between August 1993 and March 1994) of five regions\* it was noticed that motor vehicles tax/additional tax in respect of 14 goods carriages for the period from December 1987 to September 1993 was not realised according to the rates specified in the Act, which resulted in short realisation of tax/additional tax amounting to Rs.53,740.

On this being pointed out in audit (between June 1993 and March 1994) the taxing officers concerned agreed (between August 1993 and March 1994) to realise the tax due. Further reply in regard to action taken has not been received (November 1994).

The matter was reported to Government (between November 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

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\* Balasore, Cuttack, Ganjam, Keonjhar and Koraput.



### **3.11 Short realisation of compounding fees in respect of transport vehicles carrying more than permissible weight**

As per Government notification of January 1991 under the Motor Vehicles Act 1988, compounding fees under Section 194 of the Act shall be 50 *per cent* of the maximum fine. The maximum fine for the first offence is Rs.2,000 and for second or subsequent offence is Rs.5,000.

During the course of audit of two regions (Ganjam and Mayurbhanj) it was noticed (between February 1994 and March 1994) that compounding fees for the offences of carrying more than permissible weight in respect of 339 vehicles which passed through the check gates (between April 1992 and September 1992) were realised at rates lower than the prescribed rate resulting in short realisation amounting to Rs.5.84 lakhs.

On this being pointed out in audit (between February 1994 and March 1994) the taxing officers concerned stated that the offences could not be identified due to heavy flow of vehicles. This contention is not tenable as the records at the gates clearly indicated the details of the vehicles carrying more than permissible weight.

The matter was reported to Government (March 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.12 Non-levy of penalty for belated payment of motor vehicles tax/additional tax**

Under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986, read with Orissa Motor Vehicles Taxation Rules, 1976, penalty is leviable, if a vehicle owner has not paid tax/additional tax in respect of his motor vehicle within such period as specified in the Act and Rules *ibid*. In such a case, the vehicle owner shall be liable to pay penalty ranging from 25 *per cent* to 200 *per cent* of the tax/additional tax due depending upon the period of

delay. The non-levy of penalty in 1462 cases resulted in loss of revenue of Rs.118.04 lakhs as indicated below:

Sl. No.	Number of Regions	Number of vehicles	Period of penalty	Amount of penalty not levied (Rs.In lakhs)	When pointed out	Remarks
1.	2.	3.	4.	5.	6.	7.
1.	State Transport Authority, (STA) Orissa + 15* regions	1283 (owned by OSRTC)	Between April 1991 and March 1993	106.43	Between June 1992 and March 1994.	All the taxing officers agreed (Between, June 1992 and March 1993) to verify and realise the dues The STA issued (between July 1992 and November 1992) show cause notices for realisation of the dues.
2.	State Transport Authority, (STA) Orissa + 15** regions	179 (owned by Private operators)	Between October 1987 and December 1993	11.61	Between June 1993 and March 1994.	All the Taxing officers agreed (between July 1993 and March 1994) to realise the dues and issue demand show cause notices. The STA, Orissa stated (July 1993) that show cause notice will be issued in one case and in two cases penalty is not leviable as the amount of tax was paid in full, but belatedly, which was not accepted in audit.
<b>Total</b>		<b>1462</b>		<b>118.04</b>		

\* Bargarh, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rourkela, Sambalpur and Sundargarh.

\*\* Balasore, Bargarh, Bolangir, Chandikhol, Cuttack, Dhenkanal, , Ganjam, Kalahandi, Keonjhar, Koraput, Phulbani, Puri, Rourkela, Sambalpur, and Sundargarh.

The above cases were reported to Government (between November 1992 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### 3.13 Non-realisation of taxes

Under the Orissa Motor Vehicles Taxation Act, 1975, as amended in 1986, tax due on motor vehicles should be paid in advance within the prescribed period at the rates specified in the taxation schedule, unless exemption from payment of such tax is allowed for the period for which necessary undertaking of temporary discontinuance of use of the vehicle is delivered by the owner of the vehicle to the taxing officer on or before expiry of the term for which tax has been paid. Further, according to the instructions issued by the Transport Commissioner, Orissa (February 1966) demand notices for realisation of unpaid taxes should be issued within 30 days from the date of expiry of the grace period (15 days) of payment of tax. Where the tax has not been paid on or before the due date of payment, the registered owner or the person having possession or control thereof shall be liable to pay penalty varying from 25 *per cent* to 200 *per cent* of the tax due depending upon the period of delay.

