

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

FOR THE YEAR ENDED 31 MARCH 2004

**(REVENUE RECEIPTS)
GOVERNMENT OF GUJARAT**

REPORT OF THE

COMMISSIONER OF THE GENERAL LAND OFFICE

FOR THE YEAR ENDING 31ST MARCH 1904

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PREFACE

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

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

The cases mentioned in this Report are among those which came to notice in the course of test audit of records during the year 2003-04 as well as those noticed in earlier years but could not be covered in previous years' Reports.

OVERVIEW

This Report contains 40 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalty involving Rs.1,076.89 crore. Some of the major findings are mentioned below:-

I. General

1.1 The total revenue receipts of the Government of Gujarat in 2003-04 were Rs. 18,247.52 crore as against Rs.17,875.34 crore during 2002-03. The revenue raised by the State from taxes during 2003-04 was Rs.11,173.43 crore and from non-tax receipts was Rs.3,271.96 crore. State's share of divisible Union taxes and grants-in-aid from Government of India were Rs.1,965.48 crore and Rs.1,836.65 crore respectively. The main source of tax revenue during 2003-04 was Sales Tax (Rs.7,169.58 crore) and taxes and duties on Electricity (Rs.1,592.19 crore). The main receipts under non-tax revenue were from Interest (Rs.897.12 crore) and Non-ferrous Mining and Metallurgical Industries (Rs.1,342.34 crore).

The aggregate of the amount received by the State Government on account of the State's share of Union Taxes and Grants-in-aid decreased by 13 *per cent* from Rs.4,359.10 crore in 2002-03 to Rs.3,802.13 crore in 2003-04. The amounts received from the Government of India to the total revenue receipts of the State decreased from 24 *per cent* in 2002-03 to 21 *per cent* in 2003-04. Tax receipts of the State increased marginally (17 *per cent*) to Rs.11,173.43 crore in 2003-04 compared to Rs.9,520.66 crore in 2002-03.

(Para 1.1)

During the year 2003-04, 7,16,847 assessment cases were disposed of under various Acts, under the administrative control of Finance Department. Cases pending finalization under various heads ranged between 43 and 86 *per cent* of total cases as on 31 March 2004.

(Para 1.7)

A test check of the records in the offices of Sales Tax, Land Revenue, Motor Vehicles Tax and other departmental offices conducted during 2003-04 revealed under assessment and loss of revenue of Rs.1358.24 crore in 1,324 cases. During the year, the concerned departments accepted under assessments etc. of Rs.1.81 crore in 457 cases and recovered Rs.2.06 crore in 478 cases pointed out during 2003-04 and earlier years.

(Para 1.11)

II. Sales Tax

A review on **Utilisation of declaration forms prescribed under Gujarat Sales Tax Act, 1969 and Central Sales Tax Act, 1956** revealed the followings:

- Purchase tax of Rs.139.67 crore was not levied due to breach of recitals of certificate.

(Para 2.2.7)

- There was short recovery of tax of Rs.14.85 crore due to incorrect levy of concessional rates of tax against Form C and Form D.

(Para 2.2.14)

- Due to irregular allowance of deductions of goods exported without Form H or incomplete Form H tax of Rs.12.54 crore was short levied.

(Para 2.2.15)

Under the Sales Tax Incentive Schemes, incorrect benefit of exemption of Rs.7.97 crore was allowed to four dealers who either stopped production or disposed of their assets.

(Para 2.3.1)

Tax of Rs.1.32 crore was not recovered from six dealers who committed default in payment of deferred tax.

(Para 2.3.2)

Purchase tax of Rs.13.07 crore was not charged from 140 dealers even though they had not fulfilled the conditions prescribed under Gujarat Sales Tax Act.

(Para 2.4)

Misclassification of goods resulted in non/short levy of tax of Rs.4.02 crore.

(Para 2.5)

There was non/short levy of turnover tax of Rs.1.65 crore in case of 29 dealers.

(Para 2.7)

III. Land Revenue

Non fixation/non recovery of occupancy price before handing over possession of land resulted in non recovery of estimated occupancy price of Rs.11.82 crore.

(Para 3.2)

Conversion tax of Rs.1.07 crore was levied short due to incorrect application of rates and non levy of tax.

(Para 3.3)

Correction of records of rights without registered deeds resulted in loss of revenue of Rs.5 crore.

(Para 3.4)

IV. Taxes on Vehicles

Composite tax of Rs.11.63 crore was not recovered from the operators of 820 omnibuses in 16 Regional Transport Offices.

(Para 4.2.1)

Lumpsum tax of Rs.1.11 crore was non/short levied on 1,108 vehicles in 12 Regional Transport Offices.

(Para 4.3)

V. Stamp Duty and Registration Fees

A review on **Stamp Duty** revealed the followings:

There was discrepancy in quantity and value of stamps supplied by Nasik Press and that accounted for by the State Sale Depot.

(Para 5.2.6)

The stamp duty involved in documents presented for registration was more than that supplied by the treasuries during the years 1999-2000.

(Para 5.2.7)

Incorrect extension of benefit of scheme to 574 remand cases resulted in loss of revenue of Rs.1.98 crore.

(Para 5.3.3)

Incorrect application of concessional rate of duty resulted in short levy of stamp duty and registration fees of Rs.53.69 crore.

(Para 5.4)

Stamp duty and registration fees of Rs.12.70 crore were short levied due to misclassification of documents.

(Para 5.5)

Acceptance of time barred cases in appeal by CCRA resulted in non levy/postponement of recovery of stamp duty of Rs.5.41 crore.

(Para 5.6)

Stamp duty and registration fees of Rs.2.12 crore were short levied on 50 documents comprising several distinct matters

(Para 5.7)

VI. Other Tax Receipts

Entertainments Tax

Owners of six multiplex cinemas availed excess tax exemption to the extent of Rs.22.69 crore.

(Para 6.2)

Non recovery of entertainments tax from owners of cinema houses, video parlours and cable operators resulted in short levy of Rs.3.21 crore.

(Para 6.3 and 6.4)

VII. Non-Tax Receipts

Interest Receipts

Interest of Rs.31.50 crore was not recovered from GIIC on conversion of loan of Rs.68.31 crore into equity.

(Para 7.2.1)

Demands for principal and interest aggregating Rs.30 crore were not raised due to non finalisation of terms and conditions.

(Para 7.2.3)

Failure to raise demand resulted in non/short levy of royalty, dead rent and surface rent to the extent of Rs.10.48 crore.

(Para 7.3.1)

CHAPTER-I

GENERAL

1.1 Trend of revenue receipts

1.1.1 The tax and non-tax revenue raised by the Government of Gujarat during the year 2003-04, the State's share of divisible Union Taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below:

(Rupees in crore)

		1999-00	2000-01	2001-02	2002-03	2003-04
I	Revenue raised by the State Government					
(a)	Tax Revenue	8,161.73	9,046.83	10,134.18	9,520.66	11,173.43
(b)	Non-tax revenue	2,990.37	3,349.14	3,760.94	3,995.58	3,271.96
	Total	11,152.10	12,395.97	13,895.12	13,516.24	14,445.39
II	Receipts from the Government of India					
(a)	State's share of divisible Union Taxes	1,665.04	1,573.75	600.68	1,363.22	1,965.48
(b)	Grants-in-aid	1,154.30	1,768.87	1,490.26	2,995.88	1,836.65
	Total	2,819.34	3,342.62	2,090.94	4,359.10	3,802.13
III	Total receipts of the State	13,971.44	15,738.59	15,986.06	17,875.34	18,247.52[#]
IV	Percentage of I to III	80	79	87	76	79

[#] For details, please see statement No.11 Detailed Accounts of Revenue by Minor Heads in the Finance Accounts of the Government of Gujarat. Figures under the Heads "0020-Corporation tax, 0021-Taxes on Income Other than Corporation Tax, 0028-Other Taxes on Income and Expenditure, 0032-Taxes on Wealth, 0037-Customs, 0038-Union Excise Duties, 0044-Service Tax, 0045-Other Taxes and Duties on Commodities and Services", share of net proceeds assigned to States booked in the Finance Accounts under A-'Tax Revenue', have been excluded from revenue raised by the State and included in State's share of divisible union taxes in this statement.

1.1.2 The details of tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
1	(a) Sales Tax	4,177.66	4,891.08	4,841.69	5,095.00	5,772.58	(+) 13
	(b) Central Sales Tax	956.81	1,051.66	1,015.71	1,157.13	1,397.00	(+) 21
2	State Excise	32.02	40.37	47.31	47.11	46.25	(-) 02
3	Stamp Duty and Registration Fees	522.38	537.42	539.41	649.88	824.67	(+) 27
4	Taxes and Duties on Electricity	1,401.63	1,521.00	1,656.52	1,383.84	1,592.19	(+) 15
5	Taxes on Vehicles	601.71	627.28	676.63	808.11	936.39	(+) 16
6	Taxes on Goods and Passengers	88.87	26.03	99.11	11.09	171.79	(+) 1449
7	Other Taxes on Income and Expenditure-Tax on Professions, Trades, Calling and Employment	83.05	104.80	93.31	95.64	99.41	(+) 04
8	Other Taxes and Duties on Commodities and Services	180.96	165.66	1,077.54	177.67	206.36	(+) 16
9	Land Revenue	116.64	81.53	86.95	95.19	126.79	(+) 33
	Total	8,161.73	9,046.83	10,134.18	9,520.66	11,173.43	(+) 17

The reasons attributed by the Department for significant increase/decrease in receipts during 2003-04 over the receipts during 2002-03 are as under:

Sales Tax:- The increase was mainly due to more receipts under the Sales Tax Act.

Central Sales Tax:- The increase was mainly due to more receipts on inter-State sales.

Stamp duty and Registration Fees:- The increase was mainly due to more court fees realized in stamps and sale of non judicial stamps.

Taxes and Duties on Electricity:- The increase was mainly due to more receipt of taxes on consumption and sale of electricity.

Taxes on Vehicles:- The increase was mainly due to more receipts under the Motor Vehicle Tax Act.

Taxes on Goods and Passengers:- The increase was due to payment of Passenger Tax by the Gujarat State Road Transport Corporation which included previous year's dues.

Land Revenue:- The increase was mainly due to more receipts on account of survey and settlement operations and other receipts.

1.1.3 The details of the major non-tax revenue raised during the year 2003-04 along with the figures for the preceding four years are given below:

(Rupees in crore)

Sl. No.	Heads of revenue	1999-00	2000-01	2001-02	2002-03	2003-04	Percentage of increase (+) or decrease (-) in 2003-04 over 2002-03
1	Interest Receipts	1,764.54	1,929.82	1,594.30	1,684.88	897.12	(-) 47
2	Dairy Development	0.51	0.47	0.35	0.20	0.34	(+) 70
3	Other Non-Tax Receipts	198.38	334.15	453.52	358.16	390.79	(+) 09
4	Forestry and Wild Life	22.07	18.48	28.34	32.49	49.85	(+) 53
5	Non-ferrous Mining and Metallurgical Industries	530.78	616.65	734.58	1,072.83	1,342.34	(+) 25
6	Miscellaneous General Services (including lottery receipts)	136.55	98.79	666.90	453.76	159.92	(-) 65
7	Power	68.03	64.46	0.01	5.10	77.08	(+) 1,411
8	Major and Medium Irrigation	110.68	136.58	132.09	267.23	202.78	(-) 24
9	Medical and Public Health	41.33	49.14	47.26	39.02	41.60	(+) 07
10	Co-operation	12.26	12.48	12.84	14.68	14.28	(-) 03
11	Public Works	25.98	27.21	13.49	11.72	18.53	(+) 58
12	Police	29.33	43.17	38.91	36.03	41.43	(+) 15
13	Other Administrative Services	49.93	17.74	38.35	19.48	35.90	(+) 84
	Total	2,990.37	3,349.14	3,760.94	3,995.58	3,271.96	(-) 18

The reasons attributed by the Department for significant increase/decrease in receipts during 2003-04 over the receipts during 2002-03 are as under:

Interest Receipts:- The decrease was mainly due to less interest realised from Departmental Commercial Undertakings.

Dairy Development:- The increase was mainly due to more receipts from Dairy Development Project.

Forestry & Wildlife:- The increase was mainly due to more receipts from sale of timber and other forest produce.

Non-ferrous Mining and Metallurgical Industries:- The increase was mainly due to more receipts on mineral concession fees, rents and royalties.

Miscellaneous General Services:- The decrease was mainly due to less receipts under other receipts.

Power:- The increase was mainly due to receipt of central assistance for outstanding dues of Gujarat Electricity Board.

Major and Medium Irrigation:- The decrease was mainly due to less receipts under Kakrapar Canal Project.

Public Works:- The increase was mainly due to more receipts under other receipts.

Other Administrative Services:- The increase was mainly due to more receipts from fines and forfeitures under Administration of Justice.

1.2 Variations between Budget Estimates and Actuals

The variations between the Budget Estimates and Actuals of revenue receipts for the year 2003-04 in respect of the principal heads of tax and non-tax revenue are given below:

(Rupees in crore)

Sl. No.	Head of Revenue	Budget Estimates	Actuals	Variations excess (+) or short fall(-)	Percentage of variation
Tax Revenue					
1	Sales Tax	6500.00	7169.58	(+) 669.58	(+) 10
2	Taxes and Duties on Electricity	1590.53	1592.19	(+) 1.66	-
3	Stamp Duty and Registration Fees	583.66	824.67	(+) 241.01	(+) 41
4	Taxes on Vehicles	830.00	936.39	(+) 106.39	(+) 13

5	Taxes on Goods and Passengers	150.00	171.79	(+) 21.79	(+) 15
6	Land Revenue	87.70	126.79	(+) 39.09	(+) 45
7	State Excise	56.45	46.25	(-) 10.20	(-) 18
8	Other Taxes on Income and Expenditure	100.00	99.41	(-) 0.59	(-) 01
Non tax Revenue					
9	Non-Ferrous Mining and Metallurgical Industries	1120.00	1342.34	(+) 222.34	(+) 20
10	Interest Receipts	1973.84	897.12	(-) 1076.72	(-) 55
11	Major & Medium Irrigation	285.60	202.78	(-) 82.82	(-) 29
12	Medical & Public Health	60.15	41.60	(-) 18.55	(-) 31
13	Forestry and Wild Life	27.76	49.85	(+) 22.09	(+) 80
14	Education, Sports, Arts & Culture	46.50	63.66	(+) 17.16	(+) 37
15	Police	65.00	41.43	(-) 23.57	(-) 36
16	Public Works	20.00	18.53	(-) 1.47	(-) 07
17	Miscellaneous General Services	434.00	159.92	(-) 274.08	(-) 63

The reasons attributed for the variation in receipts during 2003-04 against Budget Estimates are as under:

Stamp Duty and Registration Fees:- The increase was mainly due to more court fees realised in stamps and sale of non judicial stamps.

Land Revenue:- The increase was mainly due to more receipts on account of survey and settlement operations and other receipts.

Interest Receipts:- The decrease was mainly due to less interest realised from Departmental commercial undertakings.

Forestry and Wild Life:- The increase was mainly due to more receipts from sale of timber and forest produce.

Miscellaneous General Services:- The decrease was due to less receipts under other receipts.

1.3 Analysis of Collection

Break-up of total collection at pre-assessment stage and after regular assessment of Sales Tax, Motor Spirit Tax, Profession Tax, Entry Tax and Luxury Tax for the year 2003-04 and the corresponding figures for the preceding two years as furnished by the department is as follows:

(Rupees in crore)

Head of revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 3 to 7 (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sales Tax	2001-02	3,886.01	852.18	-	47.00	4,691.19	83
	2002-03	4,043.43	1,182.93	-	63.65	5,162.71	78
	2003-04	5,707.84	235.98	-	69.89	5,873.93	97
Motor Spirit Tax	2001-02	1,102.49	-	-	-	1,102.49	100
	2002-03	1,087.35	-	-	-	1,087.35	100
	2003-04	1,295.65	-	-	-	1,295.65	100
Profession Tax	2001-02	89.48	-	-	-	89.48	100
	2002-03	93.55	-	-	-	93.55	100
	2003-04	99.41	-	-	-	99.41	100
Entry Tax	2001-02	63.72	-	-	-	63.72	100
	2002-03	2.07	-	-	-	2.07	100
	2003-04	2.74	-	-	-	2.74	100
Luxury Tax	2001-02	14.66	-	-	-	14.66	100
	2002-03	29.92	-	-	-	29.92	100
	2003-04	34.33	-	-	-	34.33	100

The table above shows that percentage of collection of revenue at pre-assessment stage ranged between 78 and 97 per cent under sales tax during the years 2001-02 to 2003-04.

1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2001-02, 2002-03 and 2003-04 along with the relevant all India average percentage of expenditure on collection to gross collection for 2002-03 was as follows:-

(Rupees in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India Average percentage for the year 2002-03
Sales Tax	2001-02	5,857.40	58.84	1.00	1.18
	2002-03	6,252.13	64.14	1.03	
	2003-04	7,169.58	65.89	0.92	
Taxes on Vehicles and Taxes on Goods and Passengers	2001-02	775.74	20.76	2.68	2.86
	2002-03	819.20	25.30	3.09	
	2003-04	1,108.18	25.70	2.32	
Stamp Duty and Registration Fees	2001-02	539.41	16.65	3.09	3.46
	2002-03	649.88	18.36	2.83	
	2003-04	824.67	31.51	3.82	
*State Excise	2001-02	47.31	18.34	38.77	2.92
	2002-03	47.11	21.40	45.42	
	2003-04	46.25	4.64	10.03	

1.5 Collection of sales tax per assessee

(Rupees in crore)

Year	No. of Assesseees	Sales Tax Revenue	Revenue/Assessee
1999-00	4,01,624	5,134.47	0.0127
2000-01	3,88,362	5,942.74	0.0153
2001-02	3,77,977	5,857.40	0.0155
2002-03	2,99,881	6,252.12	0.0208
2003-04	3,19,774	7,169.58	0.0224

1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2004 in respect of some principal heads of revenue amounted to Rs. 10,517.19 crore of which Rs. 664.07 crore was outstanding for more than 5 years as detailed in the following table:

* As confirmed by the Department due to oversight, in the previous years the cost of collection of State Excise included the expenditure incurred on staff who were deployed for the implementation of prohibition policy of the State instead of the expenditure incurred on the revenue collection. In the present year figure, the expenditure incurred on staff has been excluded from the cost of collection. That is why there is a drastic decrease in cost of collection in State Excise as compared to previous years.

