



REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR
1985-86

(REVENUE RECEIPTS)
GOVERNMENT OF ORISSA



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PREFATORY REMARKS

The Audit Report on Revenue Receipts of the Government of Orissa for the year 1985-86 is presented in this separate volume. The material in the Report has been arranged in the following order:-

(i) Chapter I deals with trends of revenue receipts, classifying them broadly under tax revenue and non-tax revenue. The variations between Budget estimates and actuals in respect of principal heads of revenue, the position of arrears of revenue, etc., are discussed in this Chapter.

(ii) Chapters 2 to 7 deal with certain cases and points of interest which came to notice in the audit of Sales Tax, Taxes on Motor Vehicles and Passengers, Land Revenue, State Excise, Forest Receipts and other Tax and Non-Tax Receipts.

CHAPTER 1

GENERAL

1.1. Trend of Revenue Receipts

The total receipts of the Government of Orissa for the year 1985-86 were Rs.940.84 crores against the anticipated receipts of Rs.1069.50 crores. The total receipts during the year registered an increase of 14 per cent over those of 1984-85 (Rs.823.51 crores). Out of the total receipts of Rs.940.84 crores, revenue raised by the State Government amounted to Rs.416.50 crores, of which tax revenue accounted for Rs.285.90 crores and balance Rs.130.60 crores from non-tax revenue. Receipts from Government of India amounted to Rs.524.34 crores.

1.2. Analysis of Revenue Receipts

(a) An analysis of the receipts during the year 1985-86 alongwith the corresponding figures for the preceding two years, is given below :

1983-84 1984-85 1985-86
(In crores of rupees)

I. Revenue raised by the State Government

(a) Tax Revenue	207.07	234.93	285.90
(b) Non-Tax Revenue	120.50	113.89	130.60
Total	<u>327.57</u>	<u>348.82</u>	<u>416.50</u>

II. Receipts from the Government of India

	1983-84	1984-85	1985-86
	(In Crores of rupees)		
(a) State's share of divisible Union Taxes	222.76	284.11	275.54
(b) Grants-in-aid	232.78	190.58	248.80*
Total	<u>455.54</u>	<u>474.69</u>	<u>524.34</u>
III. Total Receipts of the State (I + II)	783.11	823.51	940.84
IV. Percentage of I to III	41.8	42.35	44.3

Thus, the State mobilised 44.3 per cent of its total receipts for 1985-86 and the remaining 55.7 per cent came from the Union Government.

(b) Tax revenue raised by the State

Receipts from tax revenue constituted about 68.64 per cent of the State's own revenue receipts during the year 1985-86. An analysis of the tax revenue for the year 1985-86 and the preceding two years is given below:

* For details please see Statement No. II - Detailed account of revenue by minor heads in the Finance Accounts of Government of Orissa, 1985-86.

	1983-84	1984-85	1985-86	Increase(+) Decrease(-) in 1985-86 with reference to 1984-85
(In crores of rupees)				
1. Land Revenue	15.08	13.06	15.92	(+) 2.86
2. Stamps and Registration Fees	12.51	14.31	17.29	(+) 2.98
3. State Excise	15.44	18.73	21.63	(+) 2.90
4. Sales Tax	114.00	126.23	148.35	(+)22.12
5. Taxes on Vehicles	14.86	16.24	25.29	(+) 9.05
6. Taxes on Goods and Passengers	3.72	9.78	2.54	(-) 7.24
7. Taxes and Duties on Electricity	27.50	32.44	49.81	(+)17.37
8. Other Taxes and Duties on Commodities and Services	3.96	4.14	5.07	(+) 0.93
Total	<u>207.07</u>	<u>234.93</u>	<u>285.90</u>	<u>(+)50.97</u>

The increase of Rs.22.12 crores under "Sales Tax" was stated to be due to realisation of tax from works contractors.

Reasons for increase of Rs.9.05 crores and Rs.17.37 crores under "Taxes on Vehicles", and "Taxes and Duties on Electricity" and decrease of Rs.7.24 crores under "Taxes on Goods and Passengers" were not furnished by the departments (December 1986).

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

Interest, Education, Public Health, Sanitation and Water Supply, Forest, Mines and Minerals, Irrigation, Navigation, Drainage and Flood Control Projects and Police were the principal sources of non-tax revenue during 1985-86 and constituted about 31.36 per cent of the total revenue raised by the State. An analysis of non-tax revenue under the principal heads for the year 1985-86 and the preceding two years is given below:

	1983-84	1984-85	1985-86	Increase(+) Decrease(-) in 1985-86 with refer- ence to 1984-85
(In crores of rupees)				
1. Interest	21.57	21.59	11.16	(-)10.43
2. Education	4.35	4.64	3.69	(-) 0.95
3. Public Health, Sanitation and Water supply	4.01	2.41	2.83	(+) 0.42
4. Forest	54.94	50.22	48.43	(-) 1.79
5. Irrigation, Navigation, Drainage and Flood control projects	4.52	3.45	4.71	(+) 1.26

	1983-84	1984-85	1985-86	Increase(+) Decrease(-) in 1985-86 with reference to 1984-85
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(In crores of rupees)

6. Mines and Minerals	7.27	7.90	9.75	(+) 1.85
7. Police	1.74	2.91	1.81	(-) 1.10
8. Others	22.10	20.77	48.22	(+) 27.45
Total	<u>120.50</u>	<u>113.89</u>	<u>130.60</u>	<u>(+) 16.71</u>

1.3. Variations between Budget estimates and actuals

(a) The variations between the Budget estimates and actuals of tax revenue and non-tax revenue during the year 1985-86 are given below:

	Budget estimates	Actuals	Variation increase(+) decrease(-)	Percentage of variation
--	------------------	---------	--------------------------------------	-------------------------

(In crores of rupees)

A. Tax Revenue	304.54	285.90	(-) 18.64	6.1
B. Non-Tax Revenue	122.47	130.60	(+) 8.13	6.6

The total variation between the Budget estimates and the actuals during 1985-86 was Rs.10.51 crores and it was made up of shortfall of Rs.18.64 crores (6.1 per cent) under tax revenue and excess

of Rs.8.13 (6.6 per cent) under non-tax revenue.

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

Heads of revenue	Budget estimates	Actuals	Variation increase(+) decrease(-)	Percentage of variation (5)
(1)	(2)	(3)	(4)	(5)
	(In crores of rupees)			
1. Land Revenue	14.70	15.92	(+) 1.22	(+) 8.30
2. Stamps and Registration Fees	14.90	17.29	(+) 2.39	(+)16.04
3. State Excise	22.30	21.63	(-) 0.67	(-) 3.00
4. Sales Tax	153.96	148.35	(-) 5.61	(-) 3.64
5. Taxes on Vehicles	26.50	25.29	(-) 1.21	(-) 4.57
6. Taxes on Goods and Passengers	5.50	2.54	(-) 2.96	(-)53.82
7. Taxes and Duties on Electricity	60.60	49.81	(-)10.79	(-)17.81
8. Interest	17.72	11.16	(-) 6.56	(-)37.02
9. Education	5.67	3.69	(-) 1.98	(-)34.92
10. Forest	60.00	48.43	(-)11.57	(-)19.28
11. Mines and Minerals	7.94	9.75	(+)1.81	(+)22.80
12. Irrigation, Navigation, Drainage and Flood Control Projects	4.57	4.71	(+) 0.14	(+)13.06

The shortfall of revenue was more than 10 per cent under "Taxes on Goods and Passengers" (53.82 per cent), "Taxes and Duties on Electricity" (17.81 per cent), "Interest" (37.02 per cent), "Education" (34.92 per cent) and "Forest" (19.28 per cent). Shortfall under "Taxes and Duties on Electricity" was stated to be due to less payment of duty by the Orissa State Electricity Board. Reasons for the shortfall under the other heads were not given (December 1986) by the concerned departments.

The increase in collection under "Stamps and Registration Fees" (16.04 per cent) was attributed by the department to more sales of judicial and non-judicial stamps. Reasons for increase of receipts under "Mines and Minerals" (22.80 per cent) were not given by the Department (December 1986).

1.4. Cost of Collection

Expenditure incurred in collecting the major revenue receipts during the year 1985-86 and the corresponding figures for the preceding two years are given below:

Head of Account	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
(In crores of rupees)				
1. Land Revenue*	1983-84	15.08	23.32	154.6
	1984-85	13.06	25.96	198.7
	1985-86	15.92	28.61	179.7

*The expenditure incurred under "Land Revenue" was not only for collection of revenue but also for other administrative functions. *Pro rata* distribution of expenditure to collection of revenue is awaited from the concerned departments (December 1986).

Head of Account	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection
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(In. crores of rupees)

2. Stamps and Registration fees	1983-84	12.51	1.08	8.6
	1984-85	14.31	1.25	8.7
	1985-86	17.29	1.63	9.4
3. State Excise	1983-84	15.44	1.47	9.5
	1984-85	18.73	1.59	8.5
	1985-86	21.63	1.84	8.5
4. Sales Tax	1983-84	114.00	2.99	2.6
	1984-85	126.23	3.32	2.5
	1985-86	148.35	3.72	2.5
5. Taxes on Vehicles	1983-84	14.86	0.47	3.2
	1984-85	16.24	0.52	3.2
	1985-86	25.29	0.59	2.3
6. Taxes and Duties on Electricity	1983-84	27.50	0.11	0.4
	1984-85	32.44	0.12	0.4
	1985-86	49.81	0.13	0.3
7. Forest*	1983-84	54.94	7.16	13.0
	1984-85	50.22	7.41	14.8
	1985-86	48.43	9.08	18.7

* The expenditure incurred under "Forest" was not only for collection of revenue but also for other administrative functions. *Pro rata* distribution of expenditure to collection of revenue is awaited from the concerned departments (December 1986).

1.5. Arrears in assessment of Sales Tax

The number of assessments of sales tax cases finalised by the department and the assessments pending finalisation as at the end of March 1986 and the preceding year, as reported by the department, are indicated below:

Year	Number of cases due for assessment	Number of assessments completed	Number of assessments pending at the end of the year	percentage of pending cases to total cases
(1)	(2)	(3)	(4)	(5)
1984-85	Arrear cases 1,13,440	1,39,050*		
	Current cases 1,52,044			
	Remand cases 16,546	3,551		
	<u>2,82,030</u>	<u>1,42,601</u>	<u>1,39,429</u>	<u>49.4</u>
1985-86	Arrear cases 1,26,434			
	Current cases 1,55,495	1,38,534**		
	Remand cases 12,995			
	<u>2,94,924</u>	<u>1,38,534</u>	1,56,390	53.0

The arrears in assessment increased from 1,39,429 cases as at the end of March 1985 to 1,56,390 cases as at the end of March 1986. The year-wise break up of the pending cases could not be made available by the department (September 1986).

1.6. Arrears in disposal of Sales Tax refund cases

The position of pendency of refund cases at the end of March 1986, as reported by the department,

* Bifurcation of arrear cases and current cases was not available.

** Bifurcation of arrear cases, current cases and remand cases was not available.

tment, is detailed below:

	Number of cases	Amount involved: (In lakhs of rupees)
(i) Refund cases pending on 1st April 1985	1,936	107.37
(ii) Claims received during the year	<u>1,590</u>	<u>268.07</u>
Total	<u>3,526</u>	<u>375.44</u>
(iii) Cases disposed of during the year	1,817	110.64
(iv) Balance of the cases at the end of March 1986	1,709	264.80

1.7. Uncollected revenue

According to the information furnished by the departments, detailed analysis of arrears of revenue pending collection at the end of March 1986 in respect of some of the principal sources of revenue are given below. For purposes of comparison, arrears as at the end of March 1985 have also been indicated.

Source of revenue	Amount of arrears pending collection as on 31st March 1985 (In lakhs of rupees)	Amount of arrears pending collection as on 31st March 1986 (In lakhs of rupees)	Remarks
1. Sales Tax	3,393.88	4,216.11	The arrears at the end of March 1986

Source of revenue	Amount of arrears pen- ding colle- ction as on 31st March 1985	Amount of arrears pen- ding collec- tion as on 31st March 1986	Remarks
	(In lakhs of rupees)		

(Rs.4,216.11 lakhs) increased by 25 per cent over that outstanding at the end of March 1985 (Rs.3,393.88 lakhs). The year-wise break-up of the arrears was not available with the department. Out of the arrears of Rs.4,216.11 lakhs, demands for Rs.626.20 lakhs and Rs.915.70 lakhs had been stayed by courts and departmental authorities respectively. In respect of demands for Rs.608.84 lakhs, certificates had been issued for recovery as arrears of land revenue. Penalty notices or notices to third parties had been issued in respect of Rs.1,767.13 lakhs.

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		Arrears of Rs.298.24 lakhs were proposed to be written off.
2. Taxes and Duties on Electricity	2,746.62	2,207.21	The year-wise break-up of the arrears was not available. Out of Rs.2,207.21 lakhs, demands for Rs.309.98 lakhs had been stayed by the High Court and other judicial authorities, while Rs.4.23 lakhs had been covered by certificate proceedings. Demands for Rs.23.59 lakhs were under dispute and Rs.427.97 lakhs were under other stages of action. Action for recovery of the remaining arrears of Rs.1,441.44 lakhs was yet to be taken. The arrears of Rs.2,207.21 lakhs were outstanding against Orissa State Electricity Board

Source of revenue	Amount of arrears pending collection as on <u>31st March 1985</u>	Amount of arrears pending collection as on <u>31st March 1986</u>	Remarks
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(In lakhs of rupees)

(Rs.1348.48 lakhs), other appointed authorities (Rs.32.52 lakhs) and the following captive generators (Rs.826.21 lakhs).

			Amount (In lakhs of rupees)
		i)	Rourkela Steel Plant, Rourkela
		ii)	Orient Paper Mills
		iii)	Straw Products
		iv)	Orissa Textile Mills
		v)	Titagarh Paper Mills, Choudwar
		vi)	Fertiliser Corporation of India
			<u>168.77</u>
			<u>826.21</u>
3.Land Revenue	481.84	455.08	The year-wise break-up of the arrears was not available. Category-wise

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
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(In lakhs of rupees)

break-up of the arrears at the end of March 1986, as reported by the department, is as follows:

Rent	Rs.108.48 lakhs
Cess	Rs.164.19 lakhs
Miscellaneous	
Cess	Rs. 5.10 lakhs
Sairat	Rs. 27.78 lakhs
Miscellaneous	
Revenue	<u>Rs.149.53 lakhs</u>
Total	<u>Rs.455.08 lakhs</u>

4.State Excise	43.40	40.98
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The arrears pertain to the period from 1947-48 and the accumulated arrears upto 1980-81 amounted to Rs.33.43 lakhs. Rs.6.42 lakhs pertain to the years 1981-82 to 1984-85 and Rs.1.13 lakhs for the year 1985-86. There were seven cases where

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		

more than Rs.2 lakhs in each case were outstanding with private parties. Out of Rs.40.98 lakhs, recovery of Rs.6.05 lakhs had been stayed by High Court and other judicial authorities, recovery of Rs.0.03 lakh by departmental authorities and Rs.0.07 lakh had been under dispute. In respect of demands for Rs.31.01 lakhs, certificate proceedings had been instituted. Arrears of Rs.2.08 lakhs were proposed to be written off. Action for recovery of the remaining arrears of Rs.1.74 lakhs had not been intimated.

Source of revenue	Amount of arrears pending collection as on 31st March 1985 (In lakhs of)	Amount of arrears pending collection as on 31st March 1986 (rupees)	Remarks
5. Mines and Minerals	161.39	215.67	At the end of March 1986, demands raised but not collected amounted to Rs.215.67 lakhs which is nearly 34 per cent more than the total amount of arrears as at the end of March 1985. Year-wise analysis of the arrears could not be furnished by the Department. It was, however, noticed (August 1986) that the arrears pertain to the years 1961-62 and onwards. Out of Rs.215.67 lakhs, demands for Government dues amounting to Rs.30.67 lakhs had been covered by certificate proceedings. Demand for Rs.21.28 lakhs had been

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		
6. Police	120.82	169.34	<p>stayed by the High Court and other judicial authorities. Demands in respect of Rs.24.12 lakhs were under dispute. Arrears of Rs.14.68 lakhs were proposed to be written off. Action for recovery of the remaining arrears for Rs.124.92 lakhs was yet to be taken. Out of the total arrears, Rs.166.59 lakhs were outstanding with 14 parties.</p> <p>Arrears amounting to Rs.16.77 lakhs pertained to the period prior to 1981-82, Rs.97.52 lakhs to the years 1981-82 to 1984-85 and the remaining arrears of Rs.55.05 lakhs to the year 1985-86.</p>

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		
			Substantial arrears were outstanding against Government of Assam (Rs.35.59 lakhs), Government of Bihar (Rs.19.52 lakhs), Government of West Bengal (Rs.12.52 lakhs), Government of Andhra Pradesh (Rs.16.37 lakhs), the Andhra Pradesh State Electricity Board (Rs.10.12 lakhs) and Orissa State Electricity Board (Rs.13.89 lakhs).
<u>7. Interest*</u>			
(a) Interest payable by Orissa State Electricity Board	Not available.	8,175.28	The arrears amounting to Rs.8,175.28 lakhs outstanding at the end of March 1986, represent interest on (i) value of assets transfe-

* Total amount outstanding under the head "Interest" was not furnished by the Finance Department. The figures under sub-items (a), (b) and (c) were furnished by the respective departments.