(a) During the course of audit of 12 regions\* it was noticed (between June 1993 and March 1994) that prescribed taxes in respect of 1048 vehicles relating to different periods falling between April 1989 to March 1993 were not paid either by the owners of the vehicles or by the persons having possession or control thereof. The record further showed that these vehicles were neither covered by off-road declarations nor by intimation of payment of tax in any other region. The tax due in respect of these vehicles amounted to Rs.54 lakhs and penalty leviable to Rs.108 lakhs. No demand notices were issued in these cases.

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\* Balasore, Bhubaneswar, Bolangir, Cuttack, Dhenkanal, Ganjam, Kalahandi, Koraput, Mayurbhanj, Puri, Sambalpur and Sundargarh .

On this being pointed out in audit (between June 1993 and March 1994) all the taxing officers concerned agreed (between July 1993 and March 1994) to issue demand notices for realisation of the arrear dues.

(b) During the course of audit of sixteen regions\* it was noticed (between June 1993 and March 1994) that in respect of 527 vehicles, tax for different periods falling between October 1990 and June 1993 remained unrealised even though tax for the earlier and later periods had been realised. The tax records showed that intervening periods were neither covered by exemption for discontinuance of use of the vehicles nor contained intimation regarding payment of tax in any other region. This resulted in non-levy and non-realisation of tax of Rs.19.48 lakhs, besides penalty of Rs.38.96 lakhs was also leviable.

On this being pointed out in audit (between June 1993 and March 1994) all the taxing officers agreed (between July 1993 and March 1994) to realise the dues. The taxing officer, Chandikhol agreed (between December 1993 and January 1994) to examine the cases for realisation of the dues.

The cases were reported to Government (between October 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.14 Non-realisation/short realisation of motor vehicles tax in respect of tractor/trailer combination**

Motor Vehicles tax/additional tax in respect of tractor/trailer combination is required to be assessed and realised according to the rates specified under item-5 of the taxation schedule to the Orissa Motor Vehicles Taxation Act, 1975. Government vide notification dated May 1981 and April 1986, however, allowed a reduction of 66 *per cent* of tax in the case of tractor/trailer used exclusively for agricultural purposes for the period from 1 April 1981 to 31 March, 1991. No further concession was given by the Government in this

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\* Balasore, Bhubaneswar, Bolangir, Chandikhol, Cuttack, Dhenkanal, Ganjam, Kalahandi, Keonjhar, Koraput, Mayurbhanj, Phulbani, Puri, Rourkela, Sambalpur and Sundargarh.

regard after March 1991. The rates were revised with effect from 1 October 1988.

(a) During the course of audit (January 1994) of two regions (Bargarh and Chandikhol) it was noticed that in respect of 56 tractor/trailer combinations, the motor vehicles tax for the periods falling between April 1989 and March 1993 had not been realised. The period was also not covered by any off-road declarations. This resulted in non-realisation of tax of Rs.1.16 lakhs.

(b) It was further noticed in audit (between June 1993 and January 1994) of 4 regions (Balasore, Bargarh, Chandikhol and Mayurbhanj) that in respect of 22 tractor/trailer combinations, motor vehicles tax for the period from December 1988 to March 1993 was either levied at pre-revised rates or irregular concession allowed which resulted in short realisation of tax amounting to Rs.43,042.

On this being pointed out in audit (between June 1993 and January 1994) the taxing officers concerned agreed to realise (between August 1993 and February 1994) the tax dues. Further report in regard to action taken has not been received (November 1994).

The above cases were reported to Government (between November 1993 and May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### **3.15 Non-realisation/short realisation of trade certificate tax/fees**

Under the Orissa Motor Vehicles Taxation Act, 1975, read with Central Motor Vehicles Rules 1989, manufacturers or dealers in motor vehicles are required to obtain a trade certificate by paying the requisite tax/fees annually in advance from the registering authority within whose area they have their place of business. Under the Motor Vehicles Act, 1988, dealer includes a person who is engaged in the manufacture of motor vehicles or in building bodies for attachment to the chassis.

During the course of audit of eight regions\* it was noticed (between June 1993 and March 1994) that in respect of 73 motor vehicle dealers and body builders, trade certificate tax and fees were not collected or were collected at a lower rate during the period between March 1990 and May 1994, resulting in non-realisation/short realisation amounting to Rs.88,025.

On this being pointed out in audit (between June 1993 and March 1994) all the taxing officers agreed (between July 1993 and March 1994) to issue demand notices for realisation of tax/fees, while the taxing officer Rourkela issued demand notices (March 1994).