(Rupees in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2004	Amount outstanding for more than 5 years as on 31 March 2004	Remarks
1	Sales Tax	10,123.47	650.12	(i) Recovery stayed by Gujarat High Court, other judicial authorities and Government. (ii) Recovery has been held up due to dealers being insolvent.
2	Electricity Duty	384.15	13.92	(i) The arrears of Rs.13.92 crore to be recovered from Baroda Municipal Corporation have not been finalised. (ii) The increase in the amount outstanding as on 31 March 2004 was due to 'less release of subsidy' by Government of Gujarat to Gujarat Electricity Board, Ahmedabad Electricity Company and Surat Electricity Company.
3	Entertainment Tax	9.54	-	No specific reasons were given by the department.
4	State Excise	0.03	0.03	Pending in the High Court
	Total	10,517.19	664.07	

1.7 Arrears in assessments

The details of cases pending assessment at the beginning of the year 2003-04, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of the year 2003-04 as furnished by the Sales Tax Department in respect of Sales Tax, Profession Tax, Purchase Tax on sugarcane, Entry Tax, Lease Tax, Luxury Tax and Tax on Works Contracts are as follows:

(Rupees in crore)

Name of tax	Opening balance as on 1 April 2003	New cases due for assessment during 2003-04	Total assessments due during 2003-04	Cases disposed of during 2003-04	Balance at the end of the year 31 March 2004	Percentage of column 6 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sales Tax	6,67,999	1,31,509	7,99,508	2,88,152	5,11,356	64
Motor Spirit Tax	2,417	1,166	3,583	545	3,038	85
Profession Tax	7,04,443	44,140	7,48,583	4,27,914	3,20,669	43
Purchase Tax on Sugarcane	46	28	74	31	43	58
Entry Tax	25	17	42	23	19	45
Lease Tax	4	24	28	9	19	68
Luxury Tax	40	33	73	10	63	86
Tax on works contracts	263	368	631	163	468	74
Total	13,75,237	1,77,285	15,52,522	7,16,847	8,35,675	54

It would be seen from the above that percentage of cases pending finalisation in Sales Tax Department under various heads ranged between 43 and 86 per cent of total cases as on 31 March 2004.

1.8 Evasion of tax

The detail of evasion of tax detected by the Sales Tax Department, cases finalised and the demands for additional tax raised as reported by the Department is given below:

Sl. No.	Name of tax/duty	Cases pending as on 31 March 2003	Cases detected during 2003-04	Total	No. of cases in which assessments/investigations completed and additional demand including penalty etc., raised		No. of cases pending finalisation as on 31 March 2004
					No. of cases	Amount of demand (Rupees in crore)	
1	Sales Tax	586	507	1093	378	446.87	715

1.9 Write-off and waiver of revenue

During the year 2003-04, no demands relating to Sales Tax and State Excise were written off by the Departments as irrecoverable.

1.10 Refunds

The number of refund cases pending at the beginning of the year 2003-04, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2003-04, as reported by the departments are given below:

(Rupees in crore)

Sl. No.	Category	Sales Tax		Taxes and Duties on Electricity		State Excise	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	1990	22.84	12	13.81	1	0.09
2	Claims received during the year	6318	84.24	-	-	Nil	Nil
3	Refunds made during the year	5982	69.89	12	13.81	1	0.09
4	Balance outstanding at the end of the year	2326	37.19	-	-	Nil	Nil

1.11 Results of audit

Test check of records of Sales Tax, Land Revenue, State Excise, Motor Vehicles Tax, Stamp Duty and Registration Fees, Electricity Duty, Other Tax Receipts, Forest Receipts and Other Non-tax Receipts conducted during the year 2003-04 revealed under-assessment/short levy/loss of revenue amounting to Rs.1358.24 crore in 1,324 cases. During the course of the year, the Departments accepted under-assessment of Rs.1.81 crore in 457 cases and recovered Rs.2.06 crore in 478 cases pointed out in 2003-04 and earlier years. No replies have been received in respect of the remaining cases.

This report contains 40 paragraphs including two reviews relating to non-levy/short levy of taxes, duties, interest and penalties etc., involving Rs.1076.89 crore. The Departments/Government have accepted audit observations involving Rs.151.93 crore of which Rs.13.71 crore had been recovered upto August 2004. No reply has been received in other cases.

1.12 Failure of senior officials to enforce accountability and protect interest of Government

Principal Accountant General (Commercial and Receipt Audit), Gujarat, arranges to conduct periodical inspection of the Government Departments concerned with tax revenue of the State to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these inspection reports are issued to the heads of offices inspected with a copy to the next higher authority. The heads of offices and respective next higher authorities are required to ensure compliance with the observations contained in the inspection reports and rectify the defects and omissions promptly and report their compliance to the Principal Accountant General. Serious irregularities through draft paragraphs are also brought to the notice of the Heads of the Departments by the office of the Principal Accountant General (Commercial and Receipt Audit). A half yearly report of the pending inspection reports and audit observations is sent to the Secretary of the department to facilitate monitoring of the audit observations in the pending IRs.

The number of Inspection Reports and audit observations relating to revenue receipts issued upto 31 December 2003 and pending settlement by the Departments as on 30 June 2004 along with corresponding figures for the preceding two years is given below:

Particulars	As at the end of		
	June 2002	June 2003	June 2004
Number of outstanding Inspection Reports	3,934	3,624	3,908
Number of outstanding audit observations	9,849	9,307	9,988
Amount of revenue involved (Rupees in crore)	1,721.18	1,969.23	2,351.17

Inspection Reports issued upto December 2003 pertaining to the offices of Sales Tax, Profession Tax, Forest, Land Revenue, Motor Vehicles Tax, Stamp Duty and Registration Fees, Entertainment Tax and Luxury Tax disclosed that 9988 observations relating to 3908 Inspection Reports remained outstanding at the end of June 2004. Of these, 1255 Inspection Reports containing 3572 observations had not been settled for more than 7 years. Even the initial replies which were required to be received from the Heads of offices within one month from the date of issue were not received in respect of 198 IRs issued during the year 2003-04. As a result, serious irregularities commented upon in these Inspection Reports had not been settled as of June 2004.

Department-wise break up of Inspections Reports and audit observations pending as on 30 June 2004 is detailed in the Annexure-I.

1.13 Departmental Audit Committee Meetings

In order to expedite the settlement of outstanding audit observations contained in the Inspection Reports, Departmental Audit Committees are constituted in all the departments of Government. These committees are chaired by Secretaries of the concerned Administrative Departments and attended among others by the concerned officers of the State Government and officers of the Principal Accountant General (Commercial and Receipt Audit), Ahmedabad/ Accountant General (Civil Audit), Rajkot.

In order to expedite the clearance of the outstanding audit observations, it is necessary that the Audit Committees meet regularly and ensure that final action is taken on all audit observations outstanding for more than a year, leading to their settlement. The information regarding number of audit committee meetings held, Inspection Reports and paras settled during the year 2003-04 is as follows:

(Rupees in lakh)

Sl. No.	Name of the Department	No. of Audit Committee meetings held	No. of IRs/Paras settled		Money Value of paras settled
			IRs	Paras	
1	Sales Tax	2	3	107	51.13
2	Entertainment Tax	1	9	18	12.52
3	Land Revenue	1	7	9	29.99
4	Stamp Duty and Registration Fees	1	-	-	-
5	M.V.T.	1	3	16	28.03

No meetings were convened by the Departments of Energy and Petro Chemicals, Information and Broadcasting, Forest and Environment, State Excise and Geology and Mining. This indicates that the above Departments have not taken initiative in using the machinery created for settling the outstanding audit observations.

1.14 Response of the Departments to Draft Audit Paragraphs

According to the Hand Book of Instructions for speedy settlement of Draft Paragraphs issued by the Finance Department on 12 March 1992, results of verification of facts contained in the draft paragraphs are required to be communicated to the Accountant General within six weeks from the date of

their receipt. In exceptional cases where it is not possible to furnish final reply to the draft paragraph within the above time limit, an interim reply should be given to the Accountant General.

Sixty two draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Revenue Receipts) were forwarded to the Secretaries of the respective Departments between February and April 2004 through demi-official letters. The Secretaries of the respective Departments did not send replies to 60 draft paragraphs. These paragraphs have been included in this Report without incorporating the response of the Secretaries of the Departments.

1.15 Follow up on Audit Reports-summarised position

As per instructions issued by the Finance Department on 12 March 1992, Administrative Departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken.

It was, however, noticed that the Audit Reports for the years 2000-01 and 2001-02 were presented to the State Legislature on 3rd April 2002 and 28th March 2003 respectively. Audit Report for the year 2002-03 has however not been presented in the Legislature so far. Certain Departments as detailed below, had not submitted explanatory notes for the number of paragraphs shown as of August 2004.

Name of the department	2000-01	2001-02	2002-03	Total
Finance (Sales Tax)	16	16	17	49
Revenue				
Stamp Duty	08	07	07	22
Land Revenue	05	05	06	16
Home (Transport)	06	06	07	19
Information, Broadcasting and Tourism (Entertainments Tax & Luxury Tax)	04	06	09	19
Industries Mines & Energy and Petrochemicals (Electricity Duty & Mining Receipts)	07	02	01	10
Total	46	42	47	135

The following table shows the revenue receipts for the year ended 31 March 2004. The total revenue receipts for the year are Rs. 100.00 lakhs. The revenue receipts are classified into various heads as follows:

Particulars	Rs. Lakhs
Income Tax	40.00
Corporate Tax	10.00
Income Tax on Dividend	5.00
Income Tax on Interest	5.00
Income Tax on Capital Gains	5.00
Income Tax on Other Income	5.00
Income Tax on Lottery	5.00
Income Tax on Betting	5.00
Income Tax on Gambling	5.00
Income Tax on Other Schemes	5.00
Income Tax on Other Heads	5.00
Total	100.00

CHAPTER – II

SALES TAX

2.1 Results of Audit

Test check of records in various Sales Tax Offices conducted in audit during the year 2003-04 revealed under assessment of Rs.348.19 crore in 579 cases, which broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Incorrect rate of tax and mistake in computation	70	6.64
2	Incorrect grant of set-off	58	2.30
3	Incorrect concession/exemption	37	48.19
4	Non/short levy of interest & Penalty	229	41.98
5	Other irregularities	184	25.06
6	Review on Receipt, issue and use of declaration forms	01	224.02
	Total	579	348.19

During the year 2003-04, the Department has accepted under assessment of Rs.99.60 lakh in 77 cases and recovered Rs.122.80 lakh in 106 cases, of which 37 cases involving Rs.53.40 lakh were pointed out during the year 2003-04 and rest in earlier years.

A few illustrative cases involving important audit observations and review on **Utilisation of declaration forms prescribed under Gujarat Sales Tax Act, 1969 and Central Sales Tax Act, 1956** involving Rs.270.51 crore, are discussed in the following paragraphs.

2.2 Utilisation of declaration forms prescribed under Gujarat Sales Tax Act, 1969 and Central Sales Tax Act, 1956

Highlights

Purchase tax of Rs.139.67 crore was not levied due to breach of recitals of certificate.

(Para 2.2.7)

Cross verification of sales valued Rs.284.30 crore with various declarations/certificates was not done.

(Para 2.2.8)

Short levy of tax of Rs.3.17 crore due to deductions allowed against declarations without keeping details/forms was noticed.

(Para 2.2.9)

Due to incorrect allowance of deductions against Form, tax of Rs.1.50 crore was short levied.

(Para 2.2.10)

Incorrect acceptance of incomplete declarations/details for branch transfer of goods valued at Rs.1,563.19 crore involving tax effect of Rs.32.91 crore was noticed.

(Para 2.2.13)

There was short recovery of tax of Rs.14.85 crore due to incorrect levy of concessional rates of tax against Form C and Form D.

(Para 2.2.14)

Due to irregular allowance of deductions of goods exported without Form H or incomplete Form H, tax of Rs.12.54 crore was short levied.

(Para 2.2.15)

Incorrect allowance of deduction without furnishing of the requisite forms in inter-state sale of goods resulted in short levy of tax of Rs.5.35 crore.

(Para 2.2.17)

Internal audit was found to be deficient.

(Para 2.2.19)

Introduction

2.2.1 Gujarat Sales Tax Act, 1969 (GST Act) provides certain facilities to the registered dealers. They are entitled to purchase goods without payment of tax or at concessional rates, if the goods so purchased are for resale or for use in the manufacture of goods for sale, provided the purchasing dealer furnishes prescribed declaration forms/certificates to the selling dealer. The GST Act also provides for grant of licence, recognition and permits to those registered dealers, who specifically opt for such facility and they can also enjoy the benefits of notification issued under Section 49(2) of the Act, either for exemption from payment of tax or for concessional rate of tax, in respect of sale or purchase of goods as per conditions enumerated in declarations under relevant provisions of Act/notifications.

Under Central Sales Tax Act, 1956 (CST Act), registered dealers are eligible to certain exemptions and concessions of tax on inter-state sales on the strength of prescribed declarations such as Forms C, D, E-I, E-II, F, H.

Organisational set up

2.2.2 The Commissioner of Sales Tax is the head of the Department and is assisted by Special Commissioner of Sales Tax (SCT) (Enforcement) and Additional Commissioner of Sales Tax (ACT) (Vigilance). The State is divided into seven divisions, each headed by a Deputy Commissioner (DC) of Sales Tax. The divisions are sub-divided into circles (Ranges), each headed by an Assistant Commissioner of Sales Tax (ACST). The circles are further divided into units which are supervised by the Sales Tax Officers (STOs). Validity and correctness of various exemptions and concessions claimed by the dealers are checked by the concerned ACST or STO during finalisation of assessments.

Scope of Audit

2.2.3 Records maintained in the offices of the Commissioner of Sales Tax, five[#] out of seven DCs and 32^{**} out of 128 Sales Tax units for the period from

[#] DCST-Division-1-Ahmedabad, DCST-Division-2-Ahmedabad, DCST-Division-6-Bhavnagar, DCST-Division-3-Gandhinagar and DCST-Division-4-Vadodara.

^{**} ACST-Circle-3-Ahmedabad, ACST-Circle-6-Ahmedabad, ACST-Circle-14-Bharuch, ACST-Circle-19-Bhavnagar, ACST-Circle-7-Gandhinagar, ACST-Circle-8-Mehsana, ACST-Circle-13-Nadiad, ACST-Circle-9-Palanpur, ACST-Circle-23-Rajkot, ACST-Circle-20-Surendranagar, ACST-Circle-16-Surat, ACST-Circle-11-Vadodara, ACST-Circle-12-Vadodara, STO-Unit-21-Ahmedabad, STO-Unit-22-Ahmedabad, STO-Unit-2-Anand, STO-Unit-1-Bhavnagar, STO-Bharuch, STO-Gandhinagar, STO-Kalol, STO-Kadi, STO-Mehsana, STO-Palanpur, STO-Unit-1-Surendranagar, STO-Unit-2-Surendranagar, STO-Unjha, STO-Unit-1-Vapi, STO-Unit-2-Vapi, STO-Unit-7-Vadodara, STO-Vijapur, STO-Viramgam and STO-Visnagar.

2000-01 to 2002-03 were test checked in audit between May 2003 and December 2003.

Audit Objectives

2.2.4 The review was conducted with a view to:

- evaluate the adequacy, reliability and effectiveness of the system of use of declaration forms/certificates,
- ascertain whether statutory provisions of the Rules were adhered to,
- examine whether deductions granted against declarations under different Sections of the Act were properly documented and
- review the efficacy of internal control to ascertain whether sufficient internal controls exist to ensure proper use of the forms in order to avoid leakage of revenue.

Internal Control

2.2.5 Internal Controls are intended to provide reasonable assurance of proper enforcement of laws, rules and Departmental instructions. These also help in prevention and detection of frauds and other irregularities. The internal controls also help in creation of reliable financial and management information system for prompt and efficient services and for adequate safe guards against evasion of taxes. It is, therefore, the responsibility of department to ensure that a proper internal control structure is instituted, reviewed and updated to keep it effective.

During the course of audit, it was noticed that lack of proper internal controls and monitoring of assessment cases finalised by the assessing authorities, resulted in non-observance of the provisions of the Act and Rules and Departmental instructions in regard to verification of declarations submitted by the dealers for claiming exemption or concessions in the assessments, are focused in the succeeding paragraphs.

2.2.6 Under the Gujarat Sales Tax Rules, 1970, various declarations/ forms prescribed under the GST Act and CST Act shall be obtained by the dealer from the registering authority (by whom these are kept in safe custody) on payment of requisite fee. Further, on cancellation of registration certificate, licence or permit, the dealer is required to surrender within two working days from the date of such cancellation any unused forms of declaration to the registering authority. There is no penal provision in the Act/ Rules to deal with the cases of non surrendering of forms within the prescribed time limit.

A new section 30(A) was introduced with effect from 1 September 2001 in the GST Act under which it was decided to issue new computerised registration numbers to all registered dealers. The existing dealers were required to apply afresh for new registration certificate till 31 March 2002. New registration numbers came into force with effect from 1 July 2002. The registration certificates of the dealers who had not applied for new registration certificates were cancelled.

It was noticed that though registration certificates of 142 dealers in the offices test checked had been cancelled during the period 2000-01 to 2002-03, the dealers had not surrendered the declaration forms. The Department also did not take any action to obtain the account of forms used and get back the unused forms from such dealers.