Source of revenue	Amount of arrears pending collection as on 31st March 1985 (In lakhs of rupees)	Amount of arrears pending collection as on 31st March 1986	Remarks
			rred, (ii) Talcher Thermal Power Station perpetual loan, (iii) cash loan and (iv) loan for expansion of Talcher Thermal Power Station. The year-wise break-up of the arrears is not available.
(b)Interest* on loans for Community Development	Not available	46.58	The outstanding amount pertains to the period from 1961-62. Out of the above, an amount of Rs.15.88 lakhs was under certificate proceedings.
(c)Interest* on loans by Industries Department	Not available	185.04	Year-wise break-up of the arrears was as follows: Upto 1983-84 Rs.106.76 lakhs 1984-85 Rs. 45.58 lakhs 1985-86 Rs. 32.70 lakhs

* Total amount outstanding under the head "Interest" was not furnished by the Finance Department. The figures under sub-items (a), (b) and (c) were furnished by the respective departments.

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		

The amounts are recoverable from the Orissa Small Industries Corporation (Rs.57.86 lakhs), Orissa Agro Industries Corporation (Rs.60.67 lakhs), Industrial Promotion and Investment Corporation of Orissa LTD. (Rs.2.58 lakhs), Orissa State Finance Corporation (Rs.63.93 lakhs).

8. Stationery and printing

Not available

63.23

The arrears of Rs.5.88 lakhs pertain to the period upto 1974-75, Rs.35.65 lakhs for the years 1975-76 to 1984-85 and Rs.21.70 lakhs for the year 1985-86. The item-wise break-up of the arrears as furnished by the depart-

Source of revenue	Amount of arrears pending collection as on 31st March 1985	Amount of arrears pending collection as on 31st March 1986	Remarks
	(In lakhs of rupees)		

ment (August 1986), is given below:

i)	Stationery Receipts	Rs.23.72 lakhs
ii)	Sale of Gazettes etc.	Rs. 0.41 lakh
iii)	Press Receipts	Rs.37.02 lakhs
iv)	Other Receipts	Rs. 2.08 lakhs
		<u>Rs.63.23 lakhs</u>

Information regarding the arrears of revenue pending collection at the end of March 1986 and their year-wise break-up etc., in respect of Taxes on Vehicles, Taxes on Goods and Passengers and Forest, called for from the departments (June '1986) is awaited (December 1986).

1.8. Outstanding Inspection Reports

(a) Important irregularities and defects in the assessment, demand, collection and accounting of State receipts, noticed during local audit, are intimated through inspection reports to the departmental officers, heads of departments and also to Government, where necessary, with the request to furnish replies thereto within a month of their receipt. In addition, statements showing details

of audit objections remaining outstanding for more than six months are sent to Government every six months in May and November, so that these may receive special attention.

(b) At the end of September 1986, 2,647 inspection reports (containing 10,555 audit objections involving receipts of Rs.47,60.29 lakhs), issued upto March 1986 were awaiting settlement, as shown below. The corresponding figures for the earlier two years have also been indicated.

As at the end of September	Number of outstanding		Revenue involved (In lakhs of rupees)
	Inspection Reports	Audit Objections	
1984	2,289	9,884	24,86.43
1985	2,466	10,301	37,84.40
1986	2,647	10,555	47,60.29

Year-wise break-up of the outstandings as at the end of September 1986 is given below:

Upto 1983-84	2,121	8,413	23,46.11
1984-85	223	805	13,60.82
1985-86	<u>303</u>	<u>1,337</u>	<u>10,53.36</u>
	<u>2,647</u>	<u>10,555</u>	<u>47,60.29</u>

(c) The departments with heavy outstandings are the following:

Department	Nature of receipts	Number of Reports	Number of Audit Objections	Revenue involved (In lakhs of rupees)
Revenue and Excise	Land Revenue	605	1,835	20,60.01
	Stamps and Registration Fees	446	736	6.50
	State Excise	108	438	6,32.18
Finance	Sales Tax	464	3,049	2,43.12
	Entertainment Tax	190	387	5.47
Commerce and Transport (Transport)	Taxes on Vehicles	227	2,070	3,92.41
	Taxes on Passengers	132	422	4,54.95
Forest, Fisheries and Animal Husbandry (Forest)	Forest	345	1,237	4,92.19
Mining and Geology	Mining Receipts	130	381	4,73.46

(d) Out of 2,647 reports, issued upto March 1986, in respect of 226 reports containing 1,086 audit objections, even first replies had not been received till 30th September 1986. The extent of

delay in receipt of replies in these cases is shown below:

Period of delay	Number of Inspection Reports	Number of outstanding Audit objections	Revenue involved (In lakhs of rupees)
Upto 6 months	43	207	1,92.52
Over 6 months and upto 12 months	54	241	1,74.65
Over 12 months and upto 18 months	50	205	1,17.79
Over 18 months and upto 24 months	33	182	1,28.52
Over 24 months	46	251	1,41.05
Total	<u>226</u>	<u>1,086</u>	<u>7,54.53</u>

The position referred to in the foregoing paragraphs was reported to Government in November 1986; their reply is awaited (December 1986).

CHAPTER 2

SALES TAX

2.1. Results of Audit

A test check of sales tax assessments and refund cases and the connected documents of the Commercial Tax Offices, conducted in audit during the period from April 1985 to March 1986, revealed under-assessment of tax and loss of revenue amounting to Rs.275.93 lakhs in 1028 cases, which may be broadly categorised as under:

	Number of cases	Amount (In lakhs of rupees)
1. Short levy due to incorrect computation of taxable turnover	232	53.82
2. Under-assessments due to application of incorrect rates of tax	100	12.26
3. Irregular grant of exemption from tax	136	105.11
4. Non-levy of interest	426	3.35
5. Other cases	134	101.39
Total	<u>1028</u>	<u>275.93</u>

Some of the important cases are mentioned in the succeeding paragraphs.

2.2. Irregular grant of exemption from tax

(i) As per Government notification issued in June 1979, under the Orissa Sales Tax Act, 1947, oil cake sold as feed and fodder for cattle, poultry

and pig, was exempted from levy of tax with effect from 1st July 1979.

In Sambalpur-I Circle, sale of *mahua* oil cake amounting to Rs.4.26 lakhs during the year 1983-84, made to a registered dealer engaged in the manufacture of soap was exempted from payment of tax, although the purchasing dealer had submitted declarations that the goods purchased were intended for manufacture of soap for sale. As the oil cake purchased was not used as feed and fodder for cattle, the exemption allowed to the dealer was irregular and resulted in tax amounting to Rs.0.19 lakh (including additional sales tax) not being realised.

On the mistake being pointed out in audit (July 1985), the assessing officer reopened (July 1985) the case.

The matter was reported to Government in January 1986. Government while accepting the factual position stated (August 1986) that the reassessment had been completed in July 1986 raising an extra demand of Rs.0.19 lakh and steps were being taken to realise the amount from the dealer. Further report on realisation is awaited (December 1986).

(ii) Under the Central Sales Tax Act, 1956, no tax is leviable on inter-State sale of any goods, if those goods are exempted from tax generally under the sales tax law of the State concerned. A sale of goods would not be deemed to be exempted from levy of tax generally under the sales tax law of the State concerned, if under the State law, the sale of such goods is exempted only in specified circumstances or under specified conditions.

In assessing a dealer of Puri-II Circle for the year 1983-84, inter-State sales of oil cakes amounting to Rs.1.69 lakhs were exempted from levy of tax on the ground that oil cake is exempted from tax under the State law. The exemption allowed was irregular, as according to the notification issued by Government in June 1979 under the Orissa Sales Tax Act, 1947, sales of oil cakes were not exempt from levy of tax generally, but were exempted only under specific circumstances i.e., when such sales were made for use of oil cake as feed and fodder. Thus, the irregular grant of exemption resulted in tax amounting to Rs.0.17 lakh not being realised.

On the mistake being pointed out in audit (November 1985), the assessing officer stated (November 1985) that sale of oil cake was generally tax free as per the Government notification of June 1979. The contention of the assessing officer is not tenable as the said notification indicated that the sale of oil cake for cattle, poultry and pig would be exempted from levy of tax and no other end-use was included in the said notification.

(iii) Under the Orissa Sales Tax Act, 1947, sales of washing soap and detergents are taxable at the point of first sale in the State from 1st August 1981. From 1st April 1982, as a residuary item, the rate of tax leviable on sale of washing soap and detergents is 8 per cent (prior to that it was 7 per cent). Goods taxable at first point of sale by one registered dealer to another, are not exempted from levy of tax.

In two Commercial Tax Circles (Ganjam-I and Cuttack-I-West), on first point sales of "Soda ash" amounting to Rs.27.10 lakhs made by eight registered dealers during the years 1981-82 and 1983-84, tax

amounting to Rs.2.17 lakhs was leviable, but was not levied.

On the omission being pointed out in audit between October 1985 and December 1985, both the assessing officers contended (November 1985 and January 1986) that "Soda ash" did not come under detergents. It was, however, subsequently ascertained by Audit that the Commissioner of Commercial Taxes had directed (June 1986) one of the assessing officers (Ganjam) to re-open the assessment treating soda ash as a detergent.

(iv) Under the Orissa Sales Tax Act, 1947, on sale of handicrafts, tax is leviable at the general rate of 8 per cent as an unspecified item. However, as per Government notification issued in November 1979, when such sales are made by the Orissa Co-operative Handicrafts Corporation Limited, the sales are exempted from levy of tax with effect from 1st December 1979.

In Cuttack-I Central Circle, sales of handicrafts and applique amounting to Rs.1,30,601 made by a dealer other than the Orissa Co-operative Handicrafts Corporation Limited, during the year 1983-84, were exempted from levy of tax. The incorrect grant of exemption resulted in tax amounting to Rs.0.11 lakh (including additional tax) not being levied.

On the mistake being pointed out in audit (January 1986), the assessing officer re-opened the case (January 1986). Further report is awaited (December 1986).

(v) Under the Orissa Sales Tax Act, 1947, the purchases of raw materials which go directly into the composition of finished products when

made by a registered dealer who is also a manufacturer and had started production prior to 1st April 1977, are exempt from levy of purchase tax for a period of five years provided the dealer furnishes a declaration to the effect that the raw materials purchased would be used for purposes of manufacture inside the State.

In Sambalpur-III Circle, gum worth Rs.4.71 lakhs purchased, from un-registered dealers during the year 1980-81, by a dealer who prepared different types of packets of gums by manual process of clearing, sizing, packing and labelling, was exempted from levy of tax. The exemption allowed was irregular as the process, in which no new substance was produced, did not amount to manufacture. The irregular grant of exemption resulted in tax amounting to Rs.0.35 lakh (including additional sales tax), not being realised.

On this being pointed out in audit (July 1985), the assessing officer agreed (July 1985) to examine the case. Further report is awaited (December 1986).

(vi) Under the Orissa Sales Tax Act, 1947, (i) purchase or sale of raw materials which directly go into the composition of finished products, (ii) machinery and spare parts thereof actually required for starting and maintaining a unit, and (iii) packing materials required for packing the finished products when sold or purchased by a registered dealer who is certified by the Director of Industries as a village/cottage/small scale industry, starting production inside the State on or after the 1st August 1980, are exempted from levy of tax provided the finished products of such industrial unit are sold inside the State of Orissa or in the course of inter-State trade

as export from Orissa. The exemption is allowable for a period of 5 years from the date of certification of the unit by the Director of Industries, subject to the condition that the dealer or his authorised agent furnishes a declaration in the prescribed form to the effect that the raw materials will directly go into the composition of finished products to be manufactured in his manufacturing unit.

(a) In seven circles (Cuttack-I (West), Cuttack-I (East), Cuttack-I (Central), Cuttack-II, Bolangir-II, Rourkela-II and Bhubaneswar) sales of raw materials, machineries and packing materials amounting to Rs.49.10 lakhs made by eight dealers during the years 1981-82 to 1983-84 to certain registered manufacturing dealers were exempted from levy of tax although the exemptions were inadmissible for the following reasons:

(i) Sales amounting to Rs.27.47 lakhs had been made to registered manufacturing dealers who had started production prior to 1st August 1980.

(ii) Sales amounting to Rs.5.13 lakhs had been made prior to the certification of the unit by the Director of Industries.

(iii) Sales amounting to Rs.16.50 lakhs had been made on the strength of declarations in which reference to dates of certification by the Director of Industries had not been indicated and, hence, it could not be checked whether the sales were eligible for exemption.

The inadmissible deductions allowed to the dealers resulted in short realisation of tax amounting to Rs.4.06 lakhs.

On this being pointed out by audit (between April 1985 and January 1986), all the taxing officers

agreed (between May 1985 and January 1986) to reopen the cases. Report on action taken is awaited (December 1986).

(b) In Bolangir-I Circle, a registered dealer during 1980-81, purchased aluminium sheets (raw materials) valuing Rs.1.52 lakhs free of tax by furnishing necessary declaration to the effect that these would be used for finished products manufactured by him. But, he actually sold the aluminium sheets free of tax to another manufacturing registered dealer on furnishing the prescribed declaration in Form-I-A by the latter. As the dealer did not use the goods for the manufacture of finished products, he was not entitled to any exemption and the exemption claimed by him on the basis of declaration in Form I-A should not have been accepted by the assessing officer. Irregular exemption thus allowed, resulted in tax amounting to Rs.0.11 lakh not being realised.

On the mistake being pointed out in audit (June 1983), the assessing officer reopened (April 1984) the case and reported (July 1986) that as the dealer did not produce the relevant records for examination, the re-assessment had been completed *ex parte* (October 1985) by raising an additional demand of Rs.0.11 lakh. It was also stated that penalty had also been imposed as the dealer did not pay the tax. Further report on realisation of tax is awaited (December 1986).

The above cases were reported to Government between July 1983 and May 1986; their reply is awaited (December 1986) except as indicated in respect of paragraph 2.2(i).

2.3. Incorrect determination of turnover

(i) Under the Central Sales Tax Act, 1956, turnover means the aggregate of the sale prices received and receivable in respect of sales of any goods in the course of inter-State trade or commerce. Section 2 (h) of the Act defines "sale price" as the amount payable to a dealer as consideration for sale of any goods subject to deduction of freight where such cost is separately charged. It has been held by the Supreme Court* that railway freight forms part of the price, in a "F.O.R. destination" contract notwithstanding the fact that the purchaser paid for the freight separately. On inter-State sales not supported by prescribed declarations in Form 'C', tax is leviable at 10 per cent or at the rate applicable to similar sales under the State Act whichever is lower.

A dealer of Sambalpur-I Circle made inter-State sale of goods on F.O.R. destination basis during the year 1982-83 but did not include, in the sales turnover, Rs.6.57 lakhs representing freight and insurance charges paid by him. Although the assessment order indicated that the cost of freight and insurance should be included in the sales turnover, while actually computing the turnover, an amount of Rs.1.67 lakhs being the freight and insurance charges actually received by the dealer was only added to the sales turnover. The exclusion of the balance of freight and insurance charges receivable from his buyers resulted in short levy of tax amounting to Rs.0.49 lakh.

Further, on inter-State sales amounting to Rs.1.28 lakhs by the same dealer, tax was levied at 4 per cent although the sales being not supported

* Tungabhadra Industries Ltd. Vrs. C.T.O. (1960)11/STC/827(SC).

by the prescribed declaration in Form 'C', tax was leviable at 10 per cent. The mistake resulted in further short levy of tax amounting to Rs.0.08 lakh.

On this being pointed out in audit (August 1985), the assessing officer re-opened (August 1985) the case. Further report on rectificatory action taken is awaited (December 1986).

(ii) According to the provisions of the Orissa Commercial Taxes Manual, Volume III-Part A, while completing assessments, the assessing officer is to ensure, among other things, that gross profit at an ascertained percentage on the basis of prevailing rates in vogue, is added to the purchase figure in order to arrive at the gross turnover.

A dealer of Mayurbhanj Circle closed down his business with effect from 1st June 1983 and claimed the closing stock as transferred to its Cuttack branch. As the dealer did not produce any evidence in support of the transfer, the assessing officer held the closing stock as sale and determined the sale value of the closing stock at Rs.5.26 lakhs calculated at cost price of the goods, instead of at the prevailing market rate on the date of closure of the business, which worked out to Rs.6.94 lakhs. The incorrect determination of the value of closing stock resulted in short levy of tax amounting to Rs.0.14 lakh (including additional sales tax).

On the mistake being pointed out in audit (July 1985), the assessing officer reopened the case (July 1985). Further report is awaited (December 1986).

The above cases were reported to Government (between October 1985 and January 1986); their reply is awaited (December 1986).

2.4. Incorrect deduction of purchase tax

Under the Orissa Sales Tax Act, 1947, and the rules made thereunder, rice including broken rice is subject to tax at the first point sale inside the State and its sale by subsequent dealers is exempted from tax. As per Government notification issued in March 1982, sale of rice including broken rice is taxable at the rate of 4 per cent subject to deduction of purchase tax, if any, paid on the paddy from which the said rice or broken rice is produced.

(i) During the year 1982-83, a dealer in Kala-handi Circle had purchased 3,134 quintals of rice from other dealers and had sold it for Rs.7.12 lakhs. While determining the tax, the assessing officer not only exempted the sale of rice from tax but also made a deduction towards purchase tax payable on the paddy equivalent of the rice. As the dealer did not make the first point sale of rice, the question of deduction on account of purchase tax paid on paddy did not arise. Irregular deduction of purchase tax resulted in an under-assessment of tax of Rs.0.24 lakh.

On the mistake being pointed out in audit (January 1986), the taxing officer agreed (January 1986) to initiate action for realisation of tax. Report on action taken is awaited (December 1986).