The matter was reported to Government (between October 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### 3.16 Non-assignment of Orissa registration mark

Under the provisions of the Central Motor Vehicles Act.,1988 and the Central Motor Vehicles Rules,1989, when a motor vehicle registered in one State has been kept in another State for a period exceeding twelve months, the owner of the vehicle shall, within a period of 30 days from the expiry of such period, apply to the registering authority under whose jurisdiction the vehicle is kept, for assignment of a new registration mark on payment of prescribed fees under the Central Motor Vehicles Rules, 1989.

During the course of audit of six regions\*\* it was noticed (between June 1993 and March 1994) that 246 vehicles belonging to other States though plying and regularly paying tax upto date for more than one year in Orissa had not been assigned Orissa registration mark. This resulted in non-realisation of assignment fees amounting to Rs.41,590.

On this being pointed out in audit (between June 1993 and March 1994) all the taxing officers, agreed (between July 1993 and March 1994) to issue

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\* Bhubaneswar, Dhenkanal, Ganjam, Kalahandi, Koraput, Mayurbhanj, Rourkela and Sambalpur.  
 \*\* Bhubaneswar, Bolangir, Koraput, Mayurbhanj, Puri and Sundargarh.

notices to all concerned to get their vehicles assigned with Orissa registration mark while the taxing officer Mayurbhanj stated (December 1993) that assignment of Orissa registration mark will be issued after receipt of no objection certificates.

The matter was reported to Government (between October 1993 and April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

## CHAPTER 4

### LAND REVENUE

#### 4.1 Results of Audit

Test check of records relating to assessment and collection of Land Revenue conducted from April 1993 to March 1994 revealed non-assessment and non-realisation of revenue amounting to Rs.704.19 lakhs in 5547 cases which may broadly be categorised as under:

	Number of cases	Amount (Rupees in lakhs)
1. Non-Collection of Premium etc., on lands occupied by local bodies/private parties etc.,	43	502.23
2. Non-assessment/short-assessment and short collection of water rate	75	107.00
3. Non-realisation/short-realisation of royalty on Minor Minerals	288	10.62
4. Non-lease/Irregular lease of sairat sources	90	6.78
5. Short-levy of Court Fees	264	2.74
6. Other Irregularities	4787	74.82
<b>Total</b>	<b>5547</b>	<b>704.19</b>

During the course of the year 1993-94, the Department accepted underassessment etc. of Rs.7.95 lakhs involved in 15 cases pertaining to earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.27.15 lakhs are mentioned in the following paragraphs.



## 4.2 Non-realisation of premium etc.

### (a) From Orissa State Electricity Board

According to Government orders of October 1961, May 1963 and February 1966, government land can be leased out to local bodies, public undertakings etc. for commercial purposes on payment of premium fixed based on market value of land plus annual ground rent at the rate of one *per cent* of the market value. In addition, cess at 50 *per cent* of the ground rent is also leviable from the year 1986-87 as per Government order of July 1987. Interest at the rate of 6 *per cent* (12 *per cent* from 1992-93) *per annum* is chargeable on belated payment of dues.

A scrutiny in audit of records of seven tahasils revealed that 27.02 acres of Government land were in possession of the Orissa State Electricity Board between the period from 1980-81 to 1990-91. Although lease has been sanctioned (between January 1986 and October 1993) in respect of 5 tahasils (Narasinghpur, Nayagarh, Niali, Rajnagar and Talcher), lease deeds have not been executed so far (February 1994). Further fixation of premium at lower rate in case of Niali tahasil resulted in short realisation of revenue of Rs.2.13 lakhs. No amount was realised in respect of the remaining 6 tahasils. This has resulted in non-realisation of Government revenue amounting to Rs.19.43 lakhs till 31 March 1993, the details of which are given below:

Sl. No.	Name of the Tahasil/District	Year of occupation	Extent of land (in acres)	Premium	Ground Rent	Cess	Interest till 31 March 1993	Total
(Rupees in lakhs)								
1.	Narasinghpur (Cuttack)	1980-81	1.00	0.33	0.04	0.01	0.28	0.66
2.	Lanjigarh (Kalahandi)	1980-81	2.70	2.70	0.35	0.09	2.47	5.61
3.	Khariar (Nuapara)	1983-84	1.70	0.87	0.09	0.03	0.61	1.60

Sl. No.	Name of the Tahasil/ District	Year of occupation	Extent of land (in acres)	Pre- mium	Ground Rent	Cess	Interest till 31 March 1993	Total
(R u p e e s   i n   l a k h s)								
4.	Rajnagar (Kendrapara)	1984-85	1.00	2.50	0.23	0.09	1.61	4.43
5.	Talcher (Angul)	1985-86	2.50	2.61	0.21	0.09	1.50	4.41
6.	Nayagarh (Nayagarh)	1987-88	17.12	----*	0.27	0.21	0.11	0.59
7.	Niali (Cuttack)	1990-91	1.00	1.70	0.05	0.02	0.36	2.13
<b>Total</b>			<b>27.02</b>	<b>10.71</b>	<b>1.24</b>	<b>0.54</b>	<b>6.94</b>	<b>19.43</b>

On this being pointed out in audit, the Tahasildars concerned agreed (between May 1993 to February 1994) to realise the dues.