The Commissioner of Sales Tax directed in June 2002 to spot verify all cases who had not applied for registration afresh. However, verification had not been done in any of the cases so far. Scrutiny of cases of these dealers revealed that no accounts of utilisation had been furnished in respect of 7848^Σ declarations/certificates.

The department had not issued any notification invalidating such forms for which accounts of use had not been furnished. In the absence of putting the validating period in the certificates/declarations for which no provision exists, misuse of such forms by the dealers, could not be ruled out.

Non levy of purchase tax despite breach of recitals of declaration forms

2.2.7 A dealer can purchase goods against a declaration prescribed under entries notified under Section 49(2) of the GST Act at concessional rate for using them as raw or processing materials or consumable stores in the manufacture of taxable goods for sale in the State of Gujarat subject to prescribed conditions. In the event of breach of the recitals of the declaration, the dealer would become liable to pay purchase tax. Interest and penalty would also be leviable. The Supreme Court[#] has held that natural gas used as fuel in the manufacture of paper and paper products is not a consumable.

During test check of records of nine* ACST and three[@] STOs, it was noticed in the assessment of 24 dealers for the periods between 1996-97 and 2001-02 (finalised between July 2001 to March 2003) that the dealers had committed breach of recitals of prescribed conditions. This resulted in non/short levy of tax of Rs.139.67 crore including interest and penalty as detailed below:

^Σ Form 17-A, 75, 17 B-1306, 17 BB-150, 19-111, 20-35, 24 A-100, 24 B-3525, 26-375, LL-218, C-1810, F-72, E1-71.

[#] In the case of M/s. Coastal Chemical Vs. State of Andhra Pradesh (117-STC-12).

* Ahmedabad Circle 3 & 6, Ankleshwar, Bharuch, Gandhinagar, Rajkot Circle 23, Surendranagar, Surat Circle 25 and Vadodara Circle 12.

[@] Bharuch, Kalol and Vadodara.

Sl. No.	Location and No. of dealers	Period of assessment Month/Year of assessment	Tax (Rs. in lakh)	Nature of irregularities.
1	20 dealers [♦]	Between 1998-99 and <u>2001-02</u> July 2001 to March 2003	13290.88	In view of Supreme Court's judgement, purchase of fuel against Form 26/40 at concessional rate of 0.25 per cent and adjustment of tax saved against the monetary limit was irregular.
2	1 dealer of Surat	<u>1998-99</u> January 2002	11.08	Since 8.63 per cent of manufactured goods were branch transferred out side the State, purchase tax to the extent of tax saved was leviable for breach of declaration in Form 36.
3	1 dealer of Kalol	<u>1997-98</u> May 2002	1.01	As against levy of purchase tax of Rs.3.34 lakh for breach of recitals of Form LL on account of branch transfer of manufactured goods, purchase tax of Rs.2.75 lakh was levied in the assessment.
4	1 dealer of Vadodara	<u>1996-97</u> February 2002	0.46	HDPE [♦] granules valued Rs.2.88 lakh purchased against Form 34 were used in the manufacture of tax free goods contrary to the conditions of notification issued under section 49(2) of the Act.
5	1 dealer of Bharuch	<u>1998-99</u> March 2003	663.47	50.21 per cent of electricity generated was sold to other units in contravention of condition of Form-40 against which Naphtha valued Rs.44.07 crore was purchased at concessional rate of tax.
	Total		13,966.90	(Say Rs.139.67 crore)

After this was pointed out, the Department replied between May 2003 and June 2004 that in the cases of 20 dealers at Sr. No.1, as per public circular of 19 February 2001 issued by the CST, the judgement of Supreme Court would not apply to consumable stores as defined under GST Act and Rules. The

- ♦ Six of Bharuch, five of Gandhinagar, three of Ahmedabad, two of Vadodara, one each of Ankleshwar, Rajkot and Surendranagar. Further in case of one dealer (one assessment was finalised by A.C., Surendranagar and two assessments were finalised by D.C. Flying Squad, Ahmedabad).
- ♦ High Density Poly Ethylene.

reply is not tenable for the reasons that in the said judgement, the Supreme Court has held that the words in a notification derive its meaning from the adjacent words and by applying the principle of association of words, the term 'consumable stores' read with the terms 'raw material and processing material' would include only material which is used as input in a manufacturing process but is not identifiable in the final product by virtue of the reason that it has got consumed therein. Accordingly purchase of light diesel oil, furnace oil, lignite and natural gas against declarations for use as fuel by the industrial units was unauthorised.

In the case at Sr.No.3, the Department partly accepted the audit observation in June 2004. In remaining cases the facts were brought to the notice of the Department between February 2003 and November 2003; the reply has not been received (August 2004).

Non-observance of the system of cross verification of sales/purchases against declaration form

2.2.8 Under GST Act and notifications issued thereunder, a registered dealer is entitled to purchase goods without payment of tax or at concessional rate of tax against production of prescribed declaration forms. In order to prevent evasion of tax, Department has issued instructions for cross verification of such sales and purchases against forms and also prescribed Registers for the purpose of control of such cross verifications. In the event of furnishing false certificate the dealer is liable to be punished with simple imprisonment upto six months and/ or fine upto Rs.20,000/-. In the case of selling dealer interest and penalty would be leviable.

- During test check of the records of four[#] ACST and six^{##} STOs it was noticed in the assessment of 32 dealers for the period 1994-95 to 2000-2001 (finalised between April 2000 and March 2003) that cross verification in respect of sales of goods valued Rs.284.30 crore against various declarations/certificates involving tax of Rs.13.16 crore was not done. Registers prescribed for the purpose to follow up of cross checks received from and issued to other assessing authorities were also not maintained in any of the offices. In the absence of provision for submission of returns periodically in this respect to higher authorities, the Commissioner of Sales Tax was not able to monitor the compliance of the result of cross checks.

- During test check of the records of ACST, Surendranagar and STOs, Mehsana and unit 22, Ahmedabad, it was noticed in the assessment of five dealers for the period 1998-99 and 2001-02 finalised between July 2000 and March 2003 that deduction against Form 24B was allowed in excess of Rs.12.67 lakh from what had been claimed by the dealer and deduction of Rs.2.98 crore was allowed against fake/unauthorised forms. Failure on the part

[#] Bharuch , Bhavnagar, Palanpur and Vadodara.

^{##} Bhavnagar Unit 1, Bharuch, Surendranagar Unit 1 and 2, Vapi Unit 2 and Visnagar.

of the assessing officers to scrutinise the claim and cross check resulted in short levy of tax of Rs.14.61 lakh including interest and penalty.

- Further, based on specific information, the inspections carried out by the Department in June 2000 in Unjha of Mehsana District could detect misuse of certificate in Form 24 B for Rs.30.82 crore. The tax effect involved in this case was Rs.3.05 crore.

The above facts reveal that the mechanism of cross verification of transactions made against declarations by dealers needs to be strengthened so that revenue loss can be averted. The Department should devise a method and detailed instructions to be followed by the assessing officers in ensuring cross verification.

After this was pointed out (October-December 2002), the Department accepted in April 2004, the audit observation involving an amount of Rs.0.99 lakh and recovered the amount in one case. Particulars of recovery, if any and reply in remaining cases has not been received (August 2004).

Deduction allowed against declarations without details/forms

2.2.9 According to notification issued under Section 49(2) of the GST Act, a specified manufacturer is allowed to purchase raw materials, processing materials or consumable stores on production of Form 20 and 26 respectively for which rate of tax leviable is 0.25 *per cent*. The tax saved is to be adjusted against the exemption limit. The details of sales against declarations are to be kept in the assessment file for cross verification of transactions.

During test check of records of assessment of ACST, Nadiad and Circle 16, Surat and STO, Petlad, it was noticed in the assessments of three dealers for the periods between 1995-96 and 1998-99 finalised between May 2001 and July 2002 that on sales of goods valued Rs.22.92 crore made against Form 20 and Form 26, tax at concessional rate of 0.25 *per cent* was levied. However, neither the details of such sales nor the forms were kept on record to verify the correctness and validity of the claim. The amount of tax involved worked out to Rs.3.17 crore including interest and penalty.

The facts were brought to the notice of the Department between February and December 2003. The Department accepted the audit observation involving tax of Rs.0.47 lakh. Reply in the remaining cases has not been received (August 2004).

Incorrect allowance of deductions against Form

2.2.10 Under the GST Act, sales or purchases of prohibited^{&&} goods against certificate in Form 19 is not permissible.

During test check of the records of three^{*} ACST and nine^{##} STOs it was noticed in the assessments of 15 dealers for the period between 1993-94 and 2000-01 finalised between April 2000 and March 2003 that deductions on sales of goods valued Rs.15.24 crore against Form 19 were allowed though the dealer had either not furnished Form 19/furnished invalid form in five cases and purchased or sold prohibited goods in ten cases. This resulted in short levy of tax of Rs.1.50 crore including interest and penalty.

After this was pointed out, the ACST, Mehsana replied in May 2003 that Gujarat Sales Tax Tribunal[#] while relying on the judgement of High Court[@] of Madras observed that monetary limit in respect of more than one transactions for an individual Form C would at the most be a directory requirement and held that the transactions exceeding the monetary limit covered in a single Form C were entitled to concessional rate of tax in the same financial year. The principle laid down in the judgement had been followed in accepting Form 19.

The reply is not tenable for the reasons that the said judgement pertained to the transactions exceeding the monetary limit covered in a single Form C whereas in this case, the Form 19 furnished by the dealer was invalid. Replies in remaining cases have not been received (August 2004).

2.2.11 Under the GST Act and the Rules made thereunder, goods falling under Schedule IIB to the Act can be purchased against certificate in Form 17B. With effect from 1 August 1995, Jira (Cumin seeds) was removed from Schedule IIB and included in Schedule IIA.

During test check of the records of STO, Rajkot, it was noticed in the assessments of two dealers for the periods 1995-96 to 1998-99 finalised in May 2002 that sales of Jira valued Rs.5.80 crore against Form 17B was incorrectly deducted from sales turnover. This resulted in non-levy of tax of Rs.31.53 lakh including interest and penalty.

^{&&} Goods which are notified as prohibited for certain purposes under Section 2(21) of the GST Act.

^{*} Bharuch, Mehsana and Nadiad.

^{##} Unit-6 Ahmedabad, Anand, Bharuch, Morbi, Unit-1 Rajkot, Visnagar, Unit-5 and 7 Vadodara, and Vyara.

[#] M/s. Hidnustan Ciba Giegy Ltd., 2002 -Pt-I-STC.1 dated 17 January 2002.

[@] M/s. Bimetal Bearings Ltd., 1993-90-STC-128 dated 17 June 1992.

Incorrect acceptance of declaration Form 21 without obtaining proof of payment of tax

2.2.12 As per Section 22(2) of the GST Act, if the principal on whose behalf the commission agent has sold the goods shows to the satisfaction of the assessing authority that tax has been paid by his commission agent on such goods, the principal shall not be liable to pay tax again in respect of the same transaction. It has also been decided by Sales Tax Tribunal* that unless the principal establishes the fact of payment of tax by the commission agent he would be liable to pay tax even on such sales in respect of which a certificate in Form 21 has been produced by the commission agent.

During test check of the records of ACST, Ahmedabad, it was noticed in the assessment of one dealer for the period 1999-2000 (finalised in August 2002), that deductions for sale of goods valued Rs.23.22 crore to the commission agent against Form 21 were allowed. However, Form 21 and fact of payment of tax by the commission agent had not been obtained from the principal. The tax benefit of Rs.9.72 lakh including interest and penalty allowed to the principal in absence of above details was inadmissible.

Incorrect allowance of deductions against branch transfer/consignment of goods for sale outside the State against Form F

2.2.13 Under the provisions of the CST Act, the burden of proof in case of movement of goods from one State to another on consignment basis shall be on the dealer claiming the deduction. In order to claim deduction on branch transfer of goods, the dealer has to furnish either declaration in Form F alongwith proof of dispatch or other circumstantial evidences of transfer of goods.

During test check of nine* ACST and eightST STOs, it was noticed in the assessment of 34 dealers for the assessment period between 1995-96 and 2001-02 (finalised between March 2000 and March 2003), that the Assessing Authority had accepted incomplete declarations/details for branch transfer of goods valued Rs.1,563.19 crore. This has resulted in incorrect deduction of the turnover having a tax effect of Rs.32.91 crore including interest and penalty.

Incorrect levy of concessional rate of tax against Form C and D

2.2.14 Under the CST Act, production of Form C and Form D is mandatory for availing the benefit of concessional rate of tax. In the event of failure to

* In the case of M/s. Parekh Purshottam Prabhudas 1978 GSTB 462

† Circle 3 & 6 Ahmedabad, Bharuch, Circle-14, Gandhinagar, Nadiad, Surendranagar, Circle-16 Surat, Circle 11 & 12 Vadodara.

ST Unit 21 & 22 Ahmedabad, Unit-2 Anand, Bharuch, Gandhinagar, Kadi, Unit 7 Vadodara and Vijapur.

produce Form C/D, tax shall be levied at the rates specified in the Act. Further, as per the CST Rules, in the event of loss or destruction of Form C/D, a duplicate Form C/D alongwith indemnity bond is required to be furnished.

During test check of the records of ACST and STOs as shown in the table below, it was noticed that concessional rates were levied in 44 cases though the declarations had either not been produced or produced by the dealers were defective and/ or incomplete. This resulted in short levy of tax of Rs.14.85 crore including interest and penalty.

(Rupees in crore)

Sl. No.	Name of office No. of dealers	Period of assessment	Month/ Year of assessment	Value of goods	Short levy including interest and Penalty	Nature of Irregularity
1	<u>7 offices*</u> 12	1994-95 to 2001-02	May 2000 to March 2003	33.06	3.53	Concessional rate of tax allowed against duplicate counter foil instead of original counterfoil without indemnity bond.
2	AC Circle 7, <u>Gandhinagar</u> 01	1996-97 and 2001-02	May 2001 and February 2003	0.48	0.05	Concessional rate of tax allowed against xerox copies of Form C.
3	<u>11 offices#</u> 20	1996-97 to 2001-02	May 2000 to March 2003	27.57	1.98	Concessional rate of tax allowed on unauthorised/invalid/incomplete Form C.
4	STO Unit21, <u>Ahmedabad</u> 01	1997-98	January 2003	0.50	0.05	Concessional rate of tax allowed against xerox/unsigned copies of Form D.
5	<u>STO Unit 2, Vapi</u> 01	1998-99	March 2003	0.55	0.04	On inter-state sales without Form C tax was levied at 10 per cent instead of 12 per cent.

* A.C. Circle-7, Gandhinagar and STO Mehsana, Kadi, Gandhinagar, A.C.Circle-12, Vadodara, STO Unit-1, Bhavnagar, STO Unit-22, Ahmedabad.

ACs Gandhinagar & Mehsana, STO Mehsana, A.C.Circle-12, Vadodara, A.C.Surendrangar, STO Unit-1, Bhavnagar, A.C.Circle-11, Vadodara, A.C.Circle-16, Surat, STO Unit-13, 14 and 21, Ahmedabad.

6	STO Unit 17, Ahmedabad 08	02	1996-97	October 2001 and December 2001	21.53	1.51	On inter-state sales of cotton and steel without Form C tax was levied @ four <i>per cent</i> instead of eight <i>per cent</i> .
		06	1996-97 to 1999- 2000	March 2001 to March 2002	110.26	7.50	The benefit is not admissible to dealers as they were not having any place of business in the State of Gujarat.
7	STO Unit 7, Ahmedabad 01		1994-95	May 2001	1.17	0.19	On inter-state sales of detergent powder without Form C tax was levied at the rate of 1.25 <i>per cent</i> .
Total		44			195.12	14.85	

Acceptance of incomplete certificate in Form H for the export sales

2.2.15 As per the CST (Registration and Turnover) Rules, 1957, in support of his claim for export, the dealer has to furnish to the prescribed authority, a certificate in Form H, duly filled in all details viz. agreement for order, No. and date for or relating to such export, particulars of goods, means through which the goods have been exported alongwith its receipt No. and date and signed by the exporter alongwith evidence of export of such goods.

During test check of the assessment records of five[&] ACST and seven^{*} STOs, it was noticed in the assessment of 28 dealers for the periods between 1994-95 and 2001-02 finalised between March 2000 and March 2003, that in the case of 27 dealers the assessing authority had accepted incomplete certificates in Form H for export sales valued Rs.108.56 crore. No details/documents of exports were obtained and kept in the assessment records. In the remaining one case, deduction of Rs.47.22 lakh was allowed for sale of goods though Form H was not obtained and kept on the records. The tax involved in these cases was Rs.12.54 crore including interest and penalty.

2.2.16 Honorable Supreme Court^{**} had held that penultimate sale made against Form H to the exporter would be exempted from payment of tax provided the goods were exported by the purchaser in the same form in which these were purchased.

[&] Ahmedabad, Gandhinagar, Mehsana, Surendranagar and Vadodara.
^{*} Unit-22 & 23 Ahmedabad, Kalol, Kadi, Mehsana, Unjha and Unit-1 Vapi.
^{**} Vijayalakshmi Cashew Co. and others V/s. Tax Officer (100 STC P. 571).

During test check of the assessment records of four dealers of Visnagar, Ahmedabad, Bharuch and Junagadh for the periods 1995-96, 1998-99 and 1999-2000 finalised between January 2001 and March 2003, it was noticed that export of castor oil valued Rs.3.63 crore was not made in the same Form in which penultimate sale was made against Form H. This resulted in short levy of tax of Rs.30.82 lakh including interest and penalty.

After this was pointed out, STO, Visnagar replied that the transactions had taken place during 1995-96. As per the circular dated 9 December 2000 issued by the Commissioner of Sales Tax, the judgement of Supreme Court[®] holding that exemption from payment of tax would not be available, if the castor oil purchased against Form H is exported after refining, was effective from the date of judgement. The view taken by the Department is not tenable for the reasons that the judgement of September 1998 was only clarificatory and hence the judgement of December 1995 that the clearance of goods at the penultimate point of sale without payment of tax is permissible only in cases where the goods are exported in the same form in which it was purchased holds good from transactions originated from December 1995. The reply in the remaining cases, has not been received (August 2004).