(ii) In the same Circle, another dealer had sold 10,425.15 quintals of rice (2,810 quintals purchased from local producers without paying any sales tax and 7,615.15 quintals obtained by conversion of paddy on which purchase tax was paid) during the year 1982-83. While determining the tax payable, the assessing officer deducted, from the sales tax payable, purchase tax due on the paddy equivalent of the entire quantity of rice sold. This resulted

in excess deduction of purchase tax by Rs.0.21 lakh and consequent short levy of sales tax by an equivalent amount.

On the mistake being pointed out in audit (January 1986), the taxing officer agreed (January 1986) to initiate action for realisation of tax. Report on recovery is awaited (December 1986).

The cases were reported to Government in July 1986; their reply is awaited (December 1986).

2.5. Application of incorrect rate of tax

(i) By a Government notification issued in March 1982, under the Orissa Sales Tax Act, 1947, the rate of sales tax payable by a dealer on sale of "machineries" was revised from 10 per cent to 12 per cent from 1st April 1982.

In Cuttack-I Circle, sale of "transformers", (which fall under the category of "machineries") amounting to Rs.11.28 lakhs, made by a dealer during the years 1982-83 and 1983-84 was assessed to tax at the old rate of 10 per cent, instead of at the revised rate of 12 per cent. The application of the incorrect rate of tax resulted in under-assessment of tax amounting to Rs.0.23 lakh.

On the mistake being pointed out in audit (August 1985), the assessing officer re-opened (September 1985) the case. Further report is awaited (December 1986).

(ii) According to Government notification issued in March 1982, under the Orissa Sales Tax Act, 1947, on sale of goods which are not specified in any of the Schedules to the Act, tax is leviable at the general rate of 8 per cent with effect from 1st April 1982. Prior to that, it was leviable at 7 per cent from 1st January 1978.

On sale of G.I. pipes amounting to Rs.16.81 lakhs made during the years 1980-81, 1982-83 and 1983-84 by six dealers in Bhubaneswar and Rourkela-I Circle, tax was levied at the rate of 4 per cent, which rate was applicable to sale of declared goods falling under the category of "iron and steel". However, the various items which fall under the category of "iron and steel" as specified in Section 14 of the Central Sales Tax Act, 1956, and the State Government notifications of December 1977 and March 1982 do not include "G.I. pipes". "G.I. pipes" are actually unspecified goods and on their sale, tax is leviable at the rate of 8 per cent (7 per cent prior to 1st April 1982) as stated above. Application of incorrect rate of tax resulted in tax being levied short by Rs.0.74 lakh (including additional sales tax).

On this being pointed out in audit (January, May and June 1985), the assessing officers agreed (January and June 1985) to re-open five cases and also examine the sixth case. Further reports are awaited (December 1986).

(iii) Under the Central Sales Tax Act, 1956, inter-State sales of goods other than declared goods, effected by one registered dealer to another registered dealer are taxable at a concessional rate of 4 per cent, if such sales are supported by prescribed declarations. Otherwise, tax is leviable at 10 per cent or at the rate applicable to sale or purchase of such goods inside the State under the State Act, whichever is higher. Under the Orissa Sales Tax Act, 1947, on sale of paints, varnishes, acids etc., tax was leviable at 12 per cent from 1st April 1982 and on those of motor parts and components of motor vehicles at 16 per cent between 1st April 1982 and 31st May 1982 and at the rate of 12 per cent between 1st June 1982 and 12th March 1984.

On inter-State sale of motor parts and components of motor vehicles (Rs.13.71 lakhs) and paints and chemicals (Rs.14.86 lakhs), not supported by declarations in form 'C', made by two dealers of Rourkela-I and Cuttack-I (Central) Circles, during the years 1982-83 and 1983-84, tax was levied at 10 per cent, instead of at the correct rate of 16 or 12 per cent applicable to the sale of such goods inside the State. This resulted in short levy of tax amounting to Rs.0.68 lakh.

On the mistake being pointed out in audit (between June 1985 and September 1985), both the assessing officers re-opened the case (between June 1985 and September 1985).

The cases were reported to Government (between May 1985 and February 1986), who stated (August 1986) that an extra demand of Rs.0.68 lakh had been raised and realised from the two dealers. Their replies in respect of sub-paras (i) and (ii) are awaited (December 1986).

2.6. Non-levy of tax on inadmissible branch transfers

Under the Central Sales Tax Act, 1956, transfer of goods not by reason of sale by a registered dealer, to any other place of business outside the State is exempt from tax on production of declaration in the prescribed form 'F' duly filled in and signed by the principal officer of the other place of business alongwith evidence of despatch of goods. Otherwise, the transfer shall be considered as a sale not supported by prescribed declaration made by the registered dealer in the course of inter-State trade or commerce and tax shall be levied at the usual rate of 10 per cent or the rate applicable to the sale or purchase of such goods inside the State, whichever is higher. Under the Central Sales Tax

(Registration and Turnover) Rules, 1957, a single declaration in form 'F' shall not cover more than one transaction of transfer except in cases where the total amount of such transfers in one calendar month is equal to or less than Rs.10,000.

(i) Transfer of inferior cotton (cotton waste) valuing Rs.4.74 lakhs made by a dealer of Cuttack-I West Circle to his branches outside the State during the year 1981-82 was not supported by the prescribed declarations in form 'F' and consequently the same was treated as an inter-State sale. But no tax was levied by the assessing authority although Central sales tax at the rate of 10 per cent (being higher than the rate of State sales tax of 7 per cent) was leviable. The mistake resulted in short levy of tax amounting to Rs.0.47 lakh.

On this being pointed out in audit (July 1985), the department re-opened (July 1985) the case and raised (February 1986) demand of Rs.0.47 lakh.

The matter was reported to Government (January 1986). Government, while confirming the factual position, stated (September 1986) that the dealer had preferred an appeal and deposited Rs.20,000 (March 1986) as per the orders of appellate authority.

(ii) In five circles (Bhadrak, Kalahandi, Mayurbhanj, Cuttack-I (East) and Sambalpur-I), while assessing 8 dealers for the years 1980-81 to 1983-84, goods valuing Rs.1437.92 lakhs claimed by them as having been transferred to their branches outside the State, were exempted from levy of tax. The exemption was not admissible as (i) transfers of goods amounting to Rs.2.20 lakhs were not supported by prescribed declarations in form 'F' or by evidence

of despatch; (ii) declarations in support of transfers amounting to Rs.3.18 lakhs covered transactions of more than one calendar month and (iii) declarations in support of transfer of goods worth Rs.1432.54 lakhs covered more than one transaction exceeding Rs.10,000. Allowance of irregular exemption resulted in under-assessment of tax by Rs.143.57 lakhs.

On this being pointed out in audit (between April 1985 and February 1986), the assessing officer Cuttack-I (East) re-opened (July 1985) the assessment. The assessing officers of the remaining four circles (Bhadrak, Kalahandi, Mayurbhanj and Sambalpur-I) agreed (between April 1985 and September 1985) to examine the cases. Further reports are awaited (December 1986).

The cases were reported to Government between October 1985 and May 1986; their reply is awaited (December 1986).

2.7. Inadmissible benefit of concessional rate of Central sales tax

Under the Central Sales Tax Act, 1956, and the rules made thereunder a concessional rate of tax (of 4 per cent) is applied on inter-State sales to registered dealers, subject to the production of the original copy of declarations from the purchasing dealers in the prescribed Form 'C'. However, a single declaration in Form 'C' should not cover more than one transaction of sale except in cases where the total amount of such sales does not exceed Rs.10,000. Separate declarations are required to be furnished in respect of goods so delivered in each financial year. Form 'C' also provides for indicating the registration number and date of the purchasing dealer.

In 8 Sales Tax Circles (Sambalpur-I, Dhenkanal, Keonjhar, Bhubaneswar, Koraput-II, Cuttack-II, Mayurbhanj and Balasore), sales amounting to Rs.90.15 lakhs made by 16 dealers during the years 1981-82 to 1983-84 were assessed at the concessional rate of tax although they were not supported by valid declarations as indicated below:

(a) No declaration forms were obtained in support of sales of Rs.1.28 lakhs and kept on record.

(b) Sales of Rs.1.26 lakhs were effected prior to the date of registration of the purchasing dealer.

(c) Dates of registration of the purchasing dealers were not mentioned in the declarations (Rs.4.57 lakhs).

(d) Declarations covered more than one transaction of sale exceeding Rs.10,000 (Rs.47.40 lakhs).

(e) Declarations related to delivery of goods made in different financial years (Rs.21.64 lakhs).

(f) Declarations related to a State other than the State in which goods were delivered (Rs.0.95 lakh).

(g) Photostat or duplicate copies of the declarations were accepted although only originals were to be accepted (Rs.2.07 lakhs).

(h) Declarations not containing all requisite particulars had been filed and accepted (Rs.10.98 lakhs).

Acceptance of defective declarations and application of the inadmissible concessional rate resulted in non-realisation of tax of Rs.6.29 lakhs.

On this being pointed out in audit (between May 1985 and March 1986), the assessing officers concerned re-opened the cases/agreed (between May 1985 and March 1986) to examine the cases. Further reports are awaited (December 1986).

The matter was reported to Government (between November 1985 and June 1986); their reply is awaited (December 1986).

2.8. Irregular allowance of concessional rate of tax

As per the Government notifications issued in December 1977 and March 1982 under the Orissa Sales Tax Act, 1947, on sale of goods made by one registered dealer to another registered dealer, tax is leviable at the concessional rate of 4 per cent, provided the goods are of the class or classes covered by the certificate of registration of the purchasing dealer and are intended for use by him in the manufacture, processing or packing of goods for sale or in mining or in generation or distribution of electricity or any other form of power and the sales are supported by the prescribed declaration in Form-IV obtained from the purchasing dealer.

During the years 1981-82 to 1983-84, sales amounting to Rs.11.50 lakhs made by 5 dealers in three circles (Cuttack-I (West), Cuttack-I (Central) and Rourkela-II), were taxed at the concessional rate of 4 per cent. The concessions allowed were inadmissible for the following reasons:

- (a) Sales amounting to Rs.4.45 lakhs were made to unregistered dealers on declarations in Form 'D' prescribed under Central Sales Tax Act, 1956.
- (b) Sales amounting to Rs.2.02 lakhs were

made to dealers prior to the dates of their registration.

(c) Sales amounting to Rs.4.02 lakhs were not supported by the prescribed declarations.

(d) Sales amounting to Rs.1.01 lakhs were made on incomplete declarations.

The irregular allowance of concessional rate of tax resulted in under-assessment of tax amounting to Rs.0.63 lakh.

On this being pointed out in audit (between May 1985 and November 1985), the assessing officer re-opened (between May 1985 and December 1985) the cases. Further reports are awaited (December 1986).

The cases were reported to Government between November 1985 and April 1986; their reply is awaited (December 1986).

2.9. Non-levy of tax

Under the Orissa Sales Tax Act, 1947, goods liable to sales tax are to be taxed at the rates specified in the notifications issued from time to time in respect of specified items and at the general rates in respect of unspecified items. According to the Government notification issued in March 1982, sale of sugar candy was taxable as a specified item at four *per cent* with effect from 1st April 1982.

On sale of sugar candy amounting to Rs.2.39 lakhs, made by a dealer of Ganjam-I circle during the years 1982-83 and 1983-84, tax was omitted to be levied. The mistake resulted in tax amounting to Rs.0.11 lakh (including additional sales tax) not being realised.

On the mistake being pointed out in audit (September 1985), the assessing officer re-opened (September 1985) the assessment.

The matter was reported to Government in April 1986. Government, while confirming the factual position, stated (August 1986) that the loss due to under-assessment had been taken care of by raising the extra demand of Rs.0.11 lakh which was in the process of recovery.

2.10. Short levy of additional sales tax

Under the Orissa Additional Sales Tax Act, 1975 as amended, in 1979, every dealer shall, in addition to sales tax, be liable to pay additional sales tax at the rate of half *per cent* of his gross turnover for that year, other than the turnover relating to declared goods.

(i) In Bolangir-II Circle, sales of petrol and diesel amounting to Rs.45.49 lakhs made by a dealer during the years 1980-81 to 1983-84 (1980-81: Rs.8.30 lakhs, 1981-82: Rs.13.04 lakhs, 1982-83: Rs.11.79 lakhs and 1983-84: Rs.12.36 lakhs) were deducted from his gross turnover of the respective years, for the purpose of additional sales tax. The deduction made was incorrect as petrol and diesel are not declared goods. The mistake resulted in a short levy of additional sales tax amounting to Rs.0.23 lakh for the years 1980-81 to 1983-84.

On the mistake being pointed out in audit (December 1985), the assessing officer reopened (December 1985) the cases.

The matter was reported to Government in May 1986. Government, while confirming the factual position, stated (August 1986) that an extra

demand for Rs.22,416 had been raised out of which Rs.10,042 had since been collected and that the balance amount was under process of recovery.

(ii) In Cuttack-I (East) Circle, the assessment of a dealer for 1981-82 was completed by determining the gross turnover at Rs.160.46 lakhs (by enhancing his returned turnover of Rs.133.72 lakhs by 20 per cent). The returned gross turnover included Rs.97.21 lakhs being the purchase turnover of declared goods and consequently the determined turnover of the declared goods also worked out to Rs.116.65 lakhs. While determining the gross turnover for levying of additional sales-tax, an amount of Rs.157.72 lakhs instead of Rs.116.65 lakhs was deducted as turnover of declared goods, from the gross turnover of Rs.160.46 lakhs. The wrong deduction reduced the gross turnover by Rs.41.07 lakhs and resulted in short levy of additional sales tax amounting to Rs.0.21 lakh.

On this being pointed out in audit (February 1986), the assessing officer reopened the case (March 1986). Further report is awaited (December 1986).

The matter was reported to Government in June 1986; their reply is awaited (December 1986).

2.11. Short levy due to arithmetical error in computation

Under the Orissa Sales Tax Act, 1947, and the rules made thereunder, the tax demanded from the dealer shall be the total amount of tax assessed less the sum, if any, already paid by the dealer as admitted tax.

In Koraput II Circle, the taxable turnover of a dealer for the year 1983-84 was determined (February 1985) at Rs.7.56 lakhs and assessed at

the appropriate rates of tax. But owing to arithmetical mistakes in totalling the amounts of tax under different tax groups, the total tax assessed was arrived at Rs.26,250 instead of Rs.36,250. After deducting Rs.13,886 already paid by the dealer towards admitted tax, a demand for Rs.12,364 was raised, as against the amount of Rs.22,364 actually recoverable from him. The mistake resulted in tax being levied short by Rs.10,000.

- On this being pointed out in audit (May 1985), the assessing officer issued (May 1985) a corrigendum enhancing the demand to Rs.22,364. Report on realisation is awaited (December 1986).

The case was reported to Government in November 1985; their reply is awaited (December 1986).

2.12. Non-levy of penalty

Under the Central Sales Tax Act, 1956, a registered dealer may purchase from a dealer in another State, goods at a concessional rate of 4 per cent by furnishing a declaration in prescribed form 'C', provided such goods have been specified in his certificate of registration. Issue of form 'C' for purchasing goods, not covered by the registration certificate, is an offence for which the dealer is liable for prosecution. The Taxing Officer may, however, impose, in lieu of prosecution, a penalty not exceeding one and half times the amount of tax, which would have been levied in respect of sales made to him without form 'C'.

In Cuttack-I (West) circle, a dealer, registered under the Central Sales Tax Act, purchased cement valuing Rs.2.61 lakhs during the year 1981-82 and paid tax at the concessional rate of 4 per cent by

furnishing declaration in form 'C', though the cement so purchased was not covered by his certificate of registration. The assessing officer did not take any action for prosecution of the dealer, nor did he impose any penalty therefor. The maximum penalty leviable in this case amounted to Rs.0.39 lakh.

On the omission being pointed out in audit (July 1985), the assessing officer reopened (July 1985) the case. Further development of the case is awaited (December 1986).

The case was reported to Government in January 1986; their reply is awaited (December 1986).

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

Under the Orissa Sales Tax Act, 1947, as amended from 1st June 1976, and the Central Sales Tax (Orissa) Rules, 1957, as amended from 1st July 1971, if a dealer defaults in making payment of any amount of tax by the due date specified in the notice issued, he would be liable to pay interest on the amount due at 18 per cent (6 per cent prior to 12th August 1983) per annum for the first three months and 24 per cent (12 per cent prior to 12th August 1983) per annum thereafter, provided that no interest would be charged in respect of any amount remaining unpaid at any time prior to 1st January 1971 under the State Act and 6th July 1971 under the Central Act.

In 18 Commercial Tax Circles,* local sales tax demands amounting to Rs.18.59 lakhs outstanding on or after 1st January 1971 (399 cases) and Central

* Bhanjanagar, Bhawanipatna, Puri-I, Sambalpur-I, Sambalpur-II, Rourkela-II, Phulbani, Koraput-I, Cuttack-I (Central), Dhenkanal, Baripada, Puri-II, Rourkela-I, Cuttack-III, Sambalpur-III, Cuttack-I (West), Bolangir and Cuttack-II.

sales tax demands amounting to Rs.1.06 lakhs outstanding on or after 6th July 1971 (27 cases) were finally settled during the year 1984-85, without collecting interest on the belated payments. Interest not levied amounted to Rs.3.35 lakhs.

On the omissions being pointed out in audit (between April 1985 and March 1986), the assessing officers agreed (between April 1985 and March 1986) to raise necessary demands. Reports on action taken are awaited (December 1986).

The cases were reported to Government (between September 1985 and August 1986); their reply is awaited (December 1986).