The matter was reported to Government (August 1993 to April 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

**(b) From Orissa Cashew Development Corporation**

According to the Government order issued in January 1980, Government waste land would be leased out in favour of the Orissa Cashew Development Corporation Ltd. (OCDC), for Cashew Plantation on payment of premium based on Market value of land and ground rent and the corporation would also execute a lease deed in the prescribed form. Government in their order dated 11 March 1980, fixed the market value of land at Rs.250 per acre (irrespective of its location) and annual ground rent at 1 *per cent* of the market value for the first

\* (Premium has been paid)

five years, at 7 *per cent* for the next five years and at 14 *per cent* for the next 10 years in respect of OCDC. In addition, cess at 50 *per cent* of the ground rent is also leviable as per Government order of July 1987. Interest at the rate of 12 *per cent per annum* is chargeable from the date of occupation till the payment of dues.

In Bolangir tahasil, advance possession of Government land measuring 633.86 acres was made over to OCDC on 31 July 1992 subject to payment of premium and other dues. The advance possession of land was, however, covered by sanction of lease (March, 1993) but no lease deed was executed with the corporation upto August 1993. The total amount that had become due for payment by the corporation for the year 1992-93 amounted to Rs.1.74 lakhs (Premium: 1.58 lakhs, Ground rent: Rs.0.02 lakh, Cess: Rs.0.01 lakh and Interest: 0.13 lakh).

On this being pointed out in audit the Tahasildar stated (August 1993) that steps would be taken for the execution of lease deeds and realisation of dues.

The matter was reported to Government (December 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

**(c) From Central Government Departments**

According to Government Orders of October, 1961, May 1963 and February 1966 government land can be leased out to local bodies, public undertakings etc on payment of premium fixed on the basis of the market value plus annual ground rent at the rate of 1 *per cent* of the market value. In respect of lease of State Government lands to Union Government, the latter shall pay in

addition to the premium, capitalised value of the land revenue at 25 times of the ground rent as per Government Order (September 1964).

During audit of two tahasils (September 1993 and February 1994) it was noticed that the dues were not/short realised to the extent of Rs.3.79 lakhs as indicated below:

Sl. No.	Name of Tahasil	Month /year of acquisition	Office/ Department	Extent of land (In acres)	Realisable amount		Amount realised	Short levy
					Premium	Capitalised value		
(R u p e e s i n l a k h s)								
1.	G.Uday-giri	August 1989	Telecommuni-cation	0.49	1.50	0.38	Nil	1.88
2.	Jeypore	January 1993	All India Radio	3.00	10.17	2.54	10.80	1.91
<b>Total</b>				<b>3.49</b>	<b>11.67</b>	<b>2.92</b>	<b>10.80</b>	<b>3.79</b>

On this being pointed out in audit (September 1993 and February 1994) the Tahasildar, G. Udayagiri stated that the alienation case is under process and would be submitted to the Collector, Phulbani for sanction and the Tahasildar, Jeypore agreed to realise the dues.

The matter was reported to Government (December 1993 and May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### 4.3 Short-levy/non-levy of court fee

Under the provisions of the Orissa Public Demand Recovery Act, 1962 and rules made thereunder, when any public demand payable to any person other than the Collector is due, such person may send to the certificate officer, a written requisition in the prescribed form. Every such requisition, except in such cases as may be prescribed, shall be chargeable with a fee based on the amount of recovery which would be payable under the Court Fees Act of 1870. All scheduled banks have been brought under the purview of the Orissa Public Demand Recovery Act 1962 by Government of Orissa order dated 13 September 1985.

During the course of audit (between December 1992 and August 1993) of five tahasils\* it was noticed that 317 requisitions were filed before the concerned certificate officers (Tahasildars) by six banks during the periods from 1987 to 1992 for a total recovery of their dues amounting to Rs.29.88 lakhs. Against fees of Rs.2.71 lakhs leviable in these cases, Rs.0.52 lakh only was levied. This resulted in short-levy of fees of Rs.2.19 lakhs.