Incorrect allowance of deductions against transfer of documents during inter-state sales against Forms E-I, E-II and C

2.2.17 In the course of inter-state sales of goods, if the purchasing dealer effects any subsequent sales during movement of goods, no tax is payable, provided the dealer claiming exemption produces a declaration in Form E-I or E-II secured from his selling dealer and declaration in Form C or D from his purchaser.

During test check of the records of Sales Tax Office, Unit 3, Surat, it was noticed in the assessment of a dealer for the period 1998-99 (finalised in September 2000) that inter-state sale of goods valued Rs.26.74 crore was exempted from the payment of tax though the dealer had not furnished the prescribed declaration forms. This resulted in short levy of tax of Rs.5.35 crore including interest and penalty.

2.2.18 Non prescription of physical verification and returns

Although physical verification of cash value document like form 'C' was an important instrument of control, fixed periodicity had not been prescribed for physical verification of stock of form 'C' and also other forms issued by the Department. The Department had also not prescribed any periodical returns on receipt, issue and utilisation of declaration forms. Vital control measures for minimising the risk of misuse of cash value documents viz. physical

[®] B.P. Oil Mills Ltd. V/s Sales Tax Tribunal (UP) (111 STC 188)

verification, surprise check and submission of periodical returns was not being used.

Internal Audit

2.2.19 Internal audit is generally defined as control of all controls or key internal control used to assess whether various prescribed systems were functioning reasonably well in the organisation.

Internal audit wing has been functioning within the Department since 1960 and detailed instructions to be followed on assessments by the Assessing Officers have been circulated. There is no regular system of monitoring by higher authorities whether these instructions are scrupulously followed except internal audit. The Commissioner of Sales Tax has prescribed 12,650 number of assessments to be checked in internal audit. This itself shows that only 3.6 *per cent* of total registered dealers (3.5 lakh dealers) are seen in internal audit. The mechanism of checking the quality of assessments and its monitoring is thus grossly inadequate.

The above facts were brought to the notice of the Government in April 2004; the reply has not been received (August 2004).

Recommendations

2.2.20 Government may consider taking the following steps to:

- prescribe validity period of various Forms prescribed under the CST Act to avoid their misuse;
- ensure that the assessing officers comply scrupulously with the provisions of the Rules while allowing deductions, exemptions against various forms;
- ensure that the assessing authorities account for properly unused declaration forms received back on cancellation of registration certificates so as to minimise misuse against them; and
- ensure that the Department minimise the number of forms of deduction and evolve a sound mechanism of their scrutiny and cross verification and strengthen the tax administration in this vital area.

2.3 Incorrect grant of benefits under sales tax incentive schemes

2.3.1 According to Sales Tax Incentive Schemes 1986-90, 1990-95 and 1996-2000, the eligible unit shall have to remain in production continuously during the period of eligibility for availing the benefit of Sales Tax Incentive Schemes mentioned in the eligibility certificate. If the eligible unit

discontinues commercial production at any time within the period of exemption for a period exceeding 12 months, entire amount of tax exempted is recoverable within a period of 60 days from the date of expiry of aforesaid period of 12 months. On failure to do so, the said amount shall be recovered from the eligible unit as arrears of land revenue. Further, if the eligible unit transfers any of its assets within a period of five years from the date of commencement of production, the exemption ceases to operate and the entire amount of tax exemption benefit availed is to be paid within a period of 60 days alongwith interest.

During test check of the records of Assistant Commissioner, Anand and three* STOs, it was noticed between January and April 2003 in four assessments finalised between May 2001 and March 2003, that a dealer holding eligibility certificate for the period from April 1995 to March 2001 had availed tax exemption of Rs.26.20 lakh even though the production was discontinued by him in November 1999. Other three dealers holding eligibility certificates for the periods from June 1993 to June 2003 had availed tax exemption of Rs.7.71 crore between 1997-98 and 1999-2000. The above dealers had disposed of/transferred their assets between 1997-98 and 1999-2000 within a period of five years of commencement of their production. However no action was taken to recover entire tax exemption availed of by these units as stipulated in these schemes. Non observance of the conditions incorporated in schemes by assessing officers resulted in incorrect availment of tax exemption benefit of Rs.7.97 crore including interest and penalty.

The above facts were brought to the notice of the Department between February and July 2003 and of the Government in March 2004; replies have not been received (August 2004).

2.3.2 Under the Sales Tax Incentive Schemes, the units which opt for deferment benefit are allowed to collect and retain the tax and pay it after a specified period. The deferred amount of tax is recoverable in six annual instalments beginning from the financial year subsequent to the year in which the unit exhausts the limit of incentive granted to it under the scheme or after the expiry of relevant period or time limit during which deferment is available, whichever is earlier. Further, as per Resolution of 17 February 1990, Government granted a package of concessions to various sick textile mills from 1984 onwards by way of deferment of sales tax. In the event of default in payment of tax deferred, interest at the rate of 24 *per cent* was leviable.

During test check of the records, of five# STOs, it was noticed between August 2002 and November 2003 from the register maintained for cases of deferment certificate holders who opted for availing deferment benefit, that in the case of two dealers the instalments of deferred tax of Rs.73.00 lakh were paid late ranging between 12 months and 29 months. In the case of three dealers, the deferred tax of Rs.31.73 lakh was neither paid by them nor demanded by the Department and in one more case the dealer had availed excess deferment benefit of Rs.2.77 lakh. However the Assessing Authorities have failed either

* Ahmedabad, Junagadh and Surat.

Two of Gandhinagar, one each of Ahmedabad, Junagadh and Valsad.

to recover interest or tax and interest in these cases. This resulted in non recovery of tax of Rs.1.32 crore including interest/penalty.

The above facts were brought to the notice of the Department between January and October 2003 and of the Government in March 2004. The Department accepted between March and December 2003 the audit observations involving an amount of Rs.1.30 crore in case of five dealers and recovered an amount of Rs.83.28 lakh in case of three dealers. Further particulars of recovery in case of two dealers and reply in remaining one case has not been received (August 2004).

2.3.3 Under the Sales Tax Incentive Schemes, the goods manufactured by an eligible unit are to be sold within the State of Gujarat. In the event of transfer of the manufactured goods by an eligible unit to its branch or to the place of business of its agent outside the State, 4 *per cent* of the sale price of the goods so transferred is to be adjusted against the total tax exemption/deferment limit admissible.

During test check of the records of three[#] Assistant Commissioners and STO, Vapi, it was noticed between January and October 2003 in the assessment of four dealers for the periods between 1994-95 and 1999-2000 finalised between October 2001 and March 2003 that though they had consigned/transferred manufactured goods worth Rs.16.53 crore to their branches outside the States, 4 *per cent* of the sale price of the goods so transferred was not adjusted against the ceiling limit. This resulted in short adjustment of tax of Rs.63.69 lakh including interest and penalty.

The above facts were brought to the notice of the Department between January and September 2003 and of the Government in March 2004. The Department accepted between January and March 2004 the audit observations involving Rs.16.20 lakh and adjusted Rs.14.54 lakh against the ceiling limit in case of two dealers; replies in the remaining cases have not been received (August 2004).

2.3.4 The benefit of sales tax exemption/deferment is admissible in respect of such goods which are specified in the eligibility certificates issued by the Industries Department to the units. Benefit of tax exemption/deferment availed on sale of goods not specified in the eligibility certificate is required to be recovered along with interest and penalty.

During test check of the records of STO, Kalol, it was noticed in September 2003 that while finalising the assessments between June 2002 and March 2003 in the case of two dealers for the years between 1995-96 and 1998-99, the Assessing Authorities allowed sales tax exemption of Rs.15.27 lakh on sale of goods valued at Rs.2.32 crore and adjusted against ceiling limit in respect of such goods which were not specified in the eligibility certificate issued by the Industries Department. The amount of tax so adjusted was required to be recovered along with interest and penalty which worked out to Rs.34.92 lakh.

[#] Two of Vadodara and one of Bharuch.

The above facts were brought to the notice of the Department in November 2003 and of the Government in March 2004; replies have not been received (August 2004).

2.3.5 According to Sales Tax Incentive Schemes, the eligible units holding exemption certificate are allowed to purchase raw materials, processing/packing materials and consumable stores against declarations on payment of tax at the rate of 0.25 *per cent* of the tax payable. The balance of tax saved on purchases with reference to different rates as prescribed in the schedules to the Act is adjusted against the ceiling limit of exemption. Similarly, tax saved on sale of manufactured goods is also adjusted against the ceiling limit of exemption.

During test check of the records of two Assistant Commissioners of Surendranagar and 11[#] STOs, it was noticed between January 2001 and September 2003 in the assessment of fifteen dealers for the periods between 1995-96 and 2001-02 (finalised between March 2001 and March 2003) that tax saved on purchases of chlorine gas, HDPE woven sacks, chemicals, frit, mango pulp, MS roll printing and granules valued at Rs.4.38 crore against declarations, was computed at incorrect rates in case of eight dealers. Similarly tax on sale of manufactured goods i.e., medicines, cement blocks and pipes, audio cassettes, drugs, sanitary wares, chemicals and yarn valued at Rs.3.11 crore was also computed at incorrect rates in the case of seven dealers. Application of incorrect rate of tax resulted in short adjustment of tax of Rs.24.16 lakh.

The above facts were brought to the notice of the Department between January 2002 and November 2003 and of the Government in March 2004. The Department accepted between May 2003 and July 2004 the audit observations and recovered Rs.22.20 lakh in case of ten dealers; replies in the remaining cases have not been received (August 2004).

2.3.6 According to Sales Tax Incentive Schemes, a specified manufacturer is allowed exemption from payment of tax in respect of goods manufactured by him subject to conditions laid down in the respective schemes. One of the conditions was that as sale of manufactured goods are exempt from payment of tax, deduction from turnover against certificates shall not be allowed. The tax so exempted is adjusted against the ceiling limit fixed by the competent authority. The GST Act also did not authorise for adjustment of purchase tax leviable under Section 15-B of the Act against the exemption ceiling limit.

During test check of the records of Assistant Commissioner, Bharuch it was noticed in October 2003 in the assessment of a dealer for the periods 1997-98 and 2000-01 finalised between April and May 2002 that though purchase tax was payable by the dealer under the GST Act in cash, it was incorrectly adjusted against the exemption ceiling limit which was irregular. This resulted in short levy of Rs.26.03 lakh including interest and penalty.

[#] Four of Vadodara, two of Bharuch, two of Kalol and one each of Ahmedabad, Gandhinagar and Surat.

The above facts were brought to the notice of the Department in November 2003 and of the Government in March 2004. Reply has not been received (August 2004).

2.4 Non levy of purchase tax

Under Section 15 of the GST Act, where a dealer purchases any goods specified in Schedule-II from an unregistered dealer, unless the goods so purchased are resold, purchase tax is leviable at the prescribed rates. Ginning activity to obtain cotton and cotton seeds (by-product) is not a manufacturing activity as decided by Gujarat Sales Tax Tribunal. The Supreme Court[&] held that where a subsidiary product is continuously processed in the course of manufacture and sold regularly, an intention can be attributed to the manufacturer to manufacture and sell not merely the main item manufactured but also the subsidiary products.

During test check of the records of two Assistant Commissioners, Ahmedabad and 20^{*} STOs, it was noticed between December 2001 and November 2003 in the assessment of 140 dealers for the periods between 1994-95 and 2001-2002 finalised between June 2000 and March 2003 that the dealers procured unginning cotton valued at Rs.210.65 crore from farmers (unregistered dealers) to obtain cotton and cotton seeds through ginning process. Cotton seeds were further used to obtain oil and oil cakes which was a manufacturing activity and thus, liable to purchase tax, which was not levied. This resulted in non levy of purchase tax of Rs.13.07 crore including interest and penalty.

The above facts were brought to the notice of the Department between February 2002 and December 2003 and of the Government in March 2004; the Department accepted in June 2004 the audit observations involving an amount of Rs.0.86 lakh in case of one dealer. However, Government's reply is awaited (August 2004).

2.5 Non/short levy of tax due to mis-classification of goods

Under the GST Act, tax is leviable at the rates as indicated in the Schedules to the Act, depending upon the classification of goods. However, where goods are not covered under any of the Schedules, general rate of tax is applicable.

During test check of the records of three[#] Assistant Commissioners and three^{**} STOs, it was noticed between February and August 2003 in the assessment of six dealers for the periods between 1995-96 and 2001-2002 finalised between April 1999 and March 2003 that the Assessing Officers levied tax at incorrect

[&] Commissioner of Sales Tax, Bombay Vs. Bharat Petroleum Corporation Ltd. 1995(77)ELT790(SC).

^{*} Four of Ahmedabad, three of Rajkot, two each of Mehsana, Kadi, Surendranagar and one each of Botad, Himatnagar, Morbi, Palanpur, Porbandar, Vadodara and Visnagar.

[#] Surat, Surendranagar, Vadodara.

^{**} Junagadh, Mehsana and Surendranagar.

rates on sales of various goods valued at Rs.33.87 crore due to misclassification of goods. This resulted in non/short levy of tax of Rs.4.02 crore as detailed below:

(Rupees in lakh)

Sl. No.	No. of dealers (Location)	Name of commodity	<u>Rate of tax leviable</u> <u>Rate of tax levied</u> (per cent)	Tax short levied.
i	One dealer (Surat)	Machinery, Electric goods, Electric Motors, and Pipes	$\frac{8.8}{4.4}$	185.92
2	One dealer (Mehsana)	Laminated HDPE Woven sacks	$\frac{6}{2}$	31.29
3	Two dealers (Junagadh and Surendranagar)	Briquettes	$\frac{12 \text{ and } 14}{\text{Nil}}$	100.92
4	One dealer (Surendranagar)	Phenyl	$\frac{12}{2}$	3.87
5	One dealer (Vadodara)	Ceramic glaze mixture	$\frac{12 \text{ and } 14}{6}$	79.95
			Total	401.95

The above facts were brought to the notice of the Department between March and September 2003 and of the Government in February 2004. The Department accepted in June 2004 the audit observations involving an amount of Rs.11.71 lakh in the case of one dealer. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.6 Application of incorrect rate of tax

Under the GST Act, sales tax is leviable at the rates as indicated in the Schedules to the Act. The goods not covered under any of the Schedules are taxed at the general rate.

During the test check of the records of five[&] Assistant Commissioners and eight* STOs, it was noticed between May 2002 and December 2003 in the assessment of 13 dealers for the periods between 1993-94 and 2001-2002 finalised between September 2000 and March 2003 that sales turnover of Rs.19.28 crore of various goods were taxed at incorrect rates. This resulted in short levy of tax of Rs.1.12 crore including interest and penalty as given below:

[&] Two of Ahmedabad and one each of Ankleshwar, Gandhidham and Godhra.

* Two of Ahmedabad, two of Surat and one each of Billimora, Kalol, Rajkot and Vapi.

(Rupees in lakh)

Sl. No.	No. of dealers (Location)	Name of commodity	Rate of tax leviable/ Rate of tax levied (per cent)	Turnover	Tax short levied
1	One dealer (Surat)	Edible oil	$\frac{4.4}{2.2}$	49.60	1.63
2	One dealer (Bilimora)	Ayurvedic medicine	$\frac{5}{4}$	30.25	0.59
3	One dealer (Rajkot)	Castor oil	$\frac{5}{4}$	1235.99	42.74
4	One dealer (Ahmedabad)	Windmill part	$\frac{8}{4}$	137.46	11.17
5	One dealer (Ahmedabad)	Motor vehicle	$\frac{12}{5}$	24.52	1.77
6	One dealer (Gandhidham)	Recycled agglomerate sheet & LDPE	$\frac{12}{4}$	54.11	26.93
7	One dealer (Ahmedabad)	Body built on chasis of motor vehicle	$\frac{12}{4}$	21.62	2.29
8	One dealer (Vapi)	Metal	$\frac{12}{4}$	12.64	1.42
9	One dealer of (Kalol)	Computer stationery	$\frac{12}{4}$	45.95	4.48
10	One dealer (Ahmedabad)	Bulk drugs "dextrose anhydrous and calcium gluconate"	$\frac{10}{4}$	198.53	15.51
11	One dealer (Surat)	Tooth brush	$\frac{12}{10}$	17.50	0.60
12	One dealer (Ankleshwar)	Plasticizer	$\frac{6}{5}$	53.52	0.89
13	One dealer (Godhra)	Copper scrap	$\frac{6}{4}$	45.83	1.84
Total				1927.52	111.86

The above facts were brought to the notice of the Department between February and November 2003 and of the Government in March 2004. The Department accepted between May 2003 and July 2004 the audit observations involving an amount of Rs.9.18 lakh in case of seven dealers and recovered Rs.5.13 lakh in case of five dealers; particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.7 Non/short levy of turnover tax

Under the GST Act, where the sales turnover of a dealer, liable to pay tax, first exceeds Rs.50 lakh, the dealer is liable to pay turnover tax at prescribed rate on the turnover of sales of goods other than declared goods after allowing permissible deduction under the Act. From April 1993, sales made against various declarations and sales exempted from tax, were excluded from the permissible deductions making such sales liable to turnover tax. While working out the liability and applicability of rate of turnover tax, the taxable sales turnover in aggregate of all the branches of the dealer within the State is to be considered.

During test check of the records of the Deputy Commissioner of Sales Tax (Flying Squad), Ahmedabad, eight* Assistant Commissioners and 17** STOs, it was noticed between November 2002 and October 2003 in the assessment of 29 dealers for the periods between 1993-94 and 1996-97 finalised between July 2000 and March 2003 that turnover tax was either not levied/short levied or levied at incorrect rates on turnover of Rs.154.61 crore. This resulted in short/non levy of turnover tax of Rs.1.65 crore.