CHAPTER 3

TAXES ON MOTOR VEHICLES AND PASSENGERS

3.1. Results of Audit

A test check of records relating to assessment, collection and refunds of motor vehicles tax and passengers tax in the offices of State Transport Authority, Orissa and other Regional Transport Offices, conducted during the period April 1985 to March 1986 revealed under assessments and losses of revenue amounting to Rs.96.96 lakhs in 6,249 cases which broadly fall under the following categories:

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy of motor vehicles tax	441	25.05
2. Short levy of motor vehicles tax	1,355	14.77
3. Under-assessment of passengers tax and composition fees	102	2.52
4. Loss of revenue due to other reasons	<u>4,351</u>	<u>54.62</u>
Total	<u>6,249</u>	<u>96.96</u>

Some of the important cases are mentioned in the following paragraphs.

3.2. Non-realisation of motor vehicles tax from vehicles of other States

Under the Orissa Motor Vehicles Taxation Act, 1975, contract carriages of other States plying

temporarily in the State of Orissa are liable to pay motor vehicles tax, where tax token relates to a period not exceeding 14 days, equal to thirty per cent of the quarterly tax. The rates of quarterly tax in respect of contract carriages were revised from 1st July 1981. Apprehending that tax due from vehicles coming to Orissa with special permits, was not being realised, the Transport Commissioner had directed (September 1984) all taxing officers to realise the prescribed rate of tax from all vehicles entering the State of Orissa. Anticipating a large flow of vehicles from Ganga Sagar Mela in January 1985, the Transport Commissioner further advised (January 1985) the check-gate authorities to make spot collection of as much tax as possible and to obtain an undertaking from the vehicle owners to pay the balance tax subsequently. For this purpose, the authorities at the check-gate, Jamsola were to issue vehicle check reports to the Regional Transport Officer, Baripada for realisation of the balance tax.

On 16th and 17th January 1985, 227 contract carriages of other States entered Orissa State through the border check-gate at Jamsola under Mayurbhanj Region. The check-gate authorities allowed the vehicles to pass on realisation of tax at rates ranging from Rs.350 to Rs.1000 against the actual tax due ranging between Rs.720 to Rs.2880. As neither undertakings from vehicle owners were obtained nor vehicle check reports were issued to the Regional Transport Officer, Baripada, action could not be taken to realise the balance motor vehicles tax amounting to Rs.3.40 lakhs from vehicle-owners through the transport authorities of the States concerned.

On this being pointed out in audit (July 1985 and August 1986), the Regional Transport Officer, Baripada stated (August 1986) that neither the details of contract carriages nor the vehicle check reports had been received from the Jamsöla check-gate.

The case was reported to Government in May 1986; their reply is awaited (December 1986).

3.3. Short collection of tax for stage carriages used as contract carriages

Under the Orissa Motor Vehicles Taxation Act, 1975, 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.

In six regions (Dhenkanal, Keonjhar, Kalahandi, Mayurbhanj, Puri and Sambalpur), 125 stage carriages were permitted (between 1st October 1981 and 30th November 1985) to ply temporarily as contract carriages for which higher rate of tax was payable, which was neither demanded nor realised. Differential tax not realised amounted to Rs.3.27 lakhs.

On this being pointed out in audit (between April 1985 and November 1985), the taxing officer, Keonjhar issued (December 1985) demand notice for recovery, while the taxing officers of Dhenkanal, Kalahandi, Puri and Sambalpur agreed (between April 1985 and October 1985) to initiate action for recovery; the taxing officer, Mayurbhanj stated (July 1985) that action would be taken on receipt of some clarification from the Transport Commissioner. Further report on recovery and action taken is awaited (December 1986).

The cases were reported to Government between August 1985 and May 1986; their reply is awaited (December 1986).

3.4. Short collection of tax on vehicles plying under the National and Zonal Permit Schemes

Under the National Permit Scheme and the Zonal Permit Schemes, on a public carrier goods vehicle registered in another State or Union Territory and authorised to ply in the State of Orissa, tax is leviable at the rate of Rs.1,000 per annum. At the option of the operator, the payment of tax can be made in two equal instalments, the first instalment payable by 15th March and the second instalment by 15th September. The tax is collected by the State Transport Authorities of the home State concerned and is remitted to the State Transport Authority, Orissa by means of demand drafts.

Tax in respect of 630 vehicles, permitted to ply in Orissa during 1984-85 under National Permit Scheme (505 vehicles) and Zonal Permit Schemes (125 vehicles) had been realised by the home States for part of the year instead of for the full year for which the vehicles were permitted to ply. The tax recovered short amounted to Rs.3.15 lakhs.

On this being pointed out in audit (September 1985), the State Transport Authority, Orissa stated (October 1985) that in respect of vehicles plying under National Permit Scheme, steps were being taken to take up the matter with the concerned State Transport Authorities for realisation of the balance amount and that, in respect of vehicles plying under the Zonal Permit Schemes, concerned State Transport Authorities had been requested (October 1985) to realise and to remit the tax.

Further reports on realisation of tax are awaited (December 1986).

The matter was reported to Government in March 1986; their reply is awaited (December 1986).

3.5. Non-realisation of tax in respect of vehicles involving off-road declarations

Under the Orissa Motor Vehicles Taxation Act, 1975, tax shall be levied on every motor vehicle used or kept for use in the State. No tax is, however, payable in respect of a vehicle, which is not intended to be used for any period, if prior intimation of such 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 any time, during the period covered by such intimation, the motor vehicle is found by the department to be plying on the road or is not found at the declared place, it shall be deemed to have been used throughout the entire period, for which it was declared off-road and the owner of the vehicle would become liable to pay tax for the said period and also to pay such penalty as may be imposed by the taxing officer.

(i) In Balasore and Bargarh regions 15 motor vehicles which had been declared by the owners as off-the road, during various periods between August 1981 and March 1986, were detected by the enforcement staff as plying on the road during these periods. But no action was taken by the department to recover tax from the vehicle owners for those periods, or to impose penalty upon the offenders. The tax recoverable from the vehicle owners amounter to Rs.0.71 lakh.

On the omission being pointed out in audit (between June 1985 and September 1985), the taxing officers, Bargarh and Balasore issued demand notices for Rs.0.21 lakh and Rs.0.17 lakh in respect of 5 and 3 out of 10 vehicles respectively. Report on recovery of these amounts and action taken in respect of the remaining 7 vehicles, with tax effect of Rs.0.33 lakh, is awaited (December 1986).

(ii) In respect of 56 vehicles of five regions (Balasore, Bargarh, Kalahandi, Sambalpur and Sundergarh), tax for various periods between April 1979 and September 1985 had not been levied and realised even though tax for the earlier and later periods had been collected. The intervening periods for which tax was not paid, were neither covered by intimation of dis-continuance of the use of the vehicles nor by intimation of payment of tax in other regions. The tax involved was Rs.1.82 lakhs. Penalty upto Rs.3.07 lakhs could also be imposed.

On the omissions being pointed out in audit (between May and November 1985), the taxing officers agreed (between June and December 1985) to take action for realisation of tax. Further reports are awaited (December 1986).

The matter was reported to Government between January and May 1986; their reply is awaited (December 1986).

3.6. Under-assessment of tax in respect of stage carriages plying without permits

Under the Orissa Motor Vehicles Taxation Act, 1975, tax in respect of a stage carriage is leviable on the basis of number of passengers (including standing passengers) which the vehicle is authorised to carry, and the distance it covers in a day as per permit. If any such vehicle is found plying

without a permit, the tax payable is to be determined on the basis of the maximum number of passengers, which the vehicle would have been permitted to carry, reckoning the distance covered by it each day as exceeding 320 kilometres for which the highest rate of tax is applicable.

In seven regions (Balasore, Bargarh, Dhenkanal, Ganjam, Keonjhar, Rourkela and Sambalpur), 132 stage carriages were detected plying without any permit during various periods between February 1981 and September 1985 but tax in respect of those vehicles was not assessed and collected at the rates prescribed in respect of vehicles plying without permit. The omission resulted in under-assessment of tax amounting to Rs.1.89 lakhs.

On the omissions being pointed out in audit (between April and December 1985), the taxing officers of Bargarh, Dhenkanal, Ganjam, Rourkela and Sambalpur agreed (between June and October 1985) to realise the dues and the taxing officer, Keonjhar issued (December 1985) demand notice for realisation of the tax. The taxing officer, Balasore agreed (September 1985) to review the cases. Further reports are awaited (December 1986).

These cases were reported to Government between November 1985 and May 1986; their reply is awaited (December 1986).

3.7. Issue of tax tokens without realisation of arrears of tax

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

any period has not been paid nor covered by any off-road declaration and continues to remain unpaid for a period of 15 days from the due date of payment, the taxing officer may, in respect of such vehicles, impose penalty at the rate prescribed in the Act.

In five regions (Sambalpur, Ganjam, Mayurbhanj, Sundargarh and Bhubaneswar), tax tokens in respect of 37 vehicles were issued between May 1985 and December 1985 without realising the arrear tax of Rs.0.82 lakh relating to different periods between April 1981 and March 1985 during which the vehicles were used or kept for use. No action had also been taken to invoke the penal provisions of the Act for non-payment of tax.

On this being pointed out in audit (between May 1985 and December 1985), two taxing officers (Ganjam and Bhubaneswar) issued (July and December 1985) demand notices while two taxing officers (Sambalpur and Sundargarh) agreed (July and December 1985) to realise the dues. The taxing officer, Mayurbhanj agreed (July 1985) to review the cases. Further reports are awaited (December 1986).

The cases were reported to Government between November 1985 and May 1986; their reply is awaited (December 1986).

3.8. Under-assessment of tax in respect of tractor-trailor combinations

According to item 5 of the Schedule to the Orissa Motor Vehicles Taxation Act, 1975, tax shall be levied on the combined laden weight of the tractor and trailor combinations although they are registered separately.

In respect of 19 tractor-trailor combinations in three regions (Bargarh, Sambalpur and Sundergarh),

tax was levied without taking the combined laden weight of the combinations which resulted in under-assessment of tax amounting to Rs.0.64 lakh.

On the omission being pointed out in audit (between June and December 1985), the taxing officers agreed (between June and December 1985) to realise the amount. Report on recovery is awaited (December 1986).

The cases were reported to Government between January and May 1986; their reply is awaited (December 1986).

3.9. Short collection of tax in respect of stage carriages

Under the Orissa Motor Vehicles Taxation Act, 1975, the tax payable in respect of a stage carriage is to be determined on the basis of number of passengers which the vehicle is permitted to carry and the total distance it covers in a day under the permit.

In four regions (Bhubaneswar, Ganjam, Mayurbhanj and Puri) in respect of 49 stage carriages, tax for various periods between July 1982 and April 1985 was computed by adopting incorrect seating capacity or distance permitted to be covered by the vehicles in a day or application of incorrect rates of tax. The mistakes resulted in short collection of tax amounting to Rs.0.62 lakh.

On the mistakes being pointed out in audit (between April 1985 and December 1985), the taxing officers, Bhubaneswar and Ganjam issued (July 1985 and December 1985) demand notices for realisation of the tax due. The taxing officers, Mayurbhanj and Puri agreed (May 1985 and July 1985) to initiate

action for realisation of tax. Further reports are awaited (December 1986).

The cases were reported to Government between August 1985 and April 1986; their reply is awaited (December 1986).

3.10. Non-recovery of passengers tax

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, and the rules made thereunder, the operator of a stage carriage carrying passengers has to file with the taxing officer, a monthly return of tax collected and paid, within a period of 15 days from the close of the month. However, a taxing officer may permit an operator to compound the tax, on his making an application accompanied by a receipt evidencing payment of the composition fee payable by him not less than 15 days before the commencement of the period for which the tax is intended to be compounded. Where no return has been received for any month and also the tax for that month has not been compounded, the taxing officer shall determine the tax due which shall not exceed the maximum amount of tax payable if the vehicle had carried its full complement of passengers.

(i) In Bolangir region, nine operators who had been paying composition fee for nine stage carriages had neither filed the monthly returns nor paid passengers tax for various months falling between May 1984 and March 1985. The vehicles were also not under temporary discontinuance during those months as no declarations to this effect had been received. Tax in respect of those months was also not got compounded by the operators. No action was, however, taken by the taxing officer to determine

and demand the passengers tax which amounted to Rs.0.67 lakh.

On the omission being pointed out in audit (December 1985), the taxing officer stated (December 1985) that show cause notices would be issued to the operators concerned and action would be taken. Report on action taken is awaited (December 1986).

(ii) In Sambalpur region, private operators of 60 stage carriages (7 permanent permits and 53 temporary permits) neither submitted monthly returns nor paid passengers tax for certain periods falling between December 1982 and June 1984. The assessing officer did not take any action to assess the tax due and to initiate penal proceedings against the operators. The maximum passengers tax recoverable in these cases amounted to Rs.7.25 lakhs.

On the omissions being pointed out in audit (between June 1985 and July 1985), the taxing officer stated (July 1985) that action would be taken to assess and realise the tax. Report on action taken is awaited (December 1986).

The cases were reported to Government in February and May 1986; their reply is awaited (December 1986).

3.11. Irregular exemption of passengers tax

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, an operator of a taxable public service vehicle carrying passengers has to file a monthly return of the tax collected and paid, within 15 days of the close of the month to which the return relates. When no such return is submitted, the taxing officer shall, after giving the operator

reasonable opportunity of being heard, determine the tax due. Default in submission of return is also treated as an offence which is punishable with fine or imprisonment or both.

In Keonjhar region, an operator of a public service vehicle did not submit monthly passengers tax returns for the period from 22nd November 1982 to 31st March 1983 and the taxing officer, after giving reasonable opportunity of being heard, *suo motu* assessed passengers tax amounting to Rs.0.17 lakh for the said period. Demand notices issued between May 1983 and September 1983 to the operator to pay tax did not yield any response. The taxing officer, however, closed (9th January 1984) the case on the ground that the vehicle did not ply. The action of the taxing officer was irregular as, during the period in question, (i) the permit issued to ply the vehicle was not surrendered, (ii) there were enforcement check reports (November 1982 and January 1983) indicating that this vehicle had been plied with excess passengers, (iii) the operator had paid road tax in full, and (iv) the operator did not prefer any appeal against the assessment. The irregular action of the taxing officer resulted in the forgoing of revenue amounting to Rs.0.17 lakh.

On this being pointed out in audit (November 1985), the taxing officer re-opened the case and issued (December 1985) demand notice for recovery. Report on realisation is awaited (December 1986).

The case was reported to Government in April 1986; their reply is awaited (December 1986).

3.12. Non-realisation of passengers tax due to migration of vehicles.

Under the Motor Vehicles Act, 1939, a vehicle seeking migration to another State, or to the

jurisdiction of another taxing officer within the State, should clear all arrear dues and the original registering-cum-taxing officer should not issue "no objection certificate" unless all the dues against that particular vehicle are realised.

In Balasore region, an owner of stage carriages applied (June 1983) for migration of one of his vehicles to outside the State, against which passengers tax amounting to Rs.12,900 was outstanding for the period upto June 1983. The owner had also furnished an undertaking that the outstanding dues could be recovered from his other vehicles. The undertaking was irregular as passengers tax was a tax on passengers carried by a particular vehicle at a specified rate and the same could not be recovered from other vehicles. However, on the basis of that undertaking, the taxing officer issued (June 1983) "no objection certificate" and also allowed the migration.

It was, however, noticed that neither the operator paid the outstanding dues nor the taxing officer had taken any action for recovery till the date of audit (August 1985). Thus, an amount of Rs.0.16 lakh (including interest upto August 1985) has not been realised.

On the omission being pointed out in audit (August 1985), the taxing officer stated (September 1985) that action would be taken to realise the dues. Further report on recovery is awaited (December 1986).

The matter was reported to Government in February 1986; their reply is awaited (December 1986).

3.13. Non-levy of interest on belated payments of passengers tax

Under the Orissa Motor Vehicles (Taxation of Passengers) Act, 1969, as amended from 1st September 1983, if an operator of a taxable vehicle fails to pay the whole or any part of the tax payable by him within the prescribed date, he shall be liable to pay interest at the rate of 12 per cent per annum on the amount of tax in default, from the day following the due date for payment of tax.

In Sambalpur region, arrears of passengers tax amounting to Rs.29.07 lakhs, pertaining to the period from 1979-80 to 1982-83, was outstanding on 1st September 1983 against Orissa State Road Transport Corporation. Out of this, the Corporation paid Rs.11.88 lakhs on 19th March 1984, but interest chargeable thereon amounting to Rs.0.78 lakh for belated payment was neither charged nor realised. The taxing officer also did not take any action to realise the balance arrear tax of Rs.17.19 lakhs along with interest upto the date of payment.

On this being pointed out in audit (July 1985), the taxing officer stated (July 1985) that the interest would be realised at the time of recovery of balance arrear tax. Report on recovery is awaited (December 1986).

The case was reported to Government in February 1986; their reply is awaited (December 1986).

3.14. Write-off of motor vehicles tax

Introductory

According to the instructions of the Transport Commissioner, issued in February 1966, with a view

to have an effective control over timely realisation of motor vehicles tax, all the cases of non-payment of tax should be reviewed and pursued closely for realisation of the dues. When all channels of recovery including institution of certificate cases are exhausted and it is established that the dues are irrecoverable, the tax dues may be written off by the competent authority. Under the powers delegated by Government (August 1977 and May 1978), the Regional Transport officers shall write off irrecoverable dues outstanding in respect of bicycles and tricycles falling under items 1 and 6 of the Schedules to the Orissa Motor Vehicles Taxation Act, 1975, and all vehicles other than Jeeps and Cars falling under item 6, owned by the State Government and wholly State-owned Public Sector Undertakings. The Transport Commissioner was authorised to write off dues in respect of all vehicles.