On this being pointed out (between December 1992 and August 1993) the certificate officers concerned agreed to realise the dues by issue of demand notices to the banks concerned.

The matter was reported to Government (between May 1993 and December 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

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\* Baramba, Bolangir, Kamakhyanagar, Narasinghpur and Sonepur

## CHAPTER 5

### STATE EXCISE AND OTHER TAX RECEIPTS

#### 5.1 Results of audit

Test check of receipts in the offices of the Excise Commissioner and Superintendents of Excise, conducted during the period from April 1993 to March 1994, revealed non-realisation, short-realisation and other losses of revenue amounting to Rs.179.54 lakhs in 132 cases which may broadly be categorised as under:

Sl. No.	Category	No. of cases	Amount (Rupees in lakhs)
1.	Short levy/short-realisation of duty	37	17.76
2.	Non-levy/non-realisation of duty	72	56.64
3.	Loss of revenue due to destruction of beer/wastage of spirit	1	31.39
4.	Other irregularities	22	73.75
<b>Total</b>		<b>132</b>	<b>179.54</b>

During the course of 1993-94, the concerned Department accepted underassessment etc. of Rs.37.06 lakhs involved in 101 cases pertaining to the earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.79.32 lakhs are mentioned in the following paragraphs.

## **5.2 Loss of revenue due to non-levy of excise duty at revised rate**

Under Section 3 of the Medicinal and Toilet preparations (Excise duty) Act, 1955, excise duty is leviable on all dutiable goods manufactured in India, at the rate specified in the schedule appended thereto as amended from time to time. The rates of excise duty leviable on different medicinal and toilet preparations were last revised by the Finance Act., 1989 enhancing the rates of Rs.6.60, Rs.13.20 and Rs.52.80 to Rs.10.00, Rs.20.00 and Rs.80.00 respectively, per litre of pure alcohol (LPA) content.

As per rule 11 of the Medicinal and Toilet preparations (Excise Duties) Rule, 1956, unless a written demand by the proper officer is made within six months of incidence of short levy, licensee will not be liable to pay the differential amount of duty.

During the course of audit of the records of 5\* district excise offices, it was noticed (between September 1991 and February 1994) that in the cases of 18 bonded and non-bonded manufacturers of medicinal preparations, excise duty was levied at pre-revised rates for the period from 1989-90 to 1992-93 which led to short levy of excise duty of Rs.42.12 lakhs. As the time limit of six months for raising the demand for the short levy has already expired, it has resulted in loss of revenue of Rs.42.12 lakhs.

The matter was reported to Government (December 1991 to May 1994); Government in their reply (February 1994) stated that the arrear of differential duty from 1 March 1989 cannot be realised having been barred by limitation.

## **5.3 Non-realisation of excise duty on country spirit**

Under the provisions of the Orissa Excise (Exclusive privilege) Rules 1970 as amended in 1989, every successful bidder of a country spirit shop shall, before obtaining a licence, guarantee the sale of minimum guaranteed quantity (MGQ) of country spirit monthly as fixed by the excise authority. Before obtaining the licence, the bidder is also required to submit monthly distribution

\* Balasore, Cuttack, Ganjam, Phulbani and Puri

statement to the Collector. The rules inter-alia provide that no licensee shall lift less than the specified MGQ of country spirit during any month unless the quantity short drawn in a particular month is permitted to be lifted in the subsequent month(s) with the approval of the competent authority. Excise duty in respect of MGQ of spirit, irrespective of quantity lifted shall be remitted by the licensee every month in two equal instalments to be paid by 5th and 15th of the month.

During the course of audit (February 1994 and March 1994) of district excise office, Koraput, it was noticed that 42 licensees lifted 2,05,990 London Proof Litre (LPL) less than the MGQ during the year 1992-93. But excise duty was levied on the quantity actually lifted and not on MGQ. This resulted in non-realisation of excise duty amounting to Rs.30.90 lakhs.

On this being pointed out in audit (March 1994), the Superintendent of Excise agreed to realise the duty. Further reply on action taken has not been received (November 1994).

The matter was reported to Government (May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

#### **5.4 Short realisation of import fees on India Made Foreign Liquor**

As per Notification dated 21 May 1992 of the Board of Revenue, Orissa, the rate of import fees on India Made Foreign Liquor (IMFL) imported from other States was enhanced from Rs.4 to Rs.5.50 per London Proof Litre (LPL). Further, it was clarified by the Excise Commissioner, Orissa on 30 July 1992 to all the superintendents of excise that stocks of imported IMFL unless stored in the bonded warehouse by 21 May 1992, were also subject to payment of import fee at the enhanced rate even though import permits were issued prior to the date of notification.