The above facts were brought to the notice of the Department between February and November 2003 and of the Government in February 2004. The Department accepted between May 2003 and June 2004 audit observations involving an amount of Rs.15.89 lakh in the case of fourteen dealers and recovered Rs.6.76 lakh in the case of five dealers. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.8 Incorrect grant of set-off

2.8.1 While assessing the tax payable by a manufacturer registered under the GST Act, the Commissioner shall, subject to general condition of Rule 47 and further conditions specified under Rule 42 of GST Rules, grant him set-off of the whole or any part of the tax in respect of purchases of goods (other than prohibited goods) used by him in the manufacture. Conditions inter alia provided for reduction of four per cent of sale price of manufactured goods consigned/branch transferred out side the state from the amount of set-off worked out.

During the test check of the records of eight# Assistant Commissioners and 10& STOs, it was noticed between January and December 2003, in the assessments of 22 dealers for the periods between 1993-94 and 2002-03 finalised between May 2001 and March 2003 that excess set-off of Rs.65.16 lakh including interest and penalty was allowed as detailed below:

* Four of Surat, three of Ahmedabad, one of Gandhidham.

** Two each of Godhra, Rajkot, Visnagar and one each of Ahmedabad, Gandhidham, Jamnagar, Junagadh, Kalol, Mehsana, Mahuva, Surat, Vadodara, Vapi and Vyara.

Five of Ahmedabad and one each of Ankleshwar, Bhavnagar and Gandhinagar.

& Five of Ahmedabad, two of Kalol and one each of Anand, Modasa and Vadodara.

Sl. No.	No. of dealers (Location)	Nature of irregularity	Excess set-off allowed (Rs. In lakh)
1	15*	Set-off was allowed on LDO/LPG used as fuel though these were not consumables.	56.29
2	3 (Kalol, Surendranagar and Vadodara)	Set-off was allowed on edible oil, vanaspathi ghee, mineral water, jam-jelly, hardware, bulk drugs, sand etc. at incorrect rates.	4.25
3	3 Modasa-2 and Ahmedabad-1	Set-off was allowed on the purchase of prohibited goods i.e. C.I. steel castings, S.S. castings and bearings.	1.74
4	1 Ahmedabad	Set-off was not admissible as the condition of Rule 47 of maintenance of the account was not satisfied.	2.88
Total	22		65.16

The above facts were brought to the notice of the Department between February and December 2003 and of the Government in May 2004. The Department accepted between September 2003 and May 2004 the audit observations involving an amount of Rs.3.17 lakh in case of four dealers and recovered Rs.0.91 lakh in case of one dealer. Particulars of recovery and replies in the remaining cases have not been received. (August 2004).

2.8.2 Under GST Act, where a dealer purchases any taxable goods other than declared goods and uses them as raw materials processing material or as consumable stores in the manufacture of taxable goods, purchase tax at prescribed rate is leviable. Purchase tax so levied is admissible as set-off under GST Rules, provided the goods manufactured are sold by the dealer in the State of Gujarat.

During test check of three ** Assistant Commissioners and seven *** STOs, it was noticed between February 2002 and September 2003 in the assessment of 10 dealers for the period between 1993-94 and 1999-2000 finalised between June 1999 and March 2003 that though the dealers had transferred the manufactured goods either to their branches, consigned out side the State or sold through commission agents, set-off of purchase tax was not disallowed proportionately. This resulted in excess grant of set-off of Rs.46.89 lakh including interest and penalty.

* Ten of Ahmedabad, one each of Ankleshwar, Anand, Bhavnagar, Gandhinagar and Kalol.

** Gandhidham, Jamnagar and Surat.

*** Two of Vapi, one each of Ahmedabad, Kalol, Mehsana, Vadodara and Vyara.

The above facts were brought to the notice of the Department between April 2002 and November 2003 and of the Government in January and February 2004. The Department accepted between May 2003 and April 2004 the audit observations involving an amount of Rs.12.48 lakh in case of two dealers and recovered Rs.9.35 lakh in case of one dealer. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.8.3 According to the GST Rules, no set-off shall be granted where the vendor who has sold the goods to the claimant has not credited in the Government treasury, the amount of tax on his sales for which set-off is claimed. Further, the GST Act provides that where a dealer to whom incentives by way of deferment of sales tax or purchase tax or both have been granted by virtue of an eligibility certificate granted by the Commissioner of Industries and where a loan liability equal to the amount of any such tax payable by such dealer has been raised by the GIIC[§] or GSFC[&], then such tax shall be deemed, in public interest, to have been paid.

During test check of the records of Assistant Commissioner, Ahmedabad and three[#] STOs, it was noticed between February and November 2003 in the assessment of four dealers for the periods between 1993-94 and 1999-2000 finalised between May 2001 and January 2003 that in the case of two dealers set-off was allowed on purchases of goods from dealers holding deferment certificate where conditions for deemed payment were not satisfied. In the case of one dealer set-off was allowed without obtaining any proof of tax having been paid by him and in one more case the dealer was allowed excess set-off due to calculation error. This resulted in incorrect grant of set-off of Rs.43.11 lakh including interest and penalty.

The above facts were brought to the notice of the Department between April and December 2003 and of the Government in February 2004; replies have not been received (August 2004).

2.9 Incorrect allowance of deduction

Under the GST Act, resale of tax paid goods purchased from a registered dealer and the sales made on certain declarations are allowed without payment of tax subject to fulfillment of prescribed conditions. Such sales and purchases are deducted from the gross turnover to compute taxable turnover. Sale of prohibited[^] goods against declaration in Form 19 is not permissible.

During the test check of the records of the Assistant Commissioner, Ahmedabad and four^{*} STOs, it was noticed between December 1999 and June 2003 in the assessment of six dealers for the periods between 1992-93 and

[§] Gujarat Industrial Investment Corporation.

[&] Gujarat State Financial Corporation.

[#] Two of Ahmedabad, one of Vadodara.

[^] Goods which are notified as prohibited for certain purposes under section 2(21) of the GST Act, 1969.

^{*} Bhavnagar, Modasa, Surat and Surendranagar.

1999-2000 finalised between March 1999 and May 2002, that claims of deductions were incorrectly allowed from the gross turnover. Omission on the part of Assessing Officer resulted in non-levy of tax of Rs.63.06 lakh as detailed below:

(Rupees in lakh)

Sl. No.	No. of dealers (Location)	Period/Month/ Year of assessment	Taxable turnover/ Short levy	Nature of irregularity
1	One dealer (Bhavnagar)	1998-99 and 1999-2000/ April and May 2001	<u>144.48</u> 38.11	The dealer was engaged in the manufacture of profile cuttings from iron scrap which though amounted to manufacture was allowed as RD ^s resales.
2	One dealer (Ahmedabad)	1993-94 and 1996-97/ August 1999 and October 2001	<u>182.44</u> 13.24	Master batch granules being prohibited goods, sale against Form 19 was irregular.
3	One dealer (Surat)	1997-98/ November 1999	<u>42.58</u> 6.21	Deductions from turn over was allowed in support of which Form 19 was not produced and kept on records.
4	Two dealers (Modasa)	1998-99 and 1999-2000/ May 2002 and October 2001	<u>45.12</u> 4.06	As per certified copy of the Balance Sheet and Profit and Loss account, there was no closing balance of finished goods including branch office, deduction allowed as branch transfer was irregular and tax was leviable in case of one dealer. In another case though the sale or purchase of de-oil cake was leviable to tax at the rate of two <i>per cent</i> upto December 1999 and four <i>per cent</i> thereafter, sales value of de-oil cake was deducted from the sales turnover without levying any tax.
5	One dealer (Surendranagar)	1992-93/ March 1999	<u>12.49</u> 1.44	Sales of oil cakes effected between April and June 1992 against Form 24A prior to the date of registration on 15 September 1992 of the purchasing dealer was incorrect and hence the deduction allowed from gross turnover on such sales was not permissible.
		Total	<u><u>427.11</u></u> 63.06	

The above facts were brought to the notice of the Department between March 2001 and March 2003 and of the Government in March 2004. The Department accepted between February 2002 and May 2004 the audit observations involving an amount of Rs.43.12 lakh in case of four dealers and recovered

^s Registered dealer.

Rs.2.25 lakh in case of three dealers. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.10 Non-levy of tax

Under the GST Act, goods of incorporal or intangible character like patents, trade marks, import licence etc., and sales by transfer of right to use the goods are chargeable to tax at the prescribed rates in schedule II and III respectively.

During test check of the records of two* Assistant Commissioners, and seven# STOs, it was noticed between December 2002 and August 2003 in the assessment of ten dealers for the periods between 1995-96 and 2000-01 finalised between August 2000 and August 2003 that no tax was levied on Rs.686.90 crore on account of sale of advance licence, import licence, Duty Entitlement Pass Book (DEPB) licence etc in nine cases. Tax was short levied in the remaining one case due to computation error. This resulted in non-levy of tax of Rs.55.10 lakh including interest and penalty.

The above facts were brought to the notice of the Department between May and November 2003 and of the Government in March 2004. The Department accepted between April and May 2004 the audit observation involving an amount of Rs.13.47 lakh in case of four dealers and recovered Rs.0.76 lakh in case of two dealers. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.11 Short levy due to computation error

Under the GST Act, tax is leviable at different rates as laid down in Schedules to the Act.

During test check of the records of the Assistant Commissioner, Godhra and four⊕ STOs, it was noticed between January and July 2003 in the assessment of five dealers for the periods between 1992-93 and 1998-99 finalised between January and July 2003 that two dealers had been allowed excess credit of tax of Rs.2.51 lakh, in one case the dealer had paid tax short by Rs.0.72 lakh, in another case tax was incorrectly computed as Rs.8.48 lakh instead of Rs.10.48 lakh and in the remaining one case, opening balance of incentive benefit of Rs.4.01 lakh for 1995-96 was incorrectly carried forward as opening balance of 1996-97. This resulted in short levy of tax of Rs.9.24 lakh including interest and penalty.

The above facts were brought to the notice of the Department between February and August 2003 and of the Government in March 2004. The Department accepted between August 2003 and May 2004 the audit

* Gandhidham and Vadodara.

Two of Ahmedabad and one each of Billimora, Junagadh, Kalol, Surat and Vapi,

⊕ Ahmedabad, Porbandar, Surat and Vadodara.

observations involving an amount of Rs.6.56 lakh in case of three dealers and recovered the amount of Rs.2 lakh in case of one dealer. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.12 Non levy of additional tax

Under the GST Act, every dealer liable to pay tax on sale or purchase of goods under Section 3 or 3A of the Act, is liable to pay an additional tax at the rate of 10 per cent on such tax with effect from April 2000.

During test check of the records of Assistant Commissioners, Gandhinagar and Vadodara and three^{\$} STOs, it was noticed (between December 2002 and December 2003) in the assessment of five dealers for the periods between 1989-90 and 2001-2002 (finalised between April 2001 and March 2003) that additional tax was not levied. This resulted in non-levy of additional tax of Rs.6.05 lakh including interest and penalty.

The above facts were brought to the notice of the Department between February 2003 and January 2004 and of the Government in February 2004. The Department accepted between April and May 2004 the audit observations involving an amount of Rs.3.70 lakh in case of four dealers and recovered Rs.0.67 lakh in case of one dealer. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.13 Non levy of penalty

Under the GST Act, where the amount of tax assessed or reassessed exceeds the amount of tax paid with the return by a dealer by more than 25 per cent, a penalty not exceeding one and one half times of the difference shall be levied. Further as per the Commissioner's circular issued in June 1992 and November 1996, in cases where additional tax liability arises due to seizure of books of accounts by enforcement branch or where evasion of tax is detected, penalty is to be levied after adding 50 per cent of penalty so calculated.

During test check of the records of the Dy. Commissioner of Sales Tax, Ahmedabad, 18^{*} Assistant Commissioners and 27[#] STOs, it was noticed between February 2002 and December 2003 in the assessment of 46 dealers for assessment periods between 1994-95 and 2001-02 (finalised between April 2001 and March 2003) that the penalty was not levied at prescribed rate where difference of tax exceeded by twenty five per cent in forty four cases and

^{\$} Anand, Godhra and Visnagar.

^{*} Five of Gandhinagar, four of Ahmedabad two each of Gandhidham, Surat, Vadodara, one each of Godhra, Valsad and Vapi.

[#] Five each of Ahmedabad and Nadiad, three each of Bharuch and Vapi, one each of Botad, Godhra, Himatnagar, Jetpur, Junagadh, Modasa, Nadiad, Porbandar, Rajkot, Valsad and Vyara.

penalty at enhanced rate was not levied on the concealed sales tax detected during raids in two cases. This resulted in non-levy of penalty of Rs.4.34 crore.

The above cases were brought to the notice of the Department between March and November 2003 and of the Government in January 2004. The Department accepted between July 2003 and June 2004 the audit observations involving an amount of Rs. 1.20 crore in case of 19 dealers and recovered the amount of Rs.1.51 lakh in case of three dealers. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

2.14 Non/short levy of interest

Under the GST Act, if a dealer does not pay the amount of tax within the prescribed time limit, simple interest at the rate of 24 *per cent* per annum upto 31 August 2001 and at 18 *per cent* thereafter is leviable on the amount of tax remaining unpaid for the period of default.

During test check of the records of the Deputy Commissioner of Sales Tax, Ahmedabad, 23* Assistant Commissioners and 16^s STOs, it was noticed in the assessment of 40 dealers for the periods between 1990-91 and 2001-02 finalised between March 2000 and March 2003 that interest amounting to Rs.8.63 crore was either not levied or levied short on the amount of unpaid tax.

The above facts were brought to the notice of the Department between July 2001 and January 2004 and of the Government in February 2004. The Department accepted between September 2003 and June 2004 the audit observations involving an amount of Rs.32.46 lakh in case of 16 dealers and recovered an amount of Rs.7.21 lakh in case of five dealers. Particulars of recovery and replies in the remaining cases have not been received (August 2004).

The above matters were followed up with reminders to the Principal Secretary in April/June and Chief Secretary in July 2004. However, replies were received in few cases only.

* Eight of Ahmedabad, five of Gandhinagar, three of Vadodara, two each of Bhavnagar, Godhra and one each of Bharuch, Vapi and Surendranagar.

^s Three each of Ahmedabad, Vadodara, two each of Junagadh, Kalol, Porbandar, and one each of Godhra, Surat, Valsad and Vyara.

CHAPTER – III

LAND REVENUE

3.1 Results of Audit

Test check of assessment records in the offices of the Collectors, District Development Officers, Taluka Development Officers, District Inspectors of Land Records and City Survey Superintendents conducted in audit during the year 2003-04, disclosed non/short recovery and loss of revenue amounting to Rs.18.85 crore in 164 cases. These cases broadly fall under the following categories:

(Rupees in crore)			
Sl. No.	Category	No. of cases	Amount
1	Non/short recovery of occupancy price and interest	3	12.26
2	Non-raising of demand for non agricultural assessment	13	0.23
3	Non-recovery of conversion tax and interest	87	1.68
4	Loss of revenue due to non registration of documents	51	4.40
5	Non levy of premium price due to adoption of incorrect rates of tax	1	0.26
6	Non reconciliation of credits with the treasury office	9	0.02
	Total	164	18.85

During the year 2003-04, the Department accepted and recovered under assessment of Rs.21.60 lakh in 62 cases pertaining to earlier years. A few illustrative cases highlighting important audit observations involving Rs.44.45 crore are given in the following paragraphs.

3.2 Non recovery of occupancy price

Under the Bombay Land Revenue (BLR) Code 1879 (as applicable to Gujarat), and the Gujarat Land Revenue Rules, 1972, unoccupied land may be allotted on certain terms and conditions as may be specified in the permission order. The terms and conditions may inter alia include, payment of cost of unalienated land or to sell the same by auction before possession is handed over by the Collector on behalf of Government. Thus the Government is required to recover the price of the land before permission to occupy the land is granted.

During test check of the records of Collector, Bhuj it was noticed in October 2003, that the Collector issued orders in January 2003 for allotment of 24.62 lakh sq.mtrs of land to GIDC subject to recovery of price to be decided by the high level committee of the Government. The possession of the land was handed over to GIDC in March 2003 but till date the price of the land has not been fixed by the committee. This has resulted in non-recovery of estimated occupancy price of Rs.11.82⁹⁸ crore.

After this was brought to the notice of the Department in November 2003 and of the Government in January 2004, the Government replied in June 2004 that the matter was presented before the cabinet on 11 March 2003 to obtain post-facto approval but final orders of allotment on the issue could not be made due to adjournment. Orders about occupancy price shall be made when the cabinet approves the matter finally and interest for delay, if any, would be recovered. The reply is not tenable in view of the fact that the possession of the land has already been handed over to GIDC in March 2003 in contravention to the provisions of the Code. The occupancy price though recoverable before permission to occupy the land is granted has not been recovered so far. Further progress in the matter is awaited (August 2004).

3.3 Non/short levy of conversion tax

Under the BLR Code, conversion tax is leviable on change in mode of use of the land from agricultural to non-agricultural purposes or from one non-agricultural purpose to another in respect of land situated in a city or town including its peripheral areas falling within one to five kilometers. Different rates of conversion tax are prescribed for residential, industrial, commercial/other uses depending upon the population of the city/town. In case of Board/Corporation etc. no permission is required and conversion tax is leviable in the year in which the land is acquired. By issue of a notification in April 2003, the rates of conversion tax were revised with effect from 1 April 2003.

⁹⁸ Occupancy price has been estimated on the basis of land allotted in same survey number to Gas Authority of India Limited in August 2002.

During test check of the records of Mamlatdar (City) Vadodara, four^{\$} Collectors, eight[@] District Development Officers and 19[&] Taluka Development Officers, it was noticed between January and December 2003 that in 208 cases, conversion tax for change in mode of use, though leviable, was either not levied or levied at incorrect rate on 24.43 lakh sq.meters of land. Failure on the part of the departmental officials to follow the codal provisions resulted in non/short levy of conversion tax amounting to Rs.1.07 crore.