During the period from 1981-82 to 1984-85, an amount of Rs.4,61.78 lakhs towards tax (Rs.327.58 lakhs in 779 cases) and penalty (Rs.134.20 lakhs in 109 cases) was written off as irrecoverable in four regions (Cuttack, Ganjam, Koraput and Sambalpur). Party-wise break-up with number of cases is given below:

Serial number	Name of the party	Tax		Penalty	
		Number of cases	Amount (In lakhs of rupees)	Number of cases	Amount (In lakhs of rupees)
(1)	(2)	(3)	(4)	(5)	(6)
1.	Orissa State Road Transport Corporation (OSRTC-State owned Public Sector Undertaking)	197	103.46	89	114.42

Serial number	Name of the party	Tax		Penalty	
		Number of cases	Amount (In lakhs of rupees)	Number of cases	Amount (In lakhs of rupees)
(1)	(2)	(3)	(4)	(5)	(6)
2.	Orissa State Commercial Transport Corporation (OSCTC-State owned Public Sector Undertaking)	14	8.61	14	17.05
3.	Orissa Road Transport Company (ORT-Government Company)	229	143.26	1	1.12
4.	Government of Orissa	11	1.61	1	1.15
5.	Private operators	<u>258</u>	<u>70.64</u>	<u>4</u>	<u>0.46</u>
	Total	<u>779</u>	<u>327.58</u>	<u>109</u>	<u>134.20</u>

3.14.2. A check of records of 211 out of 258 vehicles belonging to private operators where the Government dues were written off, revealed that

(i) In respect of 111 vehicles (Sambalpur: 39; Koraput: 26; Ganjam: 11 and Cuttack: 35) demand notices for Rs.29.52 lakhs were not issued at all,

(ii) in respect of 75 vehicles in Cuttack region, demand notices for Rs.27.62 lakhs

were issued after delays ranging from 3 to 41 years and that too, just before initiating the write-off proposals.

- (iii) in respect of 25 vehicles (Koraput: 12 and Ganjam: 13) the demand notices for Rs.4.65 lakhs were issued after a considerable delay ranging from 3 to 39 years and
- (iv) in none of these cases, the department initiated certificate cases for enforcing recovery at any time.

3.14.3. *Write-off of arrears relating to the periods prior to condemnation of vehicles.*

Under the provisions of the Orissa Motor Vehicles Taxation Act, 1975, tax is payable on every vehicle used or kept for use excepting when it is declared off-road. Consequently, tax is payable till the vehicle is destroyed or is rendered permanently incapable of being used and an intimation to that effect is received from the owner.

In three regions (Sambalpur, Cuttack and Ganjam), an amount of Rs.32.70 lakhs being the arrear dues for the periods prior to the dates of condemnation of 184 vehicles belonging to OSRTC (116 vehicles: Rs.20.45 lakhs), OSCTC (12 vehicles: Rs.5.95 lakhs) and ORT (56 vehicles: Rs.6.30 lakhs) was written off, although the vehicles were not declared off-road during those periods.

3.14.4. *Write-off of amounts on the enquiry reports*

According to the guidelines issued by the Government and the Transport Commissioner (between August 1977 and August 1978), the findings

of the enquiring officer should be definite and not based on presumptions and must be supported by documentary evidence. The format of the enquiry report drawn up for this purpose stipulates that the report should be supported by the references made to and replies received from other regions about non-existence and non-payment of tax, references to police officers and their replies thereto about plying/non-plying of the vehicles, names of the local garages and repairs shops, confirmations about the death of vehicle owner etc.

(a) In respect of 57 vehicles belonging to private operators, an amount of Rs.15.73 lakhs was written off in three regions (Cuttack, Ganjam and Koraput) on the ground that the whereabouts of the operators were not known (35 vehicles: Rs.6.73 lakhs) and that the owners were dead and the vehicles were not in existence (22 vehicles: Rs.9.00 lakhs). Excepting the enquiry reports, no other documentary evidence, such as references to and replies received from (i) other regions regarding existence and payment of tax, (ii) police stations about plying of vehicles, (iii) certificates of death of owners issued by competent authorities and (iv) names of the garages where the enquiries were conducted, was available.

(b) In respect of 29 vehicles belonging to private operators an amount of Rs.7.28 lakhs was written off in Sambalpur region on the basis of a mere presumption of the enquiring officer that the vehicles might have migrated to other regions or they might have been sold as scrap or the owners might have shifted their business.

(c) According to the provisions of the Motor Vehicles Act, 1939, the owners are required to intimate the taxing officer whenever the vehicles

were sold as scrap. In Sambalpur region tax amounting to Rs.0.66 lakh relating to the period August 1974 to March 1979 in respect of six goods vehicles of 1974/1975 models owned by a paper mill was written off on the ground that five vehicles were sold as scrap and one vehicle was kept unused for long. No intimation has been received from the owner. Details such as dates of sale, names of the persons to whom sold were not ascertained by the enquiring officer. The amount also includes a sum of Rs.0.07 lakh being tax realisable in respect of four of the vehicles from the dates of purchase to the dates of registration.

(d) In Cuttack region in respect of five vehicles belonging to OSRTC, an amount of Rs.3.12 lakhs was written off during January-March 1983 on the basis of enquiry reports stating that the vehicles were condemned. No intimation from the operator was received. It was also seen that taxes in respect of the vehicles were paid for periods subsequent to the reported dates of condemnation.

3.14.5. Irregular processing of write off cases

(a) In three regions (Cuttack, Ganjam and Koraput) tax dues amounting to Rs.14.90 lakhs in respect of 41 vehicles were written off as whereabouts of the operators were not known. Verification of the closed cases disclosed that an amount of Rs.2.67 lakhs was still outstanding and needed to be regularised.

(b) According to the provisions of the Orissa Motor Vehicles Taxation Act, 1975, and the rules made thereunder no tax was due in respect of periods during which a vehicle was under off-road declaration or for which tax due on the vehicle was paid in other region.

In 17 cases an amount of Rs.0.44 lakh was written off in two regions (Cuttack and Koraput) in respect of the periods either covered by off-road declarations or for which tax was paid in other regions. The write off was superfluous.

(c) In Ganjam region an amount of Rs.0.42 lakh being the tax due from April 1971 to March 1982 in respect of a vehicle was written off in August 1983 on the ground that off-road declarations were filed regularly. However, the Register of Registration Certificates did not indicate anything. Further, it was seen that tax in respect of the vehicle was paid upto September 1979 in Bhubaneswar and Puri regions. Writing off the dues without verifying the records was irregular.

(d) In respect of 93 vehicles in three regions (Cuttack, Ganjam and Koraput) belonging to OSRTC (18 vehicles of Koraput region) and private operators (75 vehicles in three regions) an amount of Rs.23.31 lakhs was written off on the basis of the information received from the operators that the vehicles were condemned. Dates of condemnation were not given. Enquiry reports also did not indicate the dates. In the absence of such details, the validity of the write off orders could not be verified.

(e) Under the Orissa Motor Vehicles Taxation Act, 1975, tax liability in respect of a vehicle is passed on to the successor in the event of transfer of ownership of the vehicle.

In two regions (Ganjam and Cuttack) an amount of Rs.1.49 lakhs being the tax and penalty in respect of three vehicles was written off on the grounds that two vehicles were condemned and sold as scrap and one vehicle was not in existence for 12 years. But the Registers of Registration.

certificates disclosed that the vehicles were sold to certain other persons who had also paid taxes for those vehicles for certain periods after purchase. Hence, writing off the dues without holding the successors responsible for them was irregular.

3.14.6. *Irregular sanction of write off*

According to the delegation of powers, a Regional Transport Officer is not empowered to write off irrecoverable dues in respect of cars, jeeps falling under item 6 of the Taxation Schedule and in respect of vehicles of undertakings not fully owned by the State Government.

In two regions (Cuttack and Koraput), an amount of Rs.1.99 lakhs (tax: Rs.0.68 lakh; penalty: Rs.1.31 lakhs) was irregularly written off by the Regional Transport Officers beyond their financial powers.

The foregoing points were reported to Government in July 1986; their reply is awaited (December 1986).

CHAPTER 4

LAND REVENUE

4.1. Results of Audit

A test check of records relating to assessment and collection of land revenue, conducted in audit during the period from April 1985 to March 1986, revealed under-assessments and non-realisation of revenue amounting to Rs.864.08 lakhs in 810 cases, which may be broadly categorised as under:

	Number of cases	Amount (In lakhs of rupees)
1. Non-realisation of premium and rent on conversion of agricultural lands	64	22.68
2. Non-collection of premium and rent etc., for lands occupied by local bodies/ Government Undertakings/ Private parties and individuals	76	123.80
3. Non-assessment/short assessment/delay in assessment of land revenue and cess	56	545.47
4. Non-assessment/short assessment and collection of water rates	198	134.20

	Number of cases	Amount (In lakhs of rupees)
5. Non-lease/irregular lease of <i>sairat</i> or other miscellaneous revenue	129	9.16
6. Non-realisation of revenue in respect of surplus Government lands	223	24.88
7. Other irregularities	<u>64</u>	<u>3.89</u>
Total	<u>810</u>	<u>864.08</u>

Some of the important cases are mentioned in the following paragraphs:

4.2. Non-finalisation of lease

According to Government orders issued in 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 market value (as on the date of occupation or as on the date of recommendation by the Tahasildar whichever is higher), plus annual ground rent at the rate of one *per cent* of the market value. Interest at the rate of six *per cent* per annum is also chargeable on belated payments of Government dues.

In Athamalik Tahasil, Government land in the village Sendhudhianali admeasuring 4 acres was occupied by the Orissa State Electricity Board since 1973 and the Board had constructed 33/11 K.V. sub-station and staff quarters on that land. Although the Board had applied for lease of the said land in 1974, the lease had not been sanctioned

by the department till December 1985. Based on the market value of the land as reported by the Tahasildar in December 1985, the dues recoverable from the Board amounted to Rs.3.91 lakhs (premium Rs.2.00 lakh; annual ground rent Rs.0.26 lakh and interest on premium and ground rent Rs.1.65 lakhs) upto March 1986.

On this being pointed out in audit (December 1985), the Tahasildar stated (December 1985) that the dues would be realised on finalisation of the lease.

The matter was reported to Government in April 1986; their reply is awaited (December 1986).

4.3. Non-assessment of compulsory basic water rate

Under the Orissa Irrigation Act, 1959, and the rules made thereunder, compulsory basic water rate at prescribed rate is leviable on the lands coming within the culturable command area of an irrigation work for irrigation of staple cereal crop whether water is actually used for irrigation or not. The culturable command area, as certified by the Engineer-in-charge, is verified by the Revenue Officer (Tahasildar). According to the prescribed procedure, the demand for water rate is raised on the basis of assessment rolls prepared after such verification. The irrigation works are divided into four classes (viz., Classes I, II, III and IV) on the basis of guaranteed depth and period of water supply. The water rate prescribed for Class I irrigation works was Rs.8 per acre of land upto 1980-81 and Rs.16 per acre from 1981-82 onwards. In case of new irrigation projects no water-rate is, however, chargeable for the first year of supply of water,

whereas 50 per cent and 75 per cent of the prescribed rate is chargeable for the second and third years respectively and full rate is chargeable from the fourth year onwards.

In Hatadihi Tahasil under keonjhar district, the Engineering authorities certified a culturable command area of 6,193.38 acres of the Anandpur Barrage Project Stage-I (a Class I irrigation work) between September 1982 and April 1983. Although water was first supplied to these areas between 1979 and 1981, the Tahasildar did not take any action to verify and prepare assessment rolls for raising demands. This resulted in non-realisation of water rate amounting to Rs.3.46 lakhs during the period from 1981-82 to 1984-85.

On this being pointed out in audit (May 1985), the Tahasildar stated (May 1985) that the work relating to assessment and finalisation of demand could not be done due to shortage of staff.

The matter was reported to Government in July 1986; their reply is awaited (December 1986).

4.4. Non-registration of *sairat* sources

As per Government's instructions (March 1963), in cases of leases of *sairat* sources where the entire lease amount is not paid by the lessee in advance, the lessee is required to execute a lease agreement and register the same at his cost. The department while tendering evidence before the Public Accounts Committee on 16th November 1979 also stated that all concerned should observe the Government instructions and non-observance of the instructions is a default.

In Berhampur Tahasil, although five parties, to whom *sairat* sources were leased out during the years 1979-80 to 1983-84, did not pay the entire lease money in advance, nor lease agreements were executed and registered at the lessee's cost. This resulted in loss of revenue amounting to Rs.0.46 lakh by way of stamp duty (Rs.0.40 lakh) and registration fees (Rs.0.06 lakh). Further, in all these cases, the lessees had defaulted in payment of lease money and the balance amount pending recovery as at the end of July 1985 amounted to Rs.3,69,800.

On this being pointed out in audit (July 1985), the Tahasildar stated (July 1985) that steps were being taken to get the lease agreements executed and to realise the outstanding dues through certificate proceedings. Further report is awaited (December 1986).

The matter was reported to Government in February 1986: their reply is awaited (December 1986).

4.5. Loss of revenue due to non-changing of classification of land

Under the Orissa Survey and Settlement Rules, 1962, and Orissa Mutation Manual, the Tahasildar is empowered to order changes in the records of rights on various grounds by initiating *suo motu* mutation proceedings in cases of change in the classification of land.

With effect from 1971-72, a minor irrigation project in Athagarh Tahasil (District Cuttack) had started supplying water to 1692.85 acres of land, which had no irrigation facilities earlier, and were assessed to compulsory basic water rate since 1976-77. However, due to non-initiation of any *suo motu* procee-

dings for changing classification of the lands, the records of rights remained un-corrected and rent, cess etc., were continued to be assessed at the rates under the rent settlement of 1951-52 as for un-irrigated lands instead of those applicable to irrigated lands. This resulted in short realisation of revenue amounting to Rs.0.25 lakh (rent: Rs.0.05 lakh and cess: Rs.0.20 lakh) for the period from 1976-77 to 1984-85.

On this being pointed out in audit (January 1986), the Tahasildar stated (January 1986) that the mutation work involved was of the magnitude of a mini-settlement and with the existing staff it was not possible to complete the work.

The matter was reported to Government in July 1986; their reply is awaited (December 1986).

4.6. Non-lease of *sairat* sources

Sairat sources comprise miscellaneous sources like fisheries, quarries, hats etc., from which Government derives revenue by grant of temporary leases. According to Government standing instructions, these sources are required to be leased out every year and the prescribed formalities for processing, including fixation of upset price are to be completed in advance so that the source can be leased out in time.

In Titlagarh Tahasil, one fishery *sairat* was not leased out for two years from 1981-82 and another for 1982-83 due to non-approval of the upset price. The Tahasildar recommended in April 1981 and April 1982 the fixation of the upset price but no action was taken by the Sub-Divisional Officer till December 1984 nor was the matter pursued

by the Tahasildar. This resulted in revenue amounting to Rs.0.10 lakh being forgone by the department.

On the omission being pointed out in audit (December 1984), the Tahasildar stated (December 1984) that due to non-return of case records, the two *sairats* could not be leased out and the Additional District Magistrate, Bolangir had directed (August 1983) the Sub-Divisional Officer to fix responsibility for non-lease. Report on action taken by the Sub-Divisional Officer is awaited (December 1986).

The matter was reported to Government in March 1985; their reply is awaited (December 1986).

4.7. Lease of Government land for industrial purposes

4.7.1. Introduction

Lease of Government land is regulated by provisions of Orissa Government Land Settlement Act, 1962, rules made thereunder and other executive instructions issued by Government from time to time.

The State Government, through Industrial Policy Resolutions had announced various fiscal incentives for the growth of industries which include lease of land at concessional rates. The latest Industrial Policy which came into force from 1st August 1980, fixed the area rates which varied from Rs.650 to Rs.2,500 per acre as premium for lease of land for industrial purposes. Annual ground rent had also been prescribed at 10 per cent of the area rate.

4.7.2. Procedure for lease

For orderly establishment of industries by providing infrastructure facilities, two Government

owned Undertakings viz., Orissa Small Scale Industries Corporation (OSIC) and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) were looking after the industrial area development of small scale and medium and heavy industries respectively. To accelerate the pace of industrialisation, a new Statutory Corporation "The Orissa Industrial Infrastructure Development Corporation" (IDCO) was set up (January 1981). The infrastructural activities hitherto entrusted to the former two corporations were transferred to IDCO from August 1981. The primary function of IDCO *inter alia* included arranging lease of land, developing the sites and providing infrastructure facilities and allotment of plots to private entrepreneurs for setting up industries on realising the premium payable to Government including development cost. The allottees were to pay annual ground rent to Government at the rate fixed under industrial policy. Although most of the industrial leases were channeled through IDCO, individual leases on the same terms and conditions were also continued to be allotted by Collectors/Revenue Divisional Commissioners/Government depending on the location of the area.

4.7.3. The results of test check conducted (April 1986 to June 1986) in the Secretariate, Board of Revenue, IDCO office and three Collectorates (Cuttack, Puri and Sundergarh) are given below:

4.7.4. *Non-payment of premium for the lands leased out to IDCO*

For speedy sanction of lease by eliminating procedural delays, Government decided in August 1980, April 1981 and March 1983 that on receipt of requisition from IDCO, Collectors may sanction

the leases at the area rate fixed for the purpose and hand over possession without immediate payment of premium. As soon as lease was sanctioned by the Collector, the lease agreement was to be executed and lands handed over. The lease agreement was to be executed within 6 months from the date of sanction. Within one month of the close of each financial year, particulars of all lands transferred to IDCO were to be furnished by the Collectors concerned to Industries and Revenue Departments in the prescribed proforma and the Industries Department was to pay the premium by sanctioning a loan to IDCO and adjusting the premium from it.