During the course of audit of district excise offices at Balasore, Ganjam, Koraput and Puri it was noticed (between June 1993 and March 1994) that import fees at the enhanced rate was not levied on 2,14,733.65 LPL although



the stocks of imported IMFL were actually stored in bonded warehouse after 21 May 1992. This led to short realisation of revenue amounting to Rs.3.23 lakhs.

On this being pointed out in audit (between June 1993 and October 1993), the concerned Superintendents of Excise agreed (between June 1993 and March 1994) to realise the differential amount. Further reply in regard to action taken has not been received (November 1994).

The matter was reported to Government (between September 1993 and May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

#### **5.5 Loss of revenue due to closure of India Made Foreign Liquor off shop**

As per Excise Policy of Government of Orissa, India Made Foreign Liquor (IMFL) off shops are settled on the basis of tender-cum-auction. The Government sanctioned 36 IMFL off shops during the year 1992-93 in Balasore District.

During the course of audit (July 1993) of district excise office, Balasore it was noticed that out of 36 IMFL shops, sale notice for 35 shops only was issued in January 1992. The sale notice for Bhadrak-II shop was separately issued in February 1992 and settled in favour of "X" in March 1992 for a monthly consideration of Rs.27,760 which was also confirmed by Government in April 1992. On this a writ petition was filed by 'Y' in the Hon<sup>ble</sup> High Court of Orissa against opening of Bhadrak-II shop as it was not listed in the sale notice issued in January 1992. The department did not file any counter affidavit even within the extended time. The case was disposed of exparte holding the opening of the Bhadrak-II shop invalid and the shop was closed from 21 October 1992. Due to non-listing of Bhadrak-II shop in the sale notice of January 1992 and non-filing of counter affidavit in time and defending the case in the Court, Bhadrak-II shop remained closed from 21 October 1992 to 31 March 1993 which resulted in loss of revenue amounting to Rs.1.49 lakhs by way of monthly consideration money.

On this being pointed out in audit (July 1993) it was stated by the Superintendent of Excise, Balasore that the matter had already been reported to the Excise Commissioner, Orissa for taking further action. Further reply in the matter has not been received (November 1994).

The matter was reported to Government/Commissioner of Excise, Orissa (October 1993) followed by a reminder in October 1994; their reply has not been received (November 1994)

#### **5.6 Loss of revenue due to non-confirmation of provisional settlement of India Made Foreign Liquor off-shop**

Under the provisions of the Bihar and Orissa Excise Act, 1915 and rules made thereunder, the State Government is competent to grant exclusive privilege to any person for retail sale of India Made Foreign Liquor (IMFL) within any specified place on auction-cum-tender basis.

During the course of audit (March 1994) of the records of Superintendent of Excise, Mayurbhanj it was noticed that the highest bid of consideration money of Rs.24,000 per month in respect of Baripada-III IMFL off-shop for the year 1992-93 could not be settled in view of the instructions received from Government in March 1992 for reauction. The shop was reauctioned and settled in April 1992 at a consideration money of Rs.20,000 per month. The licence was issued (June 1992) in favour of the highest bidder of the reauction for Rs.20,000 which resulted in loss of revenue of Rs.94,000 by way of consideration money during 1992-93 (Rs.48,000 on account of lesser value and Rs.46,000 on account of off-shop being closed from 1 April 1992 to 9 June 1992).

On this being pointed out in audit (March 1994) the Superintendent of Excise, Mayurbhanj stated (March 1994) that the licence was issued on receipt of the approval from Government and licence fee was realised accordingly.

The matter was reported to Government (May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

### 5.7 Short realisation of excise duty due to allowance of excess transit breakage

Under Board's Excise Rules, 1965, the maximum limit of transit breakage during the import of India Made Foreign Liquor (IMFL) and Beer from other States has been prescribed at 0.25 *per cent per year*.

During the course of audit of the district excise office, Puri, it was noticed (June 1993) that in respect of a bonded warehouse against the admissible breakage of 39.275 LPL of IMFL and 72.150 B.L. of Beer, during the year 1992-93, breakage of 766.305 LPL of IMFL and 810.550 B.L. of Beer was allowed. This resulted in excess allowance of breakage and consequential short realisation of duty of Rs.64,046.

On this being pointed out in audit (June 1993), Superintendent of Excise, Puri agreed (June 1993) to take action for realisation of the duty on excess transit breakage.