The above facts were brought to the notice of the Department between January and December 2003 and of the Government in January 2004. The Department accepted audit observations involving an amount of Rs.41.42 lakh in 108 cases and recovered an amount of Rs.6.22 lakh in 8 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received (August 2004).

3.4 Loss of revenue due to correction of records of rights without registration of documents

Under the BLR Code, the Talati of a village is authorised to correct the village records changing the ownership of the property on receipt of intimation in writing from any person within three months of acquiring a property. Section 17 of the Indian Registration Act, 1908 provides that registration of every document of sale, mortgage, lease or exchange of the property of the value of Rs.100 or more is compulsory. Further, the Bombay Stamp Act, 1958, empowers every person in charge of a public office to impound any instrument, produced before him in the performance of his functions, if it appears that such instrument is not duly stamped.

During test check of the records of the District Development Officer, Bhavnagar, Mamlatdar, Khambhat, three[#] Collectors and 10^{*} Taluka Development Officers, it was noticed between March and December 2003 that entries regarding rights of properties, valued at Rs.95.84 crore in 111 cases, were carried out by the Talaties between 2000-01 and 2002-03 in the village records of rights. Such entries of transfers/charges were made in favour of persons, financial institutions, banks etc., on the basis of intimations received from them though these intimations were not supported by valid registered documents. In 18 other cases, the concerned Collectors/District/Taluka Development Officers while according permission for non agricultural purposes did not impound the unregistered/unstamped irrevocable powers of attorney of properties in their favour produced by the parties before them.

^{\$} Ahmedabad, Bhavnagar, Jamnagar and Kheda.

[@] Bhavnagar, Himatnagar, Kheda, Mehsana, Navsari, Rajkot, Surat and Vadodara.

[&] Bhanvad, Bhavnagar, Dabhoi, Dhandhuka, Dholka, Harij, Himatnagar, Kalyanpur, Kalol, Kadi, Mangrol, Miyagam-Karjan, Patan, Paddhari, Savli, Songadh, Sidhpur, Unjha and Vandsa.

[#] Bhavnagar, Jamnagar and Mehsana.

^{*} Dholka, Khambhat, Kalol, Lalpur, Lakhtar, Mehsana, Paddhari, Savli, Sidhpur and Valsad.

Non-inclusion of corresponding provision in the Code making the production of registered documents compulsory for carrying out corrections in the village records and failure on the part of the departmental officials to exercise the powers conferred upon them under the Bombay Stamp Act, 1958 resulted in loss of revenue in the form of stamp duty and registration fees amounting to Rs.5.00 crore.

The above facts were brought to the notice of the Department between July and December 2003 and of the Government in January 2004; their replies have not been received (August 2004).

3.5 Non/short recovery of non-agricultural assessment

Under the BLR Code and the Rules made thereunder, land revenue is payable at the prescribed rates on all lands unless specifically exempted from payment. For determining the rates of non-agricultural assessment (NAA), cities, towns and villages have been divided into five classes "A" to "E" according to their population. Different rates depending on use of land are prescribed for each class of city/town/village. Peripheral areas falling within five kilometers of class "A" city and one kilometer of class "B" and "C" town/village are classified alongwith respective cities and towns. Certain industrial and adjoining areas which are notified by the Government are also classified as class "B" areas irrespective of the population of the concerned areas. All payments of land revenue shall be made to the officers of the village in which such revenue is due and noted in the prescribed forms/registers. The Code provides for issue of demand notice, distraint and sale of defaulter's movable/immovable property etc., by Village Officer for non payment of land revenue.

During test check of the records of four[#] Mamlatdar Offices and three[§] Taluka Development Offices, it was noticed between December 2002 and October 2003 that in 39 cases, on land measuring 22.55 lakh sq.mtrs. used for non-agricultural purposes during the period between 1998 and 2003 by housing societies, semi-Government bodies, associations, individuals etc., NAA was either not levied or was levied at incorrect rates. Failure to observe the codal provisions and initiate action resulted in non/short recovery of NAA of Rs.19.63 lakh as detailed below:

[#] Anand, Surat, Vadodara and Wadhwan.
[§] Dholka, Gandhinagar and Sami.

Sl. No.	Name of the Taluka/place No. of cases	Period	Area of land (sq.mtr. in lakh)	Amount (Rs. In lakh)			Nature of irregularity
				Recoverable	Recovered	Not/ short recovered	
1	Anand, Dholka, Surat, and Wadhwan 28	Between 1998-99 and 2001-02	9.47	10.23	Nil	10.23	NAA was not levied on land used for commercial and residential purposes.
2	Gandhinagar, Sami and Vadodara 11	Between 1998-99 and 2002-03	13.08	12.89	3.49	9.40	NAA was levied at lower rates and incorrect rates due to upgradation of villages.
	Total 39		22.55	23.12	3.49	19.63	

The above facts were brought to the notice of the Department between January and November 2003 and of the Government in January 2004; their replies have not been received (August 2004).

3.6 Non/short recovery of premium

The Government decided in July 1983 to permit land holders, holding the land under new and restricted tenure under the Bombay Tenancy and Agricultural Land Act, 1948, (as applicable to Gujarat) to convert their land into old tenure and to sell/transfer the same subject to payment of premium computed on the difference between the estimated sale price of the land and the occupancy prices recovered at the time of allotment of the land. This was further subject to payment of difference on actual sale price. The premium recoverable is 70 per cent of the difference when the land held for more than 20 years is permitted to be sold for non-agricultural purposes. From March 1996, the land situated in areas other than six Municipal Corporations/cities covered under the Gujarat Urban Land Ceiling Act/ Nagarpalika areas were also permitted to be sold/transferred for agricultural purpose subject to payment of premium at 60 times of Akar (assessment).

During test check of the records of Collector (LR), Gandhinagar, Mamlatdars Dholka and Surat (City), it was noticed between November 2002 and February 2003 that land measuring 2.89 lakh sq.mtrs. held under new and restricted tenure in 13 cases was allowed to be sold/transferred but premium at the prescribed rate was either not recovered or was recovered at incorrect rates. This resulted in non/short recovery of premium of Rs.15.45 lakh (Rs.48.03 lakh minus Rs.32.58 lakh).

The above facts were brought to the notice of the Department between February and April 2003 and of the Government in January 2004; their replies have not been received (August 2004).

3.7 Non crediting of education cess to the Government accounts by Municipal Corporations/Municipalities

Under the provisions of the Gujarat Education Cess Act, 1962, education cess in the form of surcharge for the purpose of providing the cost of promoting education in the State, is levied on all lands (agricultural/non-agricultural) and on lands and buildings situated in urban areas. This cess is collected by Land Revenue Authorities in rural areas and by Municipal Corporations/Municipalities in urban areas. The cess, thus realised by Municipal Corporations/Municipalities, is required to be credited into Government accounts. The Collector of the district has to monitor the education cess collected by the Municipal Corporations/Municipalities under his jurisdiction. Overall monitoring is to be done by the Director of Municipalities. If the amount collected is not credited to Government account by local authorities, the Government may direct the Bank/Treasury where such local authorities have account to pay such sum from such moneys as may be standing to credit of the local authority to the Government account.

During test check of records of the Director of Municipalities, Gandhinagar, it was noticed in January 2004 that though five[§] Municipal Corporations and 54[@] Municipalities had collected education cess of Rs.68.62 crore they credited only Rs.42.41 crore into Government accounts at the end of 30 September 2003. Failure to enforce the provision of the Act resulted in short recovery of education cess of Rs.26.21 crore from the Municipal Corporations/Municipalities.

The above facts were brought to the notice of the Department and of the Government in March 2004; their replies have not been received (August 2004).

The above matters were followed up with reminders to the Principal Secretary in April/June 2004 and Chief Secretary in July 2004. However, inspite of efforts, no reply was received from Government except in one case.

[§] Ahmedabad, Bhavnagar, Jamnagar, Rajkot and Surat.

[@] Anand, Ankleshwar, Anjar, Borsad, Bagasara, Bhuj, Bilimora, Bharuch, Chandkheda, Chhotaudepur, Dabhoi, Dehgam, Dwarka, Dahod, Devgadbaria, Deesa, Godhra, Ghatlodia, Gandhidham, Halol, Idar, Jodhpur, Jetpur, Jambusar, Kalol, Kali, Khedbrahma, Khambhat, Karjan, Kapadwanj, Kutiyana, Lunawada, Mehsana, Mahuva, Modasa, Nadiad, Navsari, Patan, Petlad, Padra, Porbandar, Palanpur, Ranip, Rajpipla, Sarkhej, Savarkundla, Surendranagar, Sidhpur, Talod, Unjha, Umreth, Visnagar, Valsad and Wankaner.

CHAPTER – IV

TAXES ON VEHICLES

4.1 Results of Audit

Test check of records in the offices of Commissioner of Transport, Regional Transport and Assistant Regional Transport Offices in the State, conducted in audit during the year 2003-04 disclosed under assessments, etc., amounting to Rs.164.91 crore in 103 cases. These cases broadly fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Non/short levy of composite tax	30	16.49
2	Non/short levy of motor vehicle tax	29	1.61
3	Other irregularities	44	146.81
	Total	103	164.91

During the year 2003-04 the Department accepted and recovered under assessment of Rs.36.44 lakh in 193 cases pertaining to earlier years. A few illustrative cases highlighting important audit observations involving Rs.14.42 crore are given in the following paragraphs.

4.2 Non/short levy of Motor Vehicles Tax

Under the Bombay Motor Vehicles Tax (BMVT) Act, 1958, and Rules made thereunder, the tax is levied and collected in advance on all motor vehicles used or kept for use in the State. An additional tax commonly known as Composite Tax is leviable in lieu of passenger tax on all omnibuses/luxury buses exclusively used or kept for use as contract carriage in the State. However, a vehicle owner may file declaration in advance if he does not intend to use or keep for use the vehicle in the State. These declarations are noted in the tax index cards/registers which are reviewed by taxation authorities to identify the defaulters for taking prompt action to recover the dues.

4.2.1 During test check of the records of 16[@] taxation authorities, it was noticed between June 2002 and November 2003 that operators of 820 omnibuses, who exclusively kept these vehicles for use as contract carriage had neither paid tax nor filed declarations for non-use for various periods between 2001-02 and 2002-03. Failure on the part of the departmental officials to enforce the procedural requirements resulted in non-levy of composite tax of Rs.11.63 crore.

The above facts were brought to the notice of the Department between July 2002 and December 2003 and of the Government in February 2004. The department accepted the audit observations involving an amount of Rs.9.71 crore in 578 cases and recovered an amount of Rs.1.55 crore in 193 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received.

4.2.2 During test check of records of 14[&] taxation authorities, it was noticed between November 2002 and November 2003 that in 477 cases, motor vehicles tax was not levied on the motor vehicles used for transport of goods or materials for the years 2001-02 and 2002-03 despite absence of any declaration regarding non-use of vehicles. Failure on the part of the departmental officials to adhere to the procedural requirements resulted in non-levy of motor vehicles tax of Rs.67.11 lakh.

The above facts were brought to the notice of the Department between January and December 2003 and of the Government in February 2004. The Department accepted the audit observations involving an amount of Rs.43.87 lakh in 379 cases and recovered an amount of Rs.14.00 lakh in 125 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received (August 2004).

4.3 Non/short levy of lump sum tax

Under the BMVT Act, the State Government prescribed rates of one time tax (lump sum tax), with effect from April 1987, leviable on all non-transport vehicles where unladen weight does not exceed 2,250 Kgs. Lump sum tax (LST) is leviable with reference to the cost of vehicle in respect of non-transport vehicle. From September 2001, LST is also leviable on transport vehicles used for carriage of goods or materials where registered laden weight does not exceed 3000 Kgs. In respect of such vehicles registered prior to September 2001, LST was recoverable according to the age of the vehicle in 12 equal monthly instalments.

[@] Ahmedabad, Amreli, Bardoli, Bhavnagar, Bharuch, Dahod, Godhra, Himatnagar, Jamnagar, Mehsana, Nadiad, Palanpur, Rajkot, Surat, Surendranagar and Vadodara.

[&] Ahmedabad, Amreli, Bardoli, Bharuch, Dahod, Godhra, Himatnagar, Jamnagar, Nadiad, Patan, Palanpur, Rajkot, Surendranagar and Vadodara.

During test check of the records of 12* taxation authorities, it was noticed between October 2002 and November 2003 that LST in respect of five non-transport vehicles was levied short due to incorrect calculation of cost of the vehicles or incorrect application of rate etc. Further, tax in respect of 1,103 transport vehicles used for carriage of goods registered prior to September 2001 was not recovered. Failure to follow the provisions of the BMVT Act resulted in non/short levy of lump sum tax of Rs.1.11 crore.

The above facts were brought to the notice of the Department between October 2002 and November 2003 and of the Government in February 2004. The Department accepted audit observations involving an amount of Rs.1.02 crore in 1,033 cases and recovered Rs.14.72 lakh in 133 cases. Particulars of recovery, if any, and reply in the remaining cases have not been received (August 2004).

4.4 Notional loss of interest due to delay in remitting of tax into Government account

Under Rule 8(1) of the Bombay Treasury Rules, 1960, all moneys received by or tendered to Government offices on account of the revenues of Gujarat State as far as possible shall be paid in full within two next working days into a treasury or bank and shall be included in the Treasury Accounts. Moneys received as aforesaid shall not be appropriated to meet departmental expenditure, nor otherwise kept apart from the Government Accounts. No Department of Government may require that any moneys received by it on account of the revenue of the State be kept out of Government Account. However, the Heads of the Departments, may by specific orders, extend the time limit for crediting the moneys into the treasury upto seven working days of receipts of such moneys if the circumstances in which moneys received by the officials under them in their official capacity are such that it is not practical to observe the limit of two working days.

During test check of the records of the Regional Transport Officer, Himatnagar, it was noticed in September 2002 that the day-to-day collection of tax and other dues made by the check post at Shamlaji were remitted into Dena Bank, Shamlaji by the Inspector in charge. Thereafter, Dena Bank transferred the amount so credited to the State Bank of India, Modasa, after a delay ranging from five to 23 days which was ultimately accounted for by the State Bank of India in the relevant head of Government account. Thus, due to delay in transfer of money into Government account, money ranging from 10 to 60 lakh on each occasion remained outside the Government account contrary to the provisions of the Rules between March 2001 and March 2002. Lack of proper monitoring on the part of departmental officials resulted in notional loss of interest of Rs.1.01 crore.

* Ahmedabad, Amreli, Bhavnagar, Bharuch, Dahod, Godhra, Himatnagar, Jamnagar, Nadiad, Surat, Surendranagar and Vadodara.

The above facts were brought to the notice of the Department in April 2003 and of the Government in February 2004. The Department replied in April 2003 that the matter was taken up with the authorities of the concerned bank and they agreed to deposit the money into State Bank of India, Modasa every week.

The above matters were followed up with reminders to the Principal Secretary in April/June 2004 and Chief Secretary in July 2004. However, inspite of such efforts, no reply was received from the Government (August 2004).

CHAPTER – V

STAMP DUTY AND REGISTRATION FEES

5.1 Results of Audit

Test check of assessment records in the registration offices and offices of the Collectors of Stamp duty (valuation of properties) in the State, conducted in audit during the year 2003-04 disclosed short realisation of stamp duty and registration fees amounting to Rs.596.56 crore in 235 cases, which fall under the following categories:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Misclassification of documents	85	8.58
2	Under valuation of properties	24	4.88
3	Incorrect grant of exemption	07	27.39
4	Under assessment of Stamp Duty on instruments of mortgage deeds	25	2.52
5	Non levy of interest on belated payment of stamp duty	04	0.04
6	Incorrect acceptance of time-barred cases and resultant postponement of realisation of Stamp Duty	09	3.62
7	Other irregularities	79	63.98
8	Review on Stamp duty	01	483.18
9	Amnesty Scheme for Stamp Duty	01	2.37
	Total	235	596.56

During the year 2003-04 the Department accepted and recovered under assessment of Rs.1.03 lakh in 20 cases pertaining to earlier years. A few illustrative cases involving important audit observations and results of review on **Stamp duty** involving Rs.563.65 crore are given in the following paragraphs.

5.2 Review on Stamp Duty

Highlights

There was discrepancy in quantity and value of stamps supplied by Nasik Press and that accounted for by the State Sale Depot.

(Para 5.2.6)

The stamp duty involved in documents presented for registration was more than that supplied by the treasuries during the years 1999-2000.

(Para 5.2.7)

Prescribed inspections by the licensing authority were not carried out in five Prant Offices. Irregularities in the authentication of records of stamp vendors were noticed.

(Para 5.2.8)

Introduction

5.2.1 The levy and collection of Stamp Duty is regulated under the provisions of the Bombay Stamp Act, 1958 and Rules made there under. The procedure for issue of licences to vendors are regulated under the Rules of the Gujarat Stamp Supply and Sales Rules, 1987. The supply, custody, distribution and sale of stamps/stamp papers are regulated under the provisions of the Gujarat Stamp Manual and Rules made there under. The registration of documents and related matters are regulated under the provisions of the Indian Registration Act, 1908.

Prior to 1 April 1999, the Central Stamp Depot (CSD), Nasik supplied the stamps/stamp papers to various district treasuries directly. From 1 April 1999, these were supplied to the Additional Superintendent of Stamps (Depot) at Ahmedabad who worked as the "Nodal Agency". On the basis of the indent sent by Additional Superintendent of Stamps, the CSD, Nasik sends stamps/stamp papers to the Nodal Agency, who in turn arranges to distribute the stamps/stamp papers to the District Treasuries and also to the general public through the ex-officio vendors working under him.

The stamps/stamp papers are sold by the respective treasuries to the licensed vendors and to the general public by the official vendors working under them. The licensed vendors sell stamps to general public for using in the documents to be registered with the Sub-Registrar.