During the years 1980-81 to 1985-86, large areas of land in all the districts were transferred to IDCO but the Collectors did not maintain details of such lands and did not send the particulars in the prescribed proforma to the Industries and Revenue Departments. The Tahasildars also did not include the premium realisable for the lands in their demand. It was, however, noticed from IDCO records that they had requisitioned 18,250.186 acres of land against which an area of 4,750.853 acres had been taken possession by them by end of March 1986 (details of area transferred by Revenue department were not available). Consequently, premium for those lands amounting to Rs.83.79 lakhs had not been paid (July 1986) by the Industries Department by sanctioning a loan to IDCO for adjustment of the premium due from it, as detailed below:

Year	Area taken possession by IDCO (In acres)	Premium payable (In lakhs of rupees)
1980-81	1,65.340	1.25
1981-82	1,05.980	0.70

Year	Area taken possession by IDCO (In acres)	Premium payable (In lakhs of rupees)
1982-83	271.810	6.72
1983-84	2,265.513	34.92
1984-85	1,039.321	19.53
1985-86	<u>902.889</u>	<u>20.67</u>
	<u>4,750.853</u>	<u>83.79</u>

4.7.5. *Premium payable on lands leased out to IPICOL and OSIC and transferred subsequently to IDCO*

Government decided in March 1983 that the same modality of payment of premium and annual ground rent as in respect of lands leased out to IDCO will be applicable for lands earlier alienated in favour of IPICOL and OSIC and subsequently transferred to IDCO for which formal lease deeds had not been executed. For this purpose, the concerned Collectors were also to furnish the details of land in the prescribed proforma to Industries Department.

It was noticed from the records of IDCO that it had received possession of 2155.088 acres of land (from IPICOL-1646.863 acres; and OSIC-508.225 acres) upto 1981-82, but premium which amounted to Rs.40.52 lakhs had not been demanded from Industries Department.

4.7.6. *Loss of interest on premium*

Interest is chargeable on arrears of land revenue at the rate of 6 per cent per annum. Due to non-realisation of premium on land (i.e., land revenue)

amounting to Rs.1,24.31 lakhs as indicated in sub-
paras 4 and 5 above, interest amounting to Rs.19.25
lakhs had also not been demanded and recovered
from the Industries Department, even though IDCO
had re-allotted bulk of these lands to entrepreneurs
on receipt of consideration.

4.7.7. Non-realisation of ground rent

As per the Government order of March
1983, the IDCO was required to pay annual ground
rent at the rate of 1 per cent of the area rate
from the date of sanction of lease in its favour
till the lands were allotted to individual entrepreneurs.
In respect of the parties to whom the lands were
allotted, the annual ground rent payable was at
10 per cent of the area rate from the date of such
allotment. To enable the revenue authorities to
raise the demand for collection of rent, IDCO was
to furnish to the concerned collectors, information
regarding allotment of land with copies of allotment
orders.

(i) It was noticed from IDCO records that
out of a total area of 6,905.941 acres of lands
received by it during 1980-81 to 1985-86 (directly
from Government: 4,750.853; through IPICOL and
OSIC-2,155.088), 3,966.902 acres had been allotted
to individual industrialists as shown below:

Year	Area of land allotted (In acres)
1980-81	268.160
1981-82	980.160
1982-83	1,601.561
1983-84	526.600
1984-85	312.527
1985-86	<u>277.894</u>
<u>Total</u>	<u>3,966.902</u>

Annual ground rent payable by the private parties at the rate of 10 per cent of the area rate upto 1985-86 amounted to Rs.14.52 lakhs which had not been included in the Tahasils demand.

On this being pointed out, the Collectors, (Cuttack, Puri and Sundergarh) stated (April to May 1986) that due to non-receipt of allotment orders from IDCO, action could not be taken to incorporate it in the Tahasil demand.

Interest realisable on arrear ground rent upto 1985-86, which worked out to Rs.0.63 lakh at the rate of 6 per cent per annum, had also been lost.

(ii) At the end of 1985-86, an accumulated area of 2939.039 acres of land remained in the possession of IDCO for allotment to entrepreneurs. For these lands, IDCO is liable to pay annual ground rent at the rate of 1 per cent of the area rate per annum.

It was noticed from IDCO records that they were paying some amounts to concerned Tahasils direct by bank drafts but details of amounts payable and paid were not kept systematically. Thus, the annual ground rent which remained unpaid, could not be worked out. On cross verification of records of four Tahasils in the three Collectorates, it was noticed that the ground rent due from IDCO was not being shown in the demands outstanding while the amounts paid through bank drafts were shown as advance collection in the Demand Collection and Balance Register.

4.7.8. Non-realisation of cess

As per the Orissa Cess Act, 1962, cess is payable on all categories of land except those

in respect of which holding tax is paid under the Orissa Municipal Act, 1950, and the lands which are not liable to rent or land revenue.

The IDCO authorities expressed (June 1983) their inability to pay cess as no stipulation for such payment was available in the Industrial Policy or Government orders issued on the subject. Although Government clarified (July 1983) that in view of the statutory provisions of Orissa Cess Act, it was mandatory on the part of IDCO to pay cess at 50 per cent of the ground rent, neither any demand for cess was made nor any amount was paid by IDCO. Cess realisable in respect of 3966.902 acres of land allotted to private entrepreneurs alone worked to Rs.7.25 lakhs upto 1985-86. Cess receivable at the rate of 0.5 per cent in respect of land still under the possession of IDCO, could not be determined for want of details.

4.7.9. Lease of lands to private industries

(i) As per Government orders of July 1975, an area of 10 acres in Village Nimpur under Cuttack Sadar Tahasil, was given advance possession by Tahasildar in October 1975 to a party for setting up a paper mill. Though the advance possession was given after obtaining an undertaking that any premium and ground rent fixed by Government would be paid by the party, the necessity for giving advance possession had not been recorded except that the case was recommended by the Industries Department. Subsequently, the IPICOL and Industries Department proposed (July 1979) that the land should not be given on lease to the entrepreneur as he was not interested to implement the project. The Revenue Divisional Commissioner, Cuttack also gave (February 1979) adverse comments about the

party. In spite of the above, Collector, Cuttack sanctioned the lease in December 1979 at a reduced premium than that sanctioned earlier for adjoining lands. The firm did not pay any premium nor executed any lease deed. The Government decided in March 1981 that the firm had option either to pay the premium and execute the lease deed or surrender the possession and pay to Government annual ground rent and cess for the period the land was under its occupation. The firm surrendered the possession of land in June 1984, but the ground rent payable for the period of occupation amounting to Rs.0.25 lakh remained un-realised. Interest accrued thereon, at the rate of 6 per cent which worked out to Rs.0.07 lakh, had also not been demanded.

(ii) On the recommendation of the Director of Industries, Government instructed (May 1979) the Collector, Puri to give advance possession of 100 acres of land in Chandaka range under Bhubaneswar Tahasil to a Chemical Industry for growing oil bearing plants. The possession was given to the party in May 1980 on receiving an undertaking that the cost of forest growth amounting to Rs.5000 would be paid by the party within one year after taking over possession. But no undertaking was obtained in regard to payment of premium, etc. As the party did not pay the cost of forest growth nor utilised the lands for the stipulated purpose, Government directed (August 1983) to resume the entire land. On the representation of the party, Government reconsidered the matter and ordered (November 1983) to resume 50 acres only, of which possession was taken in April 1984. The lease for balance 50 acres was sanctioned by Government (September 1984) and premium was fixed at Rs.4,95,000 at 1/4th of the market value of Rs.39,000 per acre

in terms of the Industrial Policy of 1979-83 which was in force on the date of possession. The annual ground rent was fixed at Re.1 per acre in conformity with said policy.

It was noticed (May 1985) from the records of the Collector, Puri that the party had not executed any agreement nor paid any amount towards premium, ground rent and the cost of forest growth. No enquiry had also been made to see if the lands were put to use for the stipulated purpose. The amount payable by the party at the end of 1985-86 amounted to Rs.4,97,950 (premium Rs.4,95,000; annual rent Rs.450; cost of forest growth-Rs.2,500), besides interest.

(iii) On the recommendation of the Industries Department, Government (in the Revenue Department) gave advance possession of 1.76 acres in the area earmarked for industrial purposes in village Chhand (Rourkela) to a private limited company, in June 1960. No undertaking for payment of premium, ground rent and adherence to the other conditions of lease was obtained from the party. Government sanctioned the lease in June 1970, after ten years, on payment of premium of Rs.35,200 at the rate of Rs.20,000 per acre although the market rate ruling at that time, as per Revenue Divisional Commissioner's letter of August 1966, was Rs.1.00 lakh. The reason for reducing the market rate has not been recorded. The party did not pay any premium nor executed the lease agreement. One certificate case was filed in 1972 for realisation of Rs.62,688 (Principal: Rs.49,874; Interest: Rs.12,750; certificate cost etc., Rs.44) which was cancelled as the company went into liquidation through the Orissa High Court. A claim petition filed in January 1983 before official liquidator for Rs.1,05,128 was rejected for insufficient

evidence. Thus, though the company has occupied the land for 26 years, Government revenue amounting to Rs.1.06 lakhs could not be realised due to lack of timely action by the department.

4.7.10. *Other topics of interest*

Though rapid industrialisation was the basic objective of Government for which various concessions were extended to entrepreneurs, there was no system of evaluation in the Industries Department. No evaluation report was available with the Industries Department about the working of the industries. However, a limited survey conducted in October 1984 by Industries Department in the Municipal area of Bhubaneswar revealed that out of 20 cases of lease (23.142 acres), land was not utilised in 18 cases (20.640 acres), misutilised in one case (0.493 acre) and lease was cancelled in another case (2.009 acres). These lease cases were sanctioned between 1974 and 1985. No detailed study of all cases has yet been taken up (June 1986).

In respect of lands leased by Revenue Department, lease agreement stipulated that in case the land was not utilised for the purpose for which it was leased, the same would revert to Government. But test check of records in the three Collectorates showed that no enquiry at any time was made by the Collectors. On receipt of disturbing report about non-utilisation and misutilisation of Government lands leased for industrial purposes, the Secretary-cum-Commissioner, Revenue Department directed all Collectors in November 1985 to conduct enquiry of all lease cases by Officers not below the rank of Sub-Divisional Officers. It was also pointed out that Collector himself and Additional District

Magistrate should also inspect a few cases at random and submit their reports to Government within a fortnight.

Test check of records in three Collectorates revealed that no enquiry had been made by the competent officers till May 1986. Thus, full utilisation of lands in the important industrial growth centres given at a concessional rate was not known.

The foregoing points were reported to department and to Government in July 1986; their reply is awaited (December 1986).

CHAPTER 5

STATE EXCISE

5.1. Results of Audit

A test check of the accounts of receipts in the offices of the Excise Commissioner and Superintendents of Excise, conducted during the period from April 1985 to March 1986, revealed non-levy or short-levy of duty and other losses of revenue, amounting to Rs.89.96 lakhs in 25 cases, which may be broadly categorised as under:

	Number of cases	Amount (In lakhs of rupees)
1. Loss of revenue due to application of lower rate of duty	5	2.04
2. Non-levy of duty on breakage in movement within the State	12	0.55
3. Non-levy of duty on excess wastage of spirit in distillery and bonded warehouses	2	0.25
4. Other reasons	<u>6</u> <u>25</u>	<u>87.12</u> <u>89.96</u>

Some of the important cases are mentioned in the following paragraphs.

5.2. Low yield of rectified spirit from molasses

Molasses, which is a by-product in the manufacture of sugar, is mainly used for distillation of rectified spirit. No norm has been laid down either in the Bihar and Orissa Excise Act, 1915

and the rules framed thereunder or by any separate orders of the State Government, for yield of rectified spirit per unit of molasses used. As per the Board's Excise Rules, 1965, samples of molasses used in the distilleries and the samples of spirit manufactured therefrom, are required to be sent to the Chemical Examiner in July and december each year for examination with a view to determining the yield of rectified spirit per metric tonne of molasses.

A sugar factory under the District Excise Office, Ganjam was granted licence for manufacture of industrial alcohol by utilising its own by-product molasses in its distillery. On chemical analysis of molasses of this factory, the Chemical Examiner had determined the outturn of alcohol at 472.00 proof litres in August 1984 (on the basis of sample taken in July 1984) and 555.08 proof litres in February 1985 (on the basis of sample of January 1985) per metric tonne of molasses. During the period April 1984 to March 1985, the actual out put of rectified spirit from 8735.124 metric tonnes of molasses was 31,78,223.00 proof litres which meant an average production of 364 proof litres per metric tonne. On the basis of the expected yield of 472.00 proof litres as per the Chemical Examiner's report dated August 1984 the output should be 41,22,978 proof litres. The shortfall was of the order of 9,44,755 proof litres and the excise duty leviable thereon at the rate of Rs.9 per proof litre worked out to Rs.85.03 lakhs.

On this being pointed out in audit (September 1985), the Superintendent of Excise, Ganjam stated (September 1985) that the poor outturn was due to old fittings and inefficient stills.

The matter was reported to Government in February 1986. Final reply is awaited (December 1986).

5.3. Loss due to re-auction of country liquor vends

Under the Orissa Excise Rules, 1965, licences for the retail vend of country liquor for each financial year are granted to the highest bidder on the basis of public auction conducted by the District Collector, with the approval of the Government. The entire process is to be completed before 1st April of each year.

In Ganjam District, five country liquor vends were put to auction individually on 24th February 1984 but there were no bidders for three vends. As in the case of other 89 vends grouped in 12 lots and auctioned (24th February 1984) as such, with approval of Government subsequently, the five vends were brought under one lot which was put to auction on the same day. The highest bid offered for the lot was Rs.63,000 per month and was recommended (February 1984) for approval of the Government, which, however, did not approve it on the ground that clubbing of the vends under one lot deprived the existing licensees of their vends and bestowed undue benefit on one individual. Accordingly, the District Collector was directed (March 1984) to re-auction the vends individually. The vends were re-auctioned (April 1984) individually and three bids (two persons for two vends each and one persons for the remaining one vend) for a total consideration of Rs.60,150 per month were received. These bids were approved (May 1984) by Government.

The following irregularities were noticed;

(i) The vends were auctioned in a lot only when there were no bids for three out of the five vends put to auction earlier individually;

(ii) The highest bidder for the lot was the existing licensee for three of the five vends as he alone had participated in the auction, but this fact was not brought to the notice of Government at the time of communicating the results of auction by lot;

(iii) The action of Government in ordering the re-auction of the vends individually was not consistent, with its approval of auction of 89 vends in 12 lots in the same district in March 1984.

Due to non-acceptance of the auction of these 5 vends in one lot, a loss of Rs.1.39 lakhs was incurred.

On this being pointed out in audit (September 1985), the Superintendent of Excise stated (September 1985) that the vends were put to re-auction as per the Government orders and licences were issued on 24th May 1984 as soon as approval of Government was received.

The case was reported to Government in June 1986; their reply is awaited (December 1986).

5.4. Non-levy of excise duty on transportation loss of India made foreign liquor/beer

The Bihar and Orissa Excise Act, 1915 and the Board's Excise Rules, 1965 framed by Board of Revenue, Orissa, do not provide for any loss sustained during transportation of India made foreign

liquor (IMFL) or beer from one bonded warehouse to another within the State.

In Sambalpur district, three licensees of IMFL warehouses claimed losses of 492.108 London proof litres of IMFL and 495.950 bulk litres of beer sustained during transportation from one bonded warehouse to another, within the State in the years 1982-83 and 1983-84 and the same were allowed. The excise duty forgone on these losses amounted to Rs.0.30 lakh.

On this being pointed out in audit (December 1983) and April 1985), the Commissioner of Excise, accepted the audit objection and issued (December 1985) instructions to all the Superintendents of Excise to recover duty on the goods lost in transit from one bonded warehouse to another within the State. Report on realisation of duty is awaited (December 1986).

The matter was reported to Government (between December 1983 and August 1986); their reply is awaited (December 1986).

5.5. Loss of revenue due to non-issue and late issue of licences

Under the Orissa Excise Rules, 1965, licences for retail sale of foreign liquor are granted to selected persons for approved liquor shops for the financial year, on the basis of recommendations of the Collector and the Excise Commissioner and with the approval of Government. As the licence fee is realisable based on the period covered by licences, any delay in issuing the licences results in loss of revenue. According to the excise policy of the Government (January 1984) for the year 1984-85, all the foreign

liquor shops functioning in 1983-84 were to continue in 1984-85 also by issue of a formal licence.

In seven districts (Bolangir, Cuttack, Mayurbhanj, Puri, Keonjhar, Ganjam and Phulbani), while licences to four existing foreign liquor shops were not at all issued for the year 1984-85, in respect of 15 other shops these were issued after a lapse of 22 days to 8 months due to procedural delays. Non-issue/late issue of licences resulted in loss of revenue of Rs.1.24 lakhs.

On this being pointed out in audit (between April 1985 and January 1986), the concerned Superintendents of Excise stated (between April 1985 and January 1986) that licences could not be issued early due to late-receipt of Government's approval.

The cases were reported to Government in June 1986. Government, without disputing the factual position, stated (August 1986) that the non-issue/late issue of licences was un-avoidable owing to administrative and other reasons.