The matter was reported to Government (September 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

## CHAPTER 6

### STAMP DUTY AND REGISTRATION FEES

#### 6.1 Results of audit

Test Check of records relating to stamp duty and registration fees in the offices of the District Sub Registrars/Sub Registrars conducted during the period from April 1993 to March 1994, revealed short/non-realisation of stamp duty and registration fees and other irregularities amounting to Rs.5.69 lakhs in 521 cases detailed under.

	Number of cases	Amount (Rupees in lakhs)
	-----	-----
1. Short levy of stamp duty and registration fees due to under valuation of property	510	4.82
2. Short levy of stamp duty and registration fees due to misclassification of deeds	6	0.17
3. Irregular exemption of stamp duty/other irregularities	5	0.70
<b>Total</b>	<b>521</b>	<b>5.69</b>
	-----	-----

An illustrative case highlighting audit observation involving financial effect of Rs.4.23 lakhs is mentioned below:

#### 6.2 Short realisation of additional stamp duty

According to Indian Stamp Act, 1899 and Orissa Additional Stamp Duty Act, 1970, stamp duty and additional stamp duty are chargeable on documents of sales of land. While the basic duty is same for lands situated in urban and rural areas, the additional stamp duty is different and the rate is higher for the documents of sale of land in urban area (Government of Orissa Law Department

Notification dated 31 October 1985). According to Notification of 5 September, 1988 of Government of Orissa, Housing and Urban Development Department, nine villages under the jurisdiction of District Sub-Registrar, Bhubaneswar were included in Bhubaneswar Municipality as urban area.

During the course of audit of records of district sub-registrar, Bhubaneswar (May 1993) it was, however, noticed that in 459 cases of sale of land situated in the above nine villages which were registered between January 1992 and December 1992, additional stamp duty was charged at the rate applicable to the land situated in rural areas instead of at the higher rate applicable to the urban areas. This resulted in short realisation of revenue amounting to Rs.4.23 lakhs.

On this being pointed out in audit (May 1993) the District Sub-Registrar stated that additional stamp duty at the higher rate could not be realised due to non-receipt of the Government Notification dated 5 September 1988.

This was brought to the notice of Government (September 1993) followed by a reminder in October 1994; their reply has not been received (November 1994).

## CHAPTER 7

### FOREST RECEIPTS

#### 7.1 Results of audit

Test check of the records maintained in all the Forest Divisions of the State in audit during the year 1993-94 revealed non-realisation of revenue and loss of revenue etc amounting to Rs.327.88 lakhs in 949 cases which may be broadly be categorised as under:

	Number of Cases	Amount (Rs. in lakhs)
1. Loss of revenue due to non-disposal of forest produce by sale	74	61.22
2. Non-realisation of compensation/royalty	183	66.12
3. Non-levy/short levy of interest on delayed payment of consideration money/royalty	127	6.78
4. Other irregularities	565	189.76
<b>Total</b>	<b>949</b>	<b>327.88</b>

During the course of 1993-94, the concerned departments accepted underassessment etc. of Rs.80.52 lakhs involved in 1142 cases pertaining to earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.10.16 lakhs are mentioned in the following paragraphs.

## 7.2 Non-realisation of extension fees

Under the provisions of Orissa Forest Contract Rules-1966, forest produce is to be extracted and removed by a contractor from the contract areas within the specified contract period failing which the produce shall become the absolute property of Government unless Conservator of Forest or the Divisional Forest Officer(DFO), as the case may be, grants an extension of time on advance payment of the prescribed extension fee at 1 *per cent* of the consideration money of the contract for each month of extension, provided that full consideration money of the contract has been paid.

During the course of audit of three forest divisions (Baripada, Jeypore and Puri) it was noticed (between September 1992 and November 1993) that extension of time for a period ranging from two to six months was granted by the DFO in ten cases during the period 1989-90 to 1992-93 without realisation of consideration money and extension fee. The extension fee realisable for the period of actual extension availed of by the OFDC works out to Rs.4.23 lakhs.

On the omission being pointed out in audit (July 1993) the DFO, Baripada stated (July 1993) that the amount of extension fees had already been assessed and demand was being raised against the Orissa Forest Development Corporation, while the DFO, Jeypore stated (November 1993) that action would be taken to realise the dues. The DFO, Puri, however, stated that a demand of Rs.2.43 lakhs had been raised (November 1993). Further report on action taken has not been received (November 1994).