As per the procedure laid down in the Gujarat Stamp Manual 1987, the power to appoint ex-officio vendors and official vendors rest with the Government. The power to issue and renew licences to vendors at Ahmedabad city rests with the Superintendent of Stamps. In other districts, the power rests with the concerned District Collector and annual renewal thereof rests with the concerned Deputy Collectors.

The power to sell the impressed stamps including labels affixed lies with the Superintendent of Stamps and District/Sub-Treasury Officer, whereas power to sell other stamps (non-judicial and court fee stamps) rests with both, official/ex-officio vendors and licensed vendors.

The licensed vendors are required to maintain a register known as vendors' sales register wherein he has to record full particulars indicating the name, address and obtain the signature of each purchaser including denomination wise stamps sold to him, render the accounts to the licence issuing authority for the purchase and sale of stamps as per the provisions of the Gujarat Stamps Supply and Sales Rules, 1987(Rules).

Further, the Bombay Stamp Act, 1958, provide that the Chief Controlling Revenue Authority (CCRA) may authorise subject to condition as it may deem fit, the use of franking machines for making impression on the instruments chargeable with the duties to indicate payment of duties on such instruments.

A flow chart showing the entire process of indent, receipt and sale of stamps and stamped papers and collection of stamp duty in registering offices is given in the Appendix.

Organisational set up

5.2.2 The overall control on the levy and collection of stamp duty and registration fees rests with the Revenue Department. The Inspector General of Registration (IGR) and Superintendent of Stamps, Gandhinagar is the head of the Department. The IGR is assisted by the Sub-Registrar (at the district and taluka level) where as the Superintendent of Stamps is assisted by the Deputy Collector (Valuation of Property) at district level.

Audit objectives

5.2.3 An analysis of the receipt, issue and accounting of the stamps/stamp papers was conducted in audit to:

- examine flaws in the system of assessment of requirement, indenting, accounting of stock, sale, accountal of sale proceeds etc. which could enable the fraud.
- ascertain how demand for supply of stamps was projected and budget estimates in respect of revenues from stamp duty prepared.
- ascertain whether action was taken to ensure adequate supply of stamp papers to /from various treasuries.
- ascertain leakage of revenue under stamp duty.

Scope of audit

5.2.4 With a view to ensure the achievement of the objectives of the review, the records of the Revenue Department, IGR and Superintendent of Stamps and offices at district and taluka level were test checked between February and June 2004.

Seventy six sub-registrar offices falling within selected nine[^] out of 25 district treasuries were covered in audit for period 1998-99 to 2002-03. The sale figures of stamps/stamp papers received from district treasuries were compared with district wise revenue figures received from IGR office. Seventy six Sub-Registrar offices were covered in audit to verify the serial numbers and date of sale of stamp papers mentioned in the stamp papers used in execution of documents with the serial number and date of sale of stamp paper in the vendors' sale registers kept in the custody of the Superintendent of Stamps and respective Prant Offices (sub-division level) for one month of each year for the period of review to ascertain whether there are any discrepancies in two sets of records maintained. Result of the review are given in the succeeding paragraphs.

Variation between budget estimates and actuals

5.2.5 The variation between budget estimates and actuals under the head – Stamp Duty and Registration Fees for the period 1998-99 to 2002-03 is given below:

(Rupees in crore)

Year	Budget estimates	Actuals	Variation (+) increase (-) decrease	Percentage of variation
1998-1999	700	506.23	(-) 193.77	(-) 28.00
1999-2000	520	522.38	(+) 2.38	(+) 0.45
2000-2001	600	537.42	(-) 62.58	(-) 10.00
2001-2002	660	539.41	(-) 120.59	(-) 18.00
2002-2003	550	649.88	(+) 99.88	(+) 18.00

From the above figures it is revealed that there was less realisation in the year 1998-99, 2000-01 and 2001-02 whereas more realisation in the year 1999-2000 and 2002-03 than the budget estimates. Thus, budget estimates are not prepared considering realistic aspects.

[^] Ahmedabad, Vadodara, Bharuch, Himatnagar, Kheda (Nadiad), Mehsana, Patan, Rajkot and Surat,

Comparison of supply of stamps by the Nasik Press with receipt at State Stamp Depot

5.2.6 During comparison of the supply for various categories of stamps by the Nasik Press, with the statement of receipt of stamps at the State Stamps Depot for the period 1999-2000 to 2002-03, it was revealed that:

- The receipt of stamps shown by the State depot was in excess than the supply made by the Nasik press in various categories of stamps to the extent of Rs.94.75 crore.
- Similarly in some cases, receipt by the State Stamp Depot was less than the supply made by the Nasik press to the extent of Rs.332.71 crore.

Category wise and denomination wise details of excess/short receipt at State depot is given in Annexure-2.

Comparison of sale figures with revenue realised

5.2.7 The comparison of figures of sale of stamp papers by treasuries with that of stamp duty realised as furnished by the Superintendent of Stamps is given in the Annexure-3.

Figures of sale of stamps were supplied by district treasuries and figures of stamp duty realised from documents registered were provided by the IGR and Superintendent of Stamps. Comparison of sale of stamps figures of all the 25 treasuries for the period 1999 to 2002 with stamp duty realised figures supplied by the Inspector General of Registration and Superintendent of Stamps show that former was less than latter to the extent of Rs.54.68 crore in 1999 whereas, former was more than latter to the extent of Rs.74.55 crore, Rs.66.81 crore and Rs.4.79 crore respectively during 2000, 2001 and 2002.

The Annexure-3 shows that there was no mechanism or legal provision to ensure that the stamps sold by a particular district treasury were used in that district.

Lack of internal control/Irregularities in maintenance of records by the licensed stamp vendors

5.2.8 According to the Rules read with the instructions issued by the Superintendent of Stamps, Gandhinagar in November 1998, the inspection of stamp vendors' records are to be carried out by the license issuing authority i.e. District Collector/Superintendent of Stamps once in a month and surprise check once in every three months to ensure that stamps/stamp papers purchased by them from the treasury and denomination-wise sale thereof are recorded properly by the vendor and record a certificate on such checks.

During the scrutiny of the records of seven[⊗] Deputy Collectors and Sub-Divisional Magistrates (Prant Offices), it was noticed that the prescribed inspections were not carried out by five^{**} out of seven offices. Proof for purchase of stamp papers from treasuries (i.e. challans) were not kept by the vendors on record. Thus, the genuineness of the purchases from treasuries could not be verified with reference to the entries made in the stamp vendors' registers. In two[∞] Prant Offices, discrepancies regarding account of the sales and purchase of the stamp papers to the extent of Rs.32,305 were noticed as detailed below :

Sl. No.	No. of stamp vendor	Prant office	Amount involved (Rs.)	Nature of irregularity
1	01	Dholka	10,750 6,550	The stamp vendor had taken more stock as opening balance than was shown as closing stock in June and October 2000. Further, the stamp vendor was having a closing stock of stamps worth Rs.6,550 of different denominations when his licence was cancelled i.e. on 31 May 2001. In absence of any further details recorded in the stamp vendor's sales register, it is not known how these stamps were disposed of.
2	02	Dholka	14,000 5	In one case the closing stock as on 22 April 1990 was of five stamps of Rs.1,000 each, it was taken as 19, thus there was an excess of 14 stamps. In another case of a stamp vendor though he had no stock of Rs.5 stamp paper, he sold one stamp paper of same denomination on 20 October 2002.

⊗ Vadodara, Chhotaudepur, Choryasi, Dabhoi, Dholka, Olpad and Viramgam

** Chhotaudepur, Choryasi, Dholka, Olpad and Viramgam.

∞ Vadodara city and Dholka.

3	01	Vadodara	1,000	In spite of inspection carried out by the licence issuing authority, it was noticed that the actual balance of stamps worth Rs.1,000 was shown in excess of the closing balance against the actual balance he had in June 2002.
		Total	32,305	

During test check of the xeroxed copies of 1,15,840 stamp papers used in 26,227 documents registered between 1998 and 2003 for one month in each year in 76 sub registrar offices with reference to cross verification of stamp papers used in these documents with that of the same entered in sales registers of stamp vendors kept at the Superintendent of Stamps/Prant Offices/Mamlatdar Offices, irregularities of Rs.2,08,120 were noticed as detailed below:

Sl. No.	No. of stamp vendor	Prant office	Amount involved (Rs.)	Nature of irregularity
1	03	Olpad Paddhari Himatnagar	70,000	Though the value of the individual stamp papers was equal to/exceeded Rs.10,000, no printed serial number was given on these stamp papers which were used in the documents executed during 1999 and 2002 in the respective Sub-Registrar Offices and were entered in the sales registers of the stamp vendors as well. The C.S.D., Nasik confirmed (June 2004) that no supply of non-judicial stamps of Rs.10,000 denomination and above without printed serial number was made to Gujarat State at any time in the past.
2	04	Choryasi Vyara	68,120	The value of stamp papers, name and address of purchasers etc. do not tally with the similar details given in the stamp papers used in the documents executed with the respective Sub-Registrar Offices during 2000, 2001 and 2002.

3	02	Choryasi	70,000	One stamp vendor sold stamp paper of Rs.10,000 and another stamp vendor sold three stamp papers of Rs.20,000 each having the same printed serial numbers of the same denomination to two different purchasers recording at different serial numbers of the sales register on different dates.
		Total	2,08,120	

The above facts were brought to the notice of the Department in June 2004. Further reply is awaited (August 2004).

- The cross verifications of 17,134 stamp papers valuing Rs.4.30 crore used in the 3,954 documents could not be carried out due to non availability of the respective sales registers of the licensed stamp vendors from the concerned Prant Offices/Mamlatdar Offices. Lack of internal control resulted in above irregularities which remained unnoticed by the department. The issue requires further investigation by the Department as involvement of fake stamp papers could not be ruled out.
- No system of verification of the receipt on account of stamp duty on the documents registered in the districts with reference to the revenue realised by the District treasuries on sale of stamp paper was in existence at any level.
- A test check involving cross verification of credit of stamp papers taken in the sales registers by vendors with the stamp papers sold by the treasuries to these vendors was carried out in three[#] districts.

Vendors in Surat District were keeping two separate registers, one for recording the sale of stamp papers and another known as “daily stock register” instead of keeping one “Stamp Vendors’ Sales Register” as required under the Rules. Prior to 2002-03, the Prant Office was not keeping any record of annual purchase of stamps from the treasury and commission earned by the vendors. Moreover, the stock registers were also not made available to audit for these years. The comparison between two sets of figures was done for the year 2002-03 in the offices of the Superintendent of Stamps, Gandhinagar and Dy.Collectors (Prant officers). The irregularities noticed in case of 19 vendors involving money value of Rs.1.02 crore are given below:

[#] Ahmedabad, Kheda and Surat.

Sl. No.	No. of stamp vendor	Prant office	Amount involved (Rs. in lakh)	Nature of irregularity
1	04	S.S. Gandhinagar and Prant Office, Nadiad	4.13	The vendors had taken excess credit of 4850 stamp papers of various denominations valuing Rs.4.13 lakh than that of the stamp papers sold by the treasuries to these vendors as per its records for the period 1998-99 to 2002-03.
2	05	S.S. Gandhinagar and Prant Office, Kheda	11.12	The vendors had taken less credit of 8750 stamp papers of various denominations valuing Rs.11.12 lakh than that of the stamp papers sold by the treasuries to these vendors as per its records for the period 1998-99 to 2002-03. Thus, the purchase of these stamp papers remained unaccounted for.
3	07	Prant office, Surat	65.21	The vendors had taken excess credit of stamp papers of various denominations valuing Rs.65.21 lakh than that of value of stamps sold by the Surat treasury to these vendors during 2002-03 and 2003-04 (Rs.52.72 lakh for 2002-03 and Rs.12.49 lakh for 2003-04).
4	02	--do--	18.20	The vendors had taken less credit of stamp papers of various denominations valuing Rs.18.20 lakh than that of value of stamps sold by the Surat treasury to these vendors during 2002-03 and 2003-04 (Rs.9.89 lakh for 2002-03 and Rs.8.31 lakh for 2003-04). Thus, the purchase of these stamps remained unaccounted for.
5	01	--do--	2.90	Though the license was cancelled from 1 April 2003, stamps worth Rs.2.90 lakh were purchased during 2003-04. From this it appears that there is no coordination between Prant Office and Treasury Office.
		Total	101.56	

Refund of stamp duty

5.2.9 According to the provisions of the Bombay Stamp Act, 1958 read with the Rules, refund of stamps could be granted for used/unused/spoiled stamps which were purchased/obtained through an authority authorised on this behalf. The power to authorise the refund rests with the various revenue authorities according to the amount of refund per case. The Chief Controlling Revenue Authority has to exercise overall checks on the refund granted. As per the amendment made in the Bombay Stamp Act, 1958 with effect from 1 September 2001, refund of stamps could be granted if an application for refund is made within 6 months from the date of purchase of stamps. The refund granting authority has to verify the genuineness of stamps with cross linking of entry made in the stamp vendors sales register from whom the stamps were purchased. The Treasury Officer has to send the spoiled stamps for destruction to the Superintendent of Stamps after payment of refund, who has to arrange for destruction of stamps.

During test check of records of Superintendent of Stamps, seven* Deputy Collectors and Sub-Divisional Magistrate offices and two† Collector offices, it was noticed that:

- Not a single case had been reviewed by the Chief Controlling Revenue Authority as prescribed under the Act, though refund of Rs.18.57 crore was granted during the period 1993-94 to 2001-02 for judicial and non-judicial stamp papers.
- Neither Treasury Officers sent spoiled stamps for destruction nor any action was taken by the Superintendent of Stamps to obtain these stamps from the Treasury Officer.
- No provision exists in the Act/Rules which enabled that after issuing refund orders the authorities have to make any reconciliation with the treasury records so as to ascertain that the exact amount mentioned in the refund order was paid by the Treasury Officer and that agreed with that of refund granted by the authority at the end of each month.
- It was also observed that the correct head of account was not mentioned in the refund order by the refund granting authorities which could lead to misclassification.
- During test check of refunds granted by the Deputy Collector and Sub Divisional Magistrate, Choryasi at Surat, it was noticed in three cases that though applicants had applied for refund after expiry of time limit of six months from the date of purchase, refund of Rs.6,865 was granted in these cases. This resulted in incorrect grant of refund of Rs.6,865.

* Vadodara, Chhotaudepur, Choryasi, Dabhoi, Dholka, Olpad and Viramgam.

† Vadodara and Surat.

After this was pointed out, Prant Officer replied that these instructions came to his notice three months ago only and assured that applications for refund after time limit of six months would not be considered in future.

Recommendations

5.2.10 To avoid flaws in the system Government may consider to take the following steps:

- Optimum utilisation of franking machines should be ensured so that involvement of vendors comes down to that extent and also short supply of stamps/stamp papers can be tackled.
- There should be a provision to cross check stamps used in the registration of the documents with those shown in the sales registers of treasuries/stamp vendors in the district to obviate usage of fake stamps.
- Regular inspection of stamp vendor by the Prant Officer/ Superintendent of Stamps should be ensured to check the receipt and sale of stamps.

The review was discussed with the Government of Gujarat in December 2004. The Government stated that the difference mentioned in para 5.2.6 could be due to non reconciliation of figures between dispatches by Nasik press and acknowledgements by State Sales Depot. In case of para 5.2.7 the possible reasons for the difference were attributed to recovery in cash of the differential duty on account of undervaluation of properties and to the fact that all documents are not compulsorily registerable and presentation of documents and its registration may fall in two financial years. In respect of other paras the Government agreed with the findings and accepted the recommendations in principle.

5.3 Amnesty Scheme for Stamp Duty

5.3.1. According to Section 32A of the Bombay Stamp Act, 1958, where any instrument of transfer of immovable property is presented for registration and the registering authority has reason to believe that the consideration set forth therein does not approximate to the market value of the property, he may, either before or after registering the instrument, refer the document to the Collector for determining the true market value of such property.

According to Section 32B of the Act, any person aggrieved by an order of the Collector determining the market value under Section 32A, may after depositing with the Collector twenty five per cent of differential duty payable, prefer application within sixty days from the date of such order. The Collector will refer it to the Chief Controlling Revenue Authority who acts as second appellate authority within 60 days from the receipt of such application.

The Government of Gujarat introduced a scheme known as 'Amnesty Scheme' in July 1998. The scheme was based on estimation of 5 lakh pending cases (approximately) involving stamp duty of Rs.100 crore. However, no norms for number of cases to be finalised by each Dy.Collector (Valuation of Property) entrusted with the work were prescribed. This scheme was in operation for a period of four months effective from 1 August 1998 to 30 November 1998.

The salient features of the scheme were as under:-

- the documents registered on or prior to 15 June 1998 and pending under Section 32A would be covered under this scheme.
- for speedy disposal and regulation of pending disputed cases, the executants had to pay an additional amount equal to the stamp duty earlier paid alongwith a prescribed penalty of Rs.250 under the Act and receive back his instrument duly certified as per the provision of the Bombay Stamp Act.
- under the scheme the Superintendent of Stamps was required to issue a public notice instead of an individual notice.

5.3.2 Disposal of cases under the scheme

As per information collected from the IGR and SS, out of 5,55,116 cases/documents pending under Section 32A as on 31 July 1998, 1,12,924 cases/documents involving additional stamp duty of Rs.49.49 crore including penalty of Rs.2.76 crore were disposed of under the scheme as given in Annexure-4.

The Department could dispose of only 1,12,924 cases (20 per cent) with recovery of additional stamp duty of Rs.49.49 crore against the estimated five lakh pending cases involving Rs.100 crore.

5.3.3 Short levy of stamp duty and loss of notional interest due to irregular allowance of benefit to remand cases

Under the scheme the instruments registered on or before 15 June 1998, the cases remanded by the Honourable Gujarat High Court and the cases remanded by the Chief Controlling Revenue Authority (CCRA) of Gujarat State and all such cases pending under Section 32 A of the Bombay Stamp Act as on 31 July 1998 were included within the ambit of the scheme.