5.6. Departmental cultivation of ganja

5.6.1. Introduction

Mention was made in para 5.2 of the Report of the Comptroller and Auditor General of India for the year 1980-81 (Revenue Receipts) about irregularities in the cultivation and production of *Ganja*. As the private cultivators who were allowed to cultivate *Ganja* did not deliver the minimum yield of 4 quintals per acre and cases of illegal sale, excess and unauthorised cultivation were detected attracting public criticism, Government decided (June 1980) to cultivate *Ganja* departmentally through Agriculture Department and accordingly Agriculture

Department took up from 1980-81 departmental cultivation in some areas along with private parties. Private cultivation was completely abolished from 1981-82. After cultivation, *Ganja* is initially stored in the Central *Ganja Gola* at Cuttack and then sold to the consumers through the retailers of private shops at the issue price fixed by Government.

5.6.2. Trend of revenue

The table below indicates the revenue earned from *Ganja* during the years 1980-81 to 1984-85 along with total excise revenue of the State.

Year	Total receipt under State Excise	Receipt from <i>Ganja</i>			Total	Percentage to total revenue
		Consi-dera-tion money	Duty	Cost price		
(In crores of rupees)						
1980-81	9.17	0.75	0.58	0.12	1.45	16
1981-82	11.02	0.88	1.15	0.21	2.24	20.40
1982-83	13.07	1.06	0.76	0.15	1.97	15
1983-84	15.44	1.11	0.56	0.17	1.84	11.61
1984-85	18.73	1.18	0.61	0.21	1.99	10.6

5.6.3. Cultivation and production of *Ganja*

The table below indicates the area covered by *Ganja* cultivation and the quantity produced against the normal target of four quintals per acre during 1979-80 (which was the last year of private cultivation) and during the years 1980-81 to 1984-85:

Year	Area under cultivation (in acres)	Production		Yield per acre (in quintals)
		Target (in quintals)	Actual	
1979-80	Under private cultivation 110	440	248.00	2.25
1980-81	Under private cultivation 67	268	221.25	3.30
	Under departmental cultivation 70	280	201.30	2.87
	<u>137</u>	<u>548</u>		
1981-82	74.01	296.04	264.50	3.57
1982-83	74.15	296.60	271.90	3.67
1983-84	46.20	185.80	153.50	3.32
1984-85	31.40	125.60	73.41	2.33

(a) Agriculture Department had fixed (July 1980) a target yield of 5 quintals per acre but the normal average of even 4 quintals per acre was never achieved and the average yield was almost at the pre-departmental level by the year 1984-85. Thus, one of main reasons for which the cultivation was switched over from private sector had not been fulfilled.

(b) Though shortfall in production had adverse tax effect, the Revenue and Excise Department did not ascertain the reasons for the shortfall nor evaluated the departmental working. Scrutiny of the initial records revealed that the shortfall was due to the following reasons:

- (1) Insufficient manuring and non-application of fertilisers at the appropriate time.
- (2) Non-posting of required numbers of Ganja experts.

- (3) Inadequate supply of water for irrigation.
- (4) Uprooting of female plants instead of male plants.
- (5) Repetition of cultivation on the same plot of land for more than 3 years continuously.
- (6) Non-engagement of adequate labourers.
- (7) Non-observance of rules against clandestine operations.

(c) During 1980-81 when the cultivation of *Ganja* was done both by the Agriculture Department and the private parties, the rate paid to private agriculturalist ranged from Rs.4000 to Rs.6500 per quintal as per their quotation. But the rate of departmental *Ganja* was fixed at Rs.6,500 for 1980-81 which was the maximum for that year and it was increased to Rs.7000 in 1981-82, Rs.7,500 in 1982-83 and Rs.8,500 in 1984-85. As per the provisions of the Board's Excise Rules, the establishment charges of Excise guards on duty for guarding the *Ganja* fields are to be borne by the cultivator. But Government decided in January 1983 not to include these charges while considering the rate fixed for *Ganja* from 1981-82 onwards. Thus, expenditure of Rs.8.10 lakhs incurred on guards from 1981-82 to 1984-85 was met by the Revenue and Excise Department and was not recovered from the Agriculture Department.

(d) In spite of various concessions shown to the agricultural farms, the profit earned by the cultivating farms amounted to only Rs.1.38 lakhs against the anticipated profit of Rs.37.09 lakhs for the years 1980-81 to 1984-85.

(e) The Commissioner of Excise intimated (January 1983) to the Director of Agriculture that *Ganja* cultivated by the agricultural farms was of low quality and had a liberal admixture of dust, spikes and stiks etc., for which the consumption had fallen alarmingly and revenue to the tune of Rs.20 lakhs had been lost. Reasons for the existence of foreign materials in the *Ganja* issued for sale had not been investigated.

5.6.4. *Delivery of Ganja to Central Ganja Gola*

Ganja manufactured after curing is dried, winnowed and cleaned for elimination of twigs and stalks and then weighed and taken by the officer-in-charge of storage to a store room which should be under double lock of the officer-in-charge and Farm's Superintendent. On completion of storage, the entire stocks of *Ganja* should be weighed and then packed and sealed in the presence of the Superintendent of Excise, the Officer-in-Charge and the Farm Superintendent and despatched to the Central *Ganja Gola* in sealed boxes. It was noticed from the stock register of Central *Ganja Gola* that during the years 1980-81 to 1984-85, *Ganja* despatched was stated to have contained twigs and dust weighing 883.79 Kgs. Existence of these materials after following the prescribed process of cleaning and curing by representatives of both the Departments had not been investigated. The department merely stated (June 1984) that the Manual makes express provision for a final inspection by Senior Officers of the department in the Central *Ganja Gola* not to show any clemency or concession to the cultivators.

5.6.5. *Un-authorized claim for driage in transit*

While transporting *Ganja* from the Farms to the Central *Ganja Gola*, a total quantity of 329.125 kgs.

of *Ganja* was shown as loss in transit during the years 1980-81 to 1983-84. As there was no provision in State Excise Rules for driage loss in transit, this was not authorised. The excise revenue lost by the driage during these years amounted to Rs.0.96 lakh. Significantly, no driage loss was registered during 1984-85.

5.6.6. Short lifting of *Ganja*

On the basis of quantity of *Ganja* issued in the past years, the department fixed 344 kgs. as the annual quota to be lifted by the district *golas*. But against this target, the quantity lifted by district *golas* was as shown below:

Year	Quantity to be lifted	Quantity lifted	Short lifted
	(In quintals)		
1982-83	344.05	219.32	124.73
1983-84	344.05	162.95	181.10
1984-85	344.05	143.15	200.90

The short lifting was stated (February 1983) by the Excise Commissioner, Orissa to be due to inferior quality of *Ganja*. It was stated by Government (June 1984) that consumption of *Ganja* did not fluctuate, to any noticeable extent, from year to year. When the consumption of *Ganja* did not vary noticeably, there should not be any appreciable fall in the lifting of *Ganja*. Apprehending flow of contraband *Ganja*, instructions were issued by Government to Collectors (January 1983) to check large scale illicit flow of *Ganja* from outside, but this did not improve the position in lifting of the *Ganja* by district *golas*. The Collector of Cuttack (in which district the largest

quantities of *Ganja* is consumed every year) admitted (March 1984) that better quality of *Ganja* was available at cheaper price in open market. Departmental inspection reports on Central *Ganja Gola* revealed that the roof of the *gola* which was leaking had not been repaired and the moisture content of *Ganja* was increasing due to unscientific storage conditions prevailing in the Central *Ganja Gola*.

Scrutiny of detailed records revealed that 59 retailers in four districts were continuing in the trade year after year, from 1980-81. to 1984-85 despite sustaining heavy losses aggregating Rs.36.50 lakhs. Period of loss sustained by the retailers ranged from 3 years to 5 years. In case of one vender at Paradip, the accumulated loss in five years ending 1984-85 was Rs. 3.57 lakhs. Their interest in the trade, inspite of continuous loss for years, has not been investigated, to ascertain the possible existence of clandestine operations under the cover of retailing licence.

The foregoing points were reported to Government in July 1986; their reply is awaited (December 1986).

CHAPTER 6

FOREST RECEIPTS

6.1. Results of Audit

A test check of the records maintained in the Forest Divisions, conducted in audit during the period from April 1985 to March 1986, revealed non-recovery or short recovery of dues and losses of revenue amounting to Rs.98.42 lakhs in 9395 cases, which may be broadly categorised as under:

	Number of cases	Amount (In lakhs of rupees)
1. Non-recovery from original contractors of losses sustained on resale of forest produce	33	2.82
2. Non-realisation of compensation	816	24.13
3. Non-levy/short-levy of interest on belated payments of considerations money/royalty	167	66.01
4. Non-realisation of extension fees	184	3.32
5. Other irregularities	8195	2.14
Total	<u>9395</u>	<u>98.42</u>

Some of the important cases are mentioned in the succeeding paragraphs.

6.2. Loss of revenue due to short delivery of trees

Under the provisions of the Orissa Forest

Department Code and the instructions issued from time to time by the Chief Conservator of Forests, Orissa, royalty, in respect of coupes settled with the Orissa Forest Corporation (OFC) and the Similipahar Forest Development Corporation (S.F.D.C.), is to be fixed on the basis of marking lists and the trees as shown in the marking lists are to be handed over to the Corporations after a joint verification by the officials of the Corporation and the Division, who would also sign coupe delivery certificates.

In three Forest divisions, coupe delivery certificates of 69 coupes (Puri:61, Parlakhemundi:1 and Karanjia:7) settled with the Orissa Forest Corporation (62 coupes) and the SFDC (7 coupes) for working during the years 1982-83 to 1984-85, disclosed that a total of 8,618 marked trees (Puri: 7,899; Parlakhemundi: 83 and Karanjia 636) were not handed over to the Corporations while delivering the coupes, as the trees were stated to have been felled and removed illicitly during the interregnum between marking of the trees and delivering of the coupes. This resulted in loss of revenue of Rs.4.82 lakhs (computed at the rate of royalty payable by the Corporations on the unit content of timber obtainable from those trees).

On this being pointed out in audit (between June 1984 and October 1985), the Divisional Forest Officer, Puri stated (June 1984 and June 1985) that the areas were theft-prone; some undetected forest offence cases had been booked; and that departmental action was taken in four cases and action was being taken in the other cases. The Divisional Forest Officers of Karanjia and Parlakhemundi stated (August 1985 and October 1985) that the

matter was under examination. Further reports are awaited (December 1986).

The matter was reported to the Chief Conservator of Forests, and Government (between August 1984 and June 1986); their replies are awaited (December 1986).

6.3. Non-realisation of royalty

Under the provisions of the Orissa Forest Department Code, the Range Officers are responsible for protection and maintenance of the forest and other properties under their jurisdiction. Timber and firewood collected by the Department from cleaning and thinning operations should be disposed of quickly through Orissa Forest Corporation (OFC) and in case it is not found feasible, by other means so that loss due to long storage, fire etc., can be avoided.

In Kalahandi Forest Division, 26 lots containing departmentally collected timber and firewood from cleaning and thinning operations were settled (8 lots in 1982-83 and 18 lots in 1983-84) with the Corporation for a royalty of Rs.8.36 lakhs. The concerned Range Officers were asked by the Divisional Forest Officer to give delivery of the lots to the Corporation within 45 days from the date of issue (September 1982 and September 1983) of work orders and in case the Corporation failed to take delivery of the lots, to report the matter to him.

The Corporation took delivery of only 7 lots (2 in 1982-83 and 5 in 1983-84) out of 26 lots between January and November 1983. Reports of non-delivery of 19 lots were not, however, sent by the Range Officers to the Divisional Forest

Officer who on enquiry (January 1985) was informed (February 1985) by the Corporation that its field staff had reported that no material was available in the remaining 19 lots (6 of 1982-83 and 13 of 1983-84). The Divisional Forest Officer, thereafter, requested (October 1985) the Corporation to take delivery of the lots, if necessary, after a joint verification. The Divisional Forest Officer later reported (July 1986) to audit that four more lots relating to 1983-84 had been delivered (between June 1985 and March 1986) to the Corporation and one more would be handed over shortly. No information regarding the remaining 15 lots involving a royalty of Rs.4.68 lakhs (6 of 1982-83 and 9 of 1983-84) was available (December 1986).

The matter was reported to the department and to Government in April and July 1986; their replies are awaited (December 1986).

6.4. Shortage of trees in a transferred coupe

Consequent upon the creation of the Simlipahar Forest Development Corporation (S.F.D.C.) (a fully owned Government Company) in October 1979, Government transferred (April 1980) certain areas of Karanjia forest division to that Corporation. But the existing leases in these areas, along with their administrative control, continued to remain under the Chief Conservator of Forests, so far as realisation of dues, determination of leases ect., were concerned and the SFDC was only to look after the passing and checking of forest materials under those leases.

A coupe containing 463 marked and 24 unmarked trees was settled in December 1978 with a contractor for Rs.3.13 lakhs payable in four equal

instalments during the contract period ending June 1980. The contractor had paid three instalments but defaulted the fourth instalment due in February 1980. Hence, the contract was terminated in April 1980. According to the passing list* of timber, the contractor had removed 303 trees during the currency of the contract. Thus, there were to remain 184 trees including the un-marked trees. But as the coupe was in the area since transferred to SFDC, the Divisional Forest Officer requested (November 1980) the SFDC to intimate the actual number of trees left in the coupe and followed it up by eight reminders. The SFDC ultimately intimated (July 1983) that there were only 41 trees (32 standing trees and 9 trees converted into logs); thereby indicating a shortage of 143 trees (including un-marked trees) valuing Rs.1.10 lakhs.

On this being pointed out by audit (August 1985), the Divisional Forest Officer stated (August 1985) that as the SFDC was working in the area since October 1979 with all powers, control and management of forests entrusted to them, the loss of trees and all other materials would be the responsibility of the Corporation. The reply is not tenable

* Passing list: As soon as the felling is done by the contractor, the trees are converted into logs and the same are entered in the conversion register maintained by the contractor indicating the details of the number and size of the trees felled and those converted into logs with sizes against each tree. The Range Officer inspects the coupe, and verifies the conversion register to ensure that the trees are felled according to the sale notice and passes the timber duly marked with a passing hammer seal after satisfying that the contractor has paid the instalments of consideration money. A list of timber passed by the Range Officer from time to time is sent to Divisional Forest Officer for check with reference to marking list and the amount of instalments paid by the contractor. Such a list is called 'passing list'.

as according to the decision of the Government in respect of subsisting leases as on October 1979, the department retained the administrative control and the Corporation was only to check and pass the materials under the lease. He has also not taken up the matter, apart from ascertaining information about the existence of the trees, with the SFDC.

The matter was reported to Government in January 1986; their reply is awaited (December 1986).

6.5. Loss due to shortage in a resold coupe

Under the Orissa Forest Contract Rules, 1966, a contract can be terminated for default in the payment of consideration money and the coupe resold. The shortfall of revenue, if any, on such resale would be recovered from the defaulting contractor. Under the Orissa Forest Department Code, 1979, no forest contract shall be given to any persons who had failed to fulfil a previous contract.

In Kalahandi forest division, contract for a coupe containing 1535 marked trees was terminated in June 1983 as the contractor failed to pay the fourth instalment of consideration money amounting to Rs.4,75,500. The coupe was, however, resold (September 1983) to the same contractor for Rs.4,76,000 payable in three equal instalments in violation of the codal provisions. Again, the contractor defaulted in making payment of the third instalment of Rs.1,58,666. Consequently, the contract was terminated again in March 1985. However, the partly worked coupe could not be resold once again, because of the fact that against the required balance of 148 marked trees (total number of trees marked for

felling: 1535 minus number of trees felled and removed by the contractor: 1387), only 71 trees were actually available. A report from the concerned Range Officer who was asked (December 1985) to explain the shortage was awaited (April 1986) in the Divisional Office. The shortage of 77 marked trees resulted in a loss of Rs.0.83 lakh (computed at the average rate of consideration money payable for 148 trees).

On this being pointed out in audit (January 1986), the Divisional Forest Officer stated (January 1986) that after receiving a report from the Range Officer, the balance 71 trees would be put to re-sale and short-fall would be realised. Further report is awaited (December 1986).

The matter was reported to Government in June 1986; their reply is awaited (December 1986).

6.6. Loss of revenue due to misclassification of trees in the marking list

Government decided in November 1979 that the royalty payable by the Orissa Forest Corporation Ltd., in respect of the coupes allotted to it, should be fixed in advance every year based on the previous year's unit price, subject to such increase or decrease as might be necessary according to the current market trend, quality of the trees and accessibility of the coupe area. Thus, the marking list indicating the quality and estimated quantity of timber available in a coupe is the basis for fixation of royalty. Considering the importance of the marking list, the Chief Conservator of Forests issued instructions in May 1981 that the marking list of a coupe should be prepared by a trained forester, as far as possible, and checked 100 per cent, 30 per cent and 20 per cent

by the Range Officer, Assistant Conservator of Forests and the Divisional Forest Officer respectively. While removing the timber, the passing list should be cross checked with the marking list to ensure that only the trees marked for felling are removed and that a tree with all its conversions is passed only once.

(i) In eight* forest divisions, marking lists of the coupes marked for felling and settled with the Corporation during 1983-84 and 1984-85, were not checked by the Range Officers, Assistant Conservator of Forests and the Divisional Forest Officers, to the required extent and no cross checking of the passing lists with the marking lists was done. A test check of both the lists revealed that (i) trees bearing the same numbers were classified differently as higher class species in the passing lists and as lower class species in the marking lists and (ii) the same number was assigned to more than one tree in the passing list. The irregularities resulted in short assessment of royalty amounting to Rs.0.43 lakh.

On this being pointed out in audit (April 1985 to January 1986), the Divisional Forest Officers agreed (April 1985 to January 1986) to investigate and take action in the matter. Further reports are awaited (December 1986).