The matter was reported to Government (between November 1992 and February 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

## 7.3 Non levy of interest on belated payment of consideration money/royalty

Under the Orissa Forest Contract Rules 1966, if a contractor fails to pay any instalment of consideration money for sale of forest coupe(s) by the due date, he is liable to pay interest at the rate of 6.25 *per cent* per annum on the

instalments in default. These provisions were also applicable to Orissa Forest Development Corporation who also acts as a contractor.

During the course of audit (between November 1992 and January 1994) of eight\* forest divisions it was noticed that in 146 cases of belated payment of consideration money relating to the years 1989-90 to 1992-93 interest amounting to Rs.5.93 lakhs was not levied.

On this being pointed out in audit (between November 1992 and January 1994) the concerned DFO stated (between November 1992 and January 1994) that action would be taken to realise the interest from the Corporation. Further report on action taken in the matter has not been received (November 1994).

The matter was reported to Government (between February 1993 and May 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

---

\* Bamra, Boudh, Bonai, Dhenkanal, Deogarh, Ghumusar (South), Nayagarh and Phulbani,



## CHAPTER 8

### MINING RECEIPTS

#### 8.1 Results of Audit

Test check of records maintained in the mining offices and other departmental offices conducted during the year 1993-94 revealed non/short recovery of dues and loss of revenue etc., amounting to Rs.2739.11 lakhs in 100 cases which broadly fall under the following categories.

#### a) Mining Receipts

	Number of cases	Amount (Rupees in lakhs)
	-----	-----
1. Non-levy/Short levy of royalty, Cess, Surface rent and Dead rent	4	3.51
2. Non-recovery/Short recovery of interest	28	15.12
3. Non-realisation/Underassess- ment of Dead rent, Cess, royalty and interest	1	0.32
4. Other irregularities	24	6.42
<b>Total</b>	<b>57</b>	<b>25.37</b>
	---	---

#### b) Departmental Receipts

1. Short-levy of interest	3	102.08
2. Other cases	40	2611.66
<b>Total</b>	<b>43</b>	<b>2713.74</b>
	---	---

During the course of 1993-94, the concerned departments accepted underassessment etc., of Rs.70.18 lakhs involved in 35 cases pertaining to earlier years.

A few illustrative cases highlighting important audit observations involving financial effect of Rs.7.97 lakhs are mentioned in the following paragraphs.

## **8.2 Short realisation of licence fees**

Under the provision of the Orissa Mineral (prevention of theft, smuggling and other unlawful activities) Rules, 1990, a person who wishes to possess, store, sell, trade in or otherwise deal in any mineral shall apply in a prescribed form to the competent authority for a licence for each type of ore/mineral on payment of fee of Rs.500. The licence can be renewed further one year at a time on payment of fee of Rs.250.

In course of audit of five mining circles (Baripada, Berhampur, Cuttack, Rourkela and Sambalpur) it was noticed (between September 1992 and March 1993) that in 64 cases licensing authorities realised single licence fee of Rs.500 or a renewal licence fee of Rs.250 even though licence for more than one ore/mineral was applied for and granted instead of realising separate licence/renewal fee for each type of mineral. This led to short realisation of licence/renewal fee of Rs.1.69 lakhs.

The matter was reported to Government/Director of Mining and Geology (between December 1992 and June 1993). Government in their reply (January 1994) stated that Rs.24,000 (Sambalpur Rs.21,500, Baripada Rs.2500) has already been realised and action for realisation in other cases was under process.

## **8.3 Non-levy of interest on belated payment of mining dues**

In terms of Mineral Concession Rules, 1960, as amended in 1982, and Government of Orissa notification dated 9 August 1974 in cases of belated payment of dead rent, royalty or other Government dues, simple interest at the rate of 15 *per cent per annum* upto 31 March 1991 and at the rate of 24 *per cent per annum* thereafter, on the amount in default shall be charged from the 60th day of the expiry of the due date till the default continues.

In four mining circles (Baripada, Bhawanipatna, Sambalpur and Talcher), it was noticed in course of audit (between July 1993 and April 1994) that interest amounting to Rs.6.28 lakhs on belated payment of mining dues in 18 cases was not levied.

On the omission being pointed out (between July 1993 and April 1994) the Deputy Director of Mines/Mining Officers of the circles concerned agreed (between July 1993 and April 1994) to take action to raise demand.


The matter was reported to Government/Director of Mining and Geology, Orissa (between November 1993 and June 1994) followed by a reminder in October 1994; their reply has not been received (November 1994).

**BHUBANESWAR**  
The

  
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1995

PRINTED AT ORISSA GOVERNMENT PRESS, CUTTACK-10