According to sub-section (1) of Section 46 of Bombay Stamp Act where a person required to pay any amounts of duty, penalty or other sums under the Act does not pay the same within the time prescribed (90 days) for its payment, he shall be liable to pay simple interest at the rate of 24 per cent per annum for the period for which such amounts remained unpaid.

During test check of records of the offices of 12* Dy. Collectors (VOP), it was noticed that 574 cases remanded by the CCRA during the currency of the scheme were incorrectly covered under the scheme and the executants were allowed to get finalised their cases with payment of requisite stamp duty which worked out to Rs.0.65 crore under the scheme.

Had these cases been settled by the CCRA, the stamp duty as determined by the Dy. Collectors and interest thereon would have worked out to Rs.2.09 crore and Rs.0.54 crore respectively. Incorrect finalisation of these cases under the scheme resulted in short realisation of stamp duty of Rs.1.44 crore and non realisation of interest of Rs.0.54 crore.

Moreover, with the finalisation of these cases under the scheme, 233 executants succeeded in getting refund of Rs.0.21 crore being the difference in 25 per cent duty paid for filing of appeal before higher authorities and duty paid under the Amnesty Scheme.

After this was pointed out in April 2004, the Department did not agree with the objection and replied in August 2004 that the documents mentioned in audit para were disposed of as per the Government Resolution of 28 July 1998 and as such there was no question of short levy of stamp duty or grant of refund. Reply of the Department is not tenable as the cases remanded by the CCRA during the currency of the scheme were incorrectly covered under the scheme and thus undue benefit of duty to the extent of Rs.1.44 crore was allowed to the executants.

5.3.4 Short levy of stamp duty due to incorrect disposal of documents

Under the scheme, only those documents which were registered with the respective registering authorities on or prior to 15 June 1998 and all cases pending as on 31 July 1998, with the respective Dy. Collectors (VOP) for determination of value of property, were required to be covered.

Further, the Government vide their circular of July 1998 clarified that all such instruments registered on or before 15 June 1998 and referred to the concerned Dy. Collector under Section 32A of the Bombay Stamp Act, wherein statutory notice under Rule 4 (2) of the Bombay Stamp (Determination of Market Value of Property) Rules, 1984 had been issued but final decision was not taken were included within the ambit of the scheme.

During test check of records of the offices of five* Dy. Collectors (VOP), it was noticed in 16 cases that though these documents were registered with the respective registering authorities after 15 June 1998 and referred to the Dy. Collectors (VOP) for determination of market value of the property, they

* Vadodara I and II, Bharuch, Gandhinagar, Himatnagar, Jamnagar, Mehsana, Nadiad, Rajkot I and II, Surat I and II.

* Ahmedabad I and II, Vadodara I, Nadiad and Rajkot I.

were disposed off under the scheme. Thus, incorrect disposal of documents under the scheme resulted in short levy of stamp duty of Rs.0.18 crore.

After this was pointed out in April 2004, the Department accepted the objection and replied in August 2004 that the action under Section 53 A would be taken to recover the differential stamp duty in respect of cases incorrectly finalised under the scheme. Details of recovery are awaited (August 2004).

5.4 Short levy of stamp duty and registration fees due to incorrect application of concessional rate

By a notification issued in April 1992 under the Bombay Stamp Act, 1958, as applicable to Gujarat, Government reduced the rate of stamp duty to one *per cent* for loans upto of Rs.15 lakh and two *per cent* for loans exceeding Rs.15 lakh, on mortgage deeds executed by the industrial undertakings in favour of any financial institutions for borrowing loans from such institutions. From November 1994, the maximum stamp duty was restricted to Rs.2 lakh per deed. By another notification issued in July 2000, the above concession was also extended to mortgage deeds executed by industrial undertakings in favour of financial institutions or financial institution acting as a trustee.

During test check of records of three* Sub-Registrar Offices, it was noticed between April and July 2003 that in 17 documents registered between 2001 and 2002, 17 industrial undertakings had obtained loans aggregating Rs.1,013.01 crore by executing bond/debenture trust cum mortgage deeds with financial institutions acting as trustees prior to 27 July 2000. Since the benefit of reduced rate of stamp duty was extended to documents executed by the financial institutions acting as trustees from 27 July 2000 only, the benefit of reduced rate of stamp duty was not admissible in respect of documents executed prior to this date. This resulted in short levy of stamp duty and registration fees of Rs.53.69 crore.

The above facts were brought to the notice of the Department between May and September 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been sent to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.5 Short levy of stamp duty and registration fees due to misclassification of documents

Under Section 3 of Bombay Stamp Act, every instrument mentioned in Schedule-I shall be chargeable with duty at the rates as indicated in the Schedule. For the purpose of levy of stamp duty, an instrument is required to

* Two of Vadodara and one of Mehsana.

be classified on the basis of its recitals given in the document and not on the basis of its title.

During test check of records of Additional Superintendent of Stamps, Gandhinagar, Dy. Collector (VOP)-I, Rajkot and 96^s Sub-Registrar Offices, it was noticed between July 2000 and December 2003 that 819 documents registered between 1999 and 2002 were classified on the basis of their titles and stamp duty was levied accordingly. Scrutiny of the recitals of these documents, however, revealed that these documents were misclassified. This resulted in short levy of stamp duty and registration fees of Rs.12.70 crore as detailed below:

(Rupees in crore)

Sl. No.	No. of offices	No. of documents	Short levy	Nature of irregularity
1	37	407	6.42	These documents were misclassified as "agreement" though as per the recitals of the documents, possession of the property had been handed over/full rights to develop and market the properties, right and interest were transferred to the purchasers. These documents were, therefore, required to be classified as conveyance deeds.
2	39	257	4.04	These documents were misclassified as deposit of title deeds. However, recitals of these documents revealed that guarantors deposited the title deeds of their properties in the bank on behalf of the borrowers. These documents were, therefore, classifiable as bonds.
3	08	34	1.52	These documents were misclassified as partition deed, release deed, acceptance without consideration, assignment of lease, correction deed, composition deed, memorandum of undertaking, confirmation deed etc. However, recitals of these documents revealed that these documents were classifiable as conveyance deed.
4	13	117	0.46	These documents were misclassified as deposit of title deeds though as per the recitals right or interest in the property was created in favour of the mortgagees by executing separate loan agreements, handing over demand/promissory notes/giving power of attorney etc. These documents, were, therefore, classifiable as mortgage deeds.
5	01	04	0.26	Stamp duty leviable on transfer of lease by way of assignment is higher than that on surrender of lease/agreement to sell. These documents were misclassified as surrender of lease/agreement to sell instead of transfer of lease.
Total	98	819	12.70	

^s 20 of Ahmedabad, 14 of Vadodara, 13 of Rajkot, seven of Surat, five of Mehsana, four each of Bhavnagar, Jamnagar and Anand, three each of Gandhinagar, Panchmahal and Banaskantha, two each of Kheda, Patan, Sabarkantha and Dahod, one each of Bharuch, Navsari, Amreli, Junagadh, Narmada, Valsad, Surendranagar and Porbandar.

The above facts were brought to the notice of the Department between September 2000 and December 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.6 Non levy of stamp duty due to acceptance of appeal applications in time barred cases

Under Section 32-B of Bombay Stamp Act, any person aggrieved by an order passed by the Collector(VOP) under Section 31 or 32-A determining the market value, may represent his case to the Chief Controlling Revenue Authority (CCRA) through the Collector (VOP), within 60 days from the date of order passed by the Collector(VOP). However, Section 53(1) (a) of the Act further provides that the CCRA shall not entertain an application made by a person unless such an application is presented within a period of 60 days from the date of order of the Collector.

During test check of the records of six^s Dy.Collectors (VOP) it was noticed between January 2001 and October 2003 that the Dy.Collectors had determined the market value in 254 documents between April 1992 and October 2002. The aggrieved parties filed appeals between December 1995 and May 2003 (i.e. after expiry of the prescribed period of 60 days). The Dy. Collectors had referred these documents to the CCRA between October 1999 and March 2003; all these cases were pending final decision. Incorrect reference of time barred cases by the Dy.Collectors and acceptance of such cases by the CCRA resulted in non levy/postponement of recovery of stamp duty of Rs.5.41 crore.

The above facts were brought to the notice of the Department between May 2001 and December 2003 and of the Government in April 2004. The Inspector General of Registration replied in August 2004 that concerned persons had represented that they had not received the order of the Collector when it was served earlier and therefore their appeals were admitted on payment of 25 per cent of the deficient amount of duty payable by them. The reply is not tenable in view of the fact that there was no provision in the Act to admit time barred cases by the CCRA.

5.7 Short levy of stamp duty and registration fees on instruments comprising several distinct matters

Under Section 5 of Bombay Stamp Act, any instrument comprising or relating to several distinct matters is chargeable with the aggregate amount of the duties for which such separate instrument would be chargeable under the Act.

^s Ahmedabad-II, Bharuch, Gandhinagar, Himatnagar, Nadiad and Rajkot-I.

During test check of records of 16[#] Sub-Registrar Offices of seven districts, it was noticed between May 2002 and December 2003 that 50 documents comprising or relating to several distinct matters of immovable properties valued at Rs.13.58 crore were charged to stamp duty and registration fees for only one matter/transaction. This resulted in short levy of stamp duty and registration fees of Rs.2.12 crore as detailed below:

(Rupees in crore)

Sl. No.	Location	No. of documents	Value of property	Short levy	Nature of irregularity
1	Bharuch, Nadiad, Naroda, Rajkot, Sanand, Udhna and Vadodara.	28	10.17	1.74	As per recitals, two distinct transactions of sale of property were involved, but duty was levied only on one transaction.
2	Gondal, Mandvi, Mangrol, Pardi and Valsad.	12	1.63	0.19	Though the instruments contained recitals of conveyance and mortgage, duty was levied only on conveyance.
3	Rajkot and Vadodara	5	0.66	0.08	Though instruments contained elements of sale and power of attorney with consideration, duty was levied only on sale.
4	Vadodara	01	0.70	0.05	Though the instrument contained elements of memorandum of entry and guarantee, duty was levied only on memorandum of entry.
5	Narol and Vadodara	02	0.13	0.02	Though the instruments contained elements of sale and gift, duty was levied only on sale.
6	Vadodara	01	0.09	0.02	Though the instrument contained elements of conveyance and partition, duty was levied only on conveyance.
7	Vadodara	01	0.20	0.02	Though the instrument contained elements of conveyance and release, duty was levied only on conveyance.
	Total	50	13.58	2.12	

Five of Vadodara, three each of Ahmedabad and Surat, two of Rajkot, one each of Bharuch, Kheda and Valsad.

The above facts were brought to the notice of the Department between June 2002 and December 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.8 Short levy of stamp duty due to undervaluation/incorrect computation of consideration of properties

5.8.1 Under the amended provisions of the Bombay Stamp Act, if the officer registering the instrument has reasons to believe that the consideration set forth in the document presented for registration is not as per the market value of the property, he shall, before registering the document, refer the same to the Collector for determining the market value of the property. On receipt of the document, the Dy.Collector (VOP) is required to give reasonable opportunity to the party concerned and determine the market value. The market value of the property is to be determined in accordance with the Bombay Stamp (Determination of Market Value of the Property) Rules, 1984 and instructions issued by the Government from time to time.

During test check of the records of 12[&] Sub-Registrar Offices and six* Dy.Collectors (VOP), it was noticed between August 2001 and November 2003 that in 146 documents, the market value of the property was determined less than the actual market value. This resulted in short levy of stamp duty and registration fees of Rs.2.13 crore as detailed below:

(Rupees in lakh)

Sl. No.	Location	No. of documents	Short levy	Nature of irregularity
1	Waghodia, Dehgam, Rajkot, Olpad, Ahmedabad and Kalol	10	26.76	The Sub Registrars registered the documents even though the value shown in the documents was less than the market value as per jantri [#] .
2	Gandhinagar, Bhavnagar, Nadiad, Vadodara and Rajkot	82	74.51	Value of the properties recommended by the Sub Registrars was determined less by the Dy.Collectors based on representations of the executors.

[&] Four of Ahmedabad, two of Surat, one each of Vadodara, Rajkot, Mehsana, Junagadh, Anand and Bharuch.

^{*} Two of Vadodara, one each of Gandhinagar, Bhavnagar, Nadiad and Rajkot.

[#] Jantri means statement showing approved rates for the purpose of determination of value of land and levy of stamp duty.

3	Kamrej, Naroda and Vadaj	07	74.76	Recitals of the documents revealed that the land sold was non-agricultural land, but the value considered was that of agricultural land.
4	Junagadh	01	2.64	Value of the property was undervalued due to incorrect computation of area of land.
5	Ankleshwar	02	1.09	Cost of plant and machinery was not taken into consideration for determining the value of the property auctioned by GSFC ^{\$} .
6	Ankleshwar	03	27.11	In one case the sale value shown in conveyance deed executed in January 2002 was not adopted and in another case value of land as per jantri was not adopted.
7	Anand	01	0.50	In the agreement to sell, the value of the property was shown as Rs.4.91 lakh of which an advance of Rs.2.11 lakh was paid in cash. However, in the sale deed the value was shown as Rs.60,000 only and stamp duty was paid accordingly.
8	Vadodara	40	5.69	Though the value of the properties exceeded the prescribed limit of Rs.15,106 the Dy. Collector (VOP) returned the documents without determining the market value.
	Total	146	213.06	Say Rs.2.13 crore

The above facts were brought to the notice of the Department between August 2001 and November 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.8.2 The Bombay Stamp Act provides that "Conveyance" includes a conveyance on sale and every instrument by which property movable or immovable is transferred. Therefore, when property is sold or transferred, the total value of such property is to be taken as consideration for the purpose of levy of stamp duty and registration fees. In case of lease, the premium or money advanced in addition to annual lease rent is also to be considered for arriving at the consideration for levy of stamp duty.

During test check of records of 12* Sub-Registrar Offices, it was noticed between May 2000 and August 2003 that in 38 documents registered between 1999 and 2002, Stamp duty and Registration fee of Rs.29.80 lakh was short levied due to incorrect computation of consideration as under:

^{\$} Gujarat State Financial Corporation.

* Three each of Vadodara and Rajkot, Two each of Ahmedabad and Surat, one each of Bharuch and Kheda

(Rupees in lakh)

Sl.No.	Location	No. of documents	Short levy	Nature of irregularity
1	Surat	11	3.26	The value of undivided share of land was considered for levy of stamp duty though residential flats were also transferred to the purchasers. The stamp duty leviable on these flats worked out to Rs.3.26 lakh at Jantri rates.
2	Vadodara and Gondal	3	3.08	Full amount of consideration paid to the seller was not considered for levying stamp duty.
3	Ahmedabad, Morbi, Vadodara, Nadiad, Waghra, Surat and Rajkot	24	23.46	Duty was short levied due to incorrect computation of lease period/non-consideration of premium, rent etc., paid in advance.
	Total	38	29.80	

The above facts were brought to the notice of the Department between May 2000 and September 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.9 Incorrect remission of stamp duty

According to Section 9 of the Bombay Stamp Act, the Government is empowered to reduce or remit the duty leviable on any instruments or any class of instruments or on documents executed in favour of any class of persons or in favour of any member of such class in the whole or any part of the State.

During test check of the records of Sub-Registrar, Bhavnagar, it was noticed in February 2002 that a document for transfer of 2.52 lakh sq.mtrs. of land purchased by Gujarat Industrial Development Corporation (GIDC) from Gujarat State Machine Tools Corporation Ltd., at a cost of Rs.9.05 crore was registered in 2000. No stamp duty was recovered on this document based on an order issued by the Government, exempting this sale from the levy of stamp duty, though Government is not competent to invoke the power vested in them to cover an individual executant. This incorrect remission resulted in loss of stamp duty of Rs.1.12 crore.

The above facts were brought to the notice of the Department in April 2002 and of the Government in April 2004. The Department replied in May 2004 that copy of the document has been forwarded to the Dy. Collector (VOP) for taking action for recovery. Particulars of recovery, if any, and reply from the Government are awaited (August 2004).

5.10 Non levy of stamp duty

Under the Registration Act, 1908 any instrument, which creates, whether in present or in future any right, title or interest in immovable property, is compulsorily registerable.

During test check of records of four^{\$} Sub-Registrar Offices, it was noticed between September 2000 and November 2003 that in 26 documents registered between 1999 and 2002, in the recitals of each document there was mention of earlier transaction of the properties for which no registration was made. The purchasers who earlier received rights over these properties without executing a registered document were now selling these to other persons through registered documents. Due to non-registration of instruments of transfer of immovable properties on earlier occasions, the Government was deprived of revenue in form of stamp duty to the extent of Rs.31.00 lakh.

The above facts were brought to the notice of the Department between October 2000 and December 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy. Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.11 Short levy of stamp duty and registration fees on instruments falling within several descriptions

The Bombay Stamp Act provides that an instrument falling within two or more of, the descriptions of Schedule-I shall, where duties chargeable thereunder are different, be charged only with the highest of such duties. Accordingly if an instrument is so framed that it contains descriptions relating to deposit of title deed and also of a bond, it is to be charged as bond as rate of stamp duty on bond is higher than that on deposit of title deeds.

During test check of records of five[@] Sub-Registrar Offices, it was noticed between February and September 2003 that in 30 documents registered between 2001 and 2002 the mortgagors were obliged to pay money to Banks for loan granted to other persons. Though these documents were of deposit of title deeds, they also fulfilled the criteria of a bond as these were attested by a witness and not payable to order or bearer. The stamp duty and registration

^{\$} Odhav, Narol, Himatnagar and Kalol.

[@] Two of Rajkot, one each of Ahmedabad, Jamnagar and Junagadh.

fees were levied at lower rate applicable to deposit of title deeds instead of at higher rate applicable to bonds. This resulted in short levy of stamp duty and registration fees of Rs.26.68 lakh.

The above facts were brought to the notice of the Department between February and November 2003 and of the Government in March 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

5.12 Non/short levy of additional duty

Under Bombay Stamp Act, additional duty at the rate of 50 *per cent* of the