(ii) In Rairakhol division, a patch of land falling under a divisional lot was required for construction of 33 K.V. electric line by the Orissa State Electricity Board. No marking list in respect of

* Kalahandi, Rayagada, Rairakhol, Sundergarh, Nawarangpur, Jeypore, Bonai and Dhenkanal.

the trees available in the lot was prepared by the Forester. However, the Section Officer of the Electrical Construction Division had prepared a marking list indicating availability of 386 trees. That marking list was also not checked by the Range Officer and the Divisional Forest Officer as required under the departmental instructions. On the basis of that list, the unit content of the timber available in the lot was incorrectly worked out by the Divisional officer as 97.375 units instead of 125.45 units by misclassifying higher class of species as lower class. The lot with 97.375 units was reserved (June 1984) for working by the Orissa Forest Corporation (O.F.C.), but was not handed over to O.F.C. although the Corporation had asked for it (October 1984). The Divisional Forest Officer who inspected the range in September 1984 stated in his inspection report that, as ascertained from the Range Officer, the materials in the lot were not available and he had directed the Range Officer to investigate the matter and furnish a detailed report. No report had been received from the Range Officer till July 1985. Computed with reference to the rate of royalty paid by O.F.C. for a neighbouring coupe of the lot, the value of timber missing in the lot and consequent loss to Government worked out to Rs.0.30 lakh in respect of 125.45 units.

On this being pointed out in audit (July 1985), the Divisional Forest Officer stated (July 1985) that action was being taken to fix responsibility against the staff at fault. Further report is awaited (December 1986).

The cases were reported to Government in August 1985 and June 1986; their reply is awaited (December 1986).

6.7. Departmental working of bamboos

6.7.1. As the private paper mills to whom bamboo leases were granted in Jeypore Forest Division, were not fully exploiting the potential of 1.25 lakh M.T. of bamboos, comprising 31 felling series in the Division, Government decided in January 1975 to take up departmental exploitation. This was started from 1974-75 with a separate division at Malkangiri (Koraput district). But out of the 31 felling series, only 15 with a potential of 0.59 lakh M.T. were brought under departmental working till 1982-83. In September 1982, the Chief Conservator of Forests suggested that 16 felling series with a potential of 1.06 lakh M.T. be leased out to two parties (paper mill 'S' and Firm 'H') leaving a balance of 15 felling series with a potential of 0.19 lakh M.T. for departmental operation. No action was taken during 1982-83, but the paper mill was granted (October 1983) a lease of 9 felling series (potential of 0.75 lakh M.T.) and departmental operation taken up (1983-84) in respect of the remaining 22 felling series with a potential of 0.50 lakh M.T.

6.7.2. Production

The actual production of bamboos compared to the potential, during the period 1981-82 to 1985-86, in the areas taken up for departmental operation, had been very low as indicated below:

Year	Number of felling series	Potential in M.T.	Actual in M.T.	Percentage of actual to potential
1981-82	15	84,320	10,437	12
1982-83	15	19,200	5,488	29
1983-84	22	49,500	5,856	12

Year	Number of felling series	Potential in M.T.	Actual in M.T.	Percentage of actual to potential
1984-85	22	49,500	9,617	19
1985-86	22	49,500	5,331	11

The Department attributed (October 1983) the low output to inaccessibility of the bamboo growing areas, poor crop condition and difficult terrain.

The departmental production of bamboos was also very low as compared to the production by the private mill from the 9 felling series granted to it (October 1983) as will be seen from the following table:

Year	Number of felling series	Potential in M.T.	Actual in M.T.	Percentage of actual to potential
1983-84	9	75,500	35,300	47
1984-85	9	75,500	22,982	30
1985-86	9	75,500	22,510	30

6.7.3. Financial results

Government, while sanctioning the scheme in January 1975, stipulated preparation and submission of *pro forma* accounts showing the trading results of the scheme. No *pro forma* accounts have been prepared and submitted from the inception of the scheme (1974-75).

On the basis of the figures worked out by the Division, on a total of 36,729 M.T. of bamboos produced during 1981-82 to 1985-86, the revenue realised was Rs.116.78 lakhs against a total expenditure of Rs.114.11 lakhs leaving a net revenue of Rs.2.67 lakhs only. At the prevailing royalty rates of Rs.88.09 to Rs.110.17 per M.T. in respect of bamboo leases to private parties, the net revenue to Government would have been Rs.35.65 lakhs on the quantity of bamboos extracted departmentally.

6.7.4. *Production of bamboos vis-a-vis man power deployed*

While approving the scheme (January 1975), Government agreed to link the staff to be deployed with production, on the line adopted in the departmental working of bamboos by the Madhya Pradesh Government. According to the norms followed in Madhya Pradesh, for production of (i) 1,000 to 1,500 MT of bamboos, one forester with two forest guards, (ii) for 5,000 to 7,500 M.T. one forest ranger and (iii) for five such ranges, one functional Divisional Forest Officer are engaged.

The annual production of bamboos in five years ended 1985-86 ranged from 5,331 M.T. to 10,437 M.T. which would justify two range officers with 10 foresters and 20 forest guards at the maximum. However, one Divisional Forest Officer with four range officers, 18 foresters and 32 to 40 forest guards were engaged. Deployment of more staff than the norm, reduced the revenue from the scheme.

6.7.5. *Losses in transportation of bamboos*

(a) Bamboos extracted in the coupes are dragged to trackable points on forest paths and

from there transported to sale depots by departmental trucks or by engaging transport contractors appointed through advance tender call notices issued in November/December each year.

As per the terms of agreement with the transport contractors, all the bamboos produced in the coupes were to be transported by them to the specified depots by 30th June of the year failing which they were liable to pay compensation for the quantity of bamboos left un-transported, at the same rates of transportation as were fixed and accepted by them.

During the year 1983-84, 1,51,390 pieces of long bamboos and 98,019 of bundle bamboos remained un-transported in 12 coupes on which a compensation of Rs.1.89 lakhs was realisable from the contractors. However, the penalty clause was not applied. Further, the division incurred an extra expenditure of Rs.0.76 lakh on transportation of those bamboos in 1984-85.

(b) In another case, during 1984-85 a contractor agreed to transport 60,000 bundles of bamboos at a rate of Rs.0.95 per bundle from the coupe to the depot by 30th June 1985. Actual production of bamboos was, however, 98,467 bundles, of which the division transported 23,236 bundles by departmental trucks, and the contractor transported 38,215 bundles by 30th June 1985 out of 60,000 bundles agreed to by him. The division did not levy the compensation of Rs.0.21 lakh due on the quantity not transported by the contractor in time. The contractor, however, requested (September 1985) the Divisional Forest Officer to allow him time upto March 1986 to transport not only the agreed balance quantity (21,785 bundles) but also the quantity

(15,231 bundles) left after departmental transportation. However, his request was not considered due to non-receipt of his performance report from the range officer who was asked (September 1985 and 13th November 1985) to furnish it. Instead, the entire balance of 37,016 bundles was given to the same contractor during the next season (1985-86) at a higher rate of Rs.1.75 per bundle violating the provisions of the Orissa Forest Departmental Code Vol.I (engaging a defaulting contractor is prohibited), resulting in an additional cost of Rs.0.30 lakh to Government.

6.7.6. Disposal of bamboos

The table below gives the opening balance, quantity of bamboos transported from the coupe to depots, quantity of bamboos sold and the closing balance during the five years ending March 1986, in respect of bundle bamboos (BB) and long bamboos (LB).

Year (1)	Opening balance (2)		Number of bamboos transported (3)		Number of bamboos sold (4)		Closing balance (5)	
	B.B.	L.B.	B.B.	L.B.	B.B.	L.B.	B.B.	L.B.
	(In lakhs)							
1981-82	5.59	2.26	6.60	2.01	3.82	2.91	8.37	1.36
1982-83	8.37	1.36	1.83	0.29	6.31	1.15	3.89	0.50
1983-84	3.89	0.50	1.95	3.51	1.85	0.59	3.99	3.42
1984-85	3.99	3.42	4.35	1.79	0.50	0.63	7.84	4.58
1985-86	7.84	4.58	0.55	0.22	4.36	4.29	4.03	0.51

A check of production, transportation and balance account also revealed total shortage of 1,420 M.T. of bamboos (1342 M.T. or 0.67 lakh of bundle bamboos and 78 M.T. or 0.20 lakh of long bamboos) valuing Rs.4.94 lakhs during the period 1981-82 to 1985-86 in the bamboo coupes. Of this 266.82 M.T. of bamboos valuing Rs.0.95 lakh were stated to have been burnt in fires.

6.7.7. Loss of revenue due to delay in ratification of sale

In response to a tender call notice (January 1984) for disposal of long bamboos stacked in three sale depots (Kalimela, Balimela and Spillway) of the division, highest average rates of Rs.4.47, Rs.4.32 and Rs.3.47 per piece were offered by three forest contractors for the three depots respectively. Proposals for ratification of the sales to those contractors were sent by the Divisional Forest Officer to the higher authorities in February 1984. However, orders of ratification were issued by the authorities, after a delay ranging from 3 to 6 months. By that time, the contractors refused to take the produce at the rates offered by them on the ground that the bamboos had deteriorated in quality (lost their greenness). The produce was put to auction in March 1985 and the quantity was sold at average rates of Rs.2.60, Rs.2.85 and Rs.3.00 per piece respectively. Delay in ratification of the sales resulted in a loss of revenue of Rs.4.33 lakhs.

The foregoing points were reported to Government in July 1986; their reply is awaited (December 1986).

CHAPTER 7

OTHER TAX AND NON-TAX RECEIPTS
A-ENTERTAINMENTS TAX

7.1. Non-levy of show tax

Under the Orissa Entertainments Tax Act, 1946, and the rules made thereunder, the proprietors of all cinema houses except those exempted under the Act, are liable to pay show tax in respect of every show at the specified rates by the 10th of the succeeding month. With effect from 20th January 1984, the rate of tax was revised to Rs.25 per show held in any local area under a municipal or notified area council having a population of fifty thousands and above and Rs.10 per show held in other places. However, if the seating capacity of a cinema house exceeds eight hundreds in an area under a municipal or notified area council and four hundreds in other places, an extra amount at the rate of Rs.2.00 and Re.1.00 respectively, will be payable in respect of every additional one hundred seats or part thereof.

During the year 1984-85, twelve cinema houses under four circles (Sambalpur-II, Cuttack-I (East), Cuttack-I (Central) and Balasore) held 12,639 shows, of which two cinema houses (for 1416 shows) did not pay any show tax at all, three cinema houses (for 4119 shows) made part payment at the pre-revised rate and seven cinema houses (for 7104 shows) paid full tax but at the pre-revised rate. The department did not take any action to demand the tax due. Show tax short realised in the above cases amounted to Rs.2.28 lakhs.

On the cases being pointed out in audit between May 1985 and January 1986, all the taxing officers

initiated (between May 1985 and January 1986) action for realisation of tax. Report on recovery is awaited (December 1986).

The cases were reported to Government between September 1985 and June 1986; their reply is awaited (December 1986).

7.2. Short realisation of entertainments tax

According to the Orissa Entertainments Tax Act, 1946 and the rules made thereunder, no person can be admitted to any entertainment without a ticket duly stamped with adhesive stamps issued by the State Government and the proprietor of the entertainment house shall keep and submit a monthly account of the number of shows held, amount realised for admission, value of entertainment stamps utilised etc. If the proprietor submits an incomplete return, the assessing officer shall assess the tax due under the Act.

In Dhenkanal Circle, a proprietor of a cinema house submitted incomplete returns during the year 1983-84 but the assessing officer neither assessed nor demanded the tax due. This resulted in short realisation of entertainment tax amounting to Rs.0.56 lakh.

On this being pointed out in audit (February 1985), the Commissioner of Commercial Taxes stated (December 1985) that the assessing officer had raised (February 1985) the demand for Rs.0.56 lakh which was also realised between March 1985 and July 1986.

The matter was reported to Government in June 1985; their reply is awaited (December 1986).

B-MINING RECEIPTS

7.3. Results of Audit

A test check of mining receipts in the offices of Mining Officers, conducted during the period from 1st April 1985 to 31st March 1986, revealed non-levy

or short levy of dead rent, cess and royalty and other losses of revenue amounting to Rs.19.57 lakhs in 27 cases, which may be broadly categorised as under:

	Number of cases	Amount (In lakhs of rupees)
1. Non-levy or short levy of dead rent, cess and royalty	9	4.47
2. Non-recovery of royalty on cost of ore found short	1	7.14
3. Other irregularities	<u>17</u>	<u>7.96</u>
Total	<u>27</u>	<u>19.57</u>

Some of the important cases are mentioned in the succeeding paragraphs.

7.4. Non-levy of royalty and cess on ore found short

Under the Mines and Minerals (Regulation and Development) Act, 1957, a mining lease holder is required to pay royalty on any minerals removed or consumed from the leased area and there is no provision in the Act for allowing any concession in respect of shortages of minerals which might be noticed after their extraction from the leased area. According to the provisions of the Orissa Cess Act, 1962, the lessee is also liable to pay cess at 100 per cent of royalty.

(i) The lessee of an iron ore mine in Koira Mining Circle deducted from his closing stock of ore, 9195.75 tonnes of ore on account of shortages found on physical verification for the year 1983-84. The assessing officer allowed the deduction while assessing the royalty and cess payable on the quantity of ore removed/consumed by the lessee. The deduction allowed was inadmissible and resulted in short levy of royalty and cess amounting to Rs.0.55 lakh.

On the mistake being pointed out in audit (February 1986), the department stated (July 1986) that the shortage was within 2 per cent which was allowed by the Minerals and Metals Trading Corporation towards handling loss. This is not tenable, as in the absence of a specific provision in the Act, adoption of the practice followed by others can not be considered as lawful. Further, the shortage was not due to handling of ore.

(ii) In Purunapani Lime Stone and Dolomite mines, 23,999.27 metric tons of lime stone were found short during joint stock verification conducted by the Senior Mining Officer, Rourkela and the representative of the lessee (a Government of India Undertaking). No royalty and cess were levied on these shortages although under the above mentioned Act, royalty and cess amounting to Rs.2.16 lakhs were leviable.

On the omission being pointed out in audit (July 1985), the department stated (January 1986) that a demand notice for Rs.2.16 lakhs had since been issued (August 1985). The department intimated in July 1986 that the realisation of the demand was stayed by the Hon'ble High Court of Orissa pending disposal of a writ petition filed by the lessee.

The above cases were reported to Government between September 1985 and April 1986; they endorsed the views of the department.

C-OTHER DEPARTMENTAL RECEIPTS

7.5. Non-recovery of service taxes

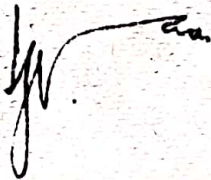
Under the Orissa Service Code, service taxes like municipal and other taxes not being in the nature of house or property tax, payable by Government in respect of Government residential buildings are payable by the occupants of those buildings, besides the licence fee. Government decided (March 1958) to realise only 50 per cent of the service taxes from the occupants retrospectively from 1st April 1958.

In respect of residential buildings under the control of the Superintendent of Police, Ganjam, Rs.1.49 lakhs being 50 per cent of the service taxes payable upto 1984-85 and realisable from the occupants belonging to the rank of Sub-Inspectors and below were not recovered, although these had been paid by the department to local bodies and the irregularity had been pointed out in audit on a number of occasions from 1976-77 onwards.

On the irregularity again being pointed out in audit (June 1985), the Superintendent of Police, Ganjam stated (June 1985) that recovery in the old cases was not possible as most of the occupants were either transferred or retired; acceptance or otherwise of a proposal sent by the department to Government (January 1977) to exempt the police officers of the rank of Sub-Inspector and below from payment of service taxes was still awaited and that action would be taken on receipt of Government reply.

The case was reported to Government in July 1986; their reply is awaited (December 1986).

BHUBANESWAR
The


(KANWAL NATH)
Accountant General (Audit)-II
Orissa

19 JUL 1987

Countersigned

NEW DELHI
The

T.N. Chaturvedi
(T.N. CHATURVEDI)
Comptroller and Auditor General of
India

17 JUL 1987

ERRATA

to

The Report of the Comptroller and Auditor General of India for the year 1985-86 (Revenue Receipts)- Government of Orissa

Page No.	Reference to Para	Line	For	Read
(iii)		Fifth from bottom	vehiles	vehicles
9	1.5	7th from top (Col.5 of the table)	percentage of pending cases	Percentage of pending cases
12	1.7	19th from top	judicial	judicial
17	1.7	10th from top	judicial	judicial
30	2.2(vi) (a)	10th from top	Cuttac	Cuttack
39	2.6(ii)	3rd from top	calender	calendar
63	3.14.1	Item 3, Column 3	229	299
69	4.1	Item No.4		
		No. of cases	198	188
70	4.1	Item No.7		
		No. of cases	64	44
70	4.1	Total, No. of cases	810	780
71	4.3	17th from top	basci	basic
72	4.3	5th from top	keonjhar	Keonjhar
76	4.7.2	11th from top	Augtust	August
87	5.2	7th from top	december	December
90	5.4	12th from top	1983) and April 1985)	1983 and April 1985)
91	5.5	last but one line of the para	un-avaoidable	un-avoidable
91	5.6.1	7th from bottom	cultuvators	cultivators
101	6.4	7th from bottom	ect.	etc.
102	6.4	4th from top	april	April
110	6.7.5 (b)	13th from bottom	Rs.0.95	Re.0.95



COMPTROLLER AND AUDITOR GENERAL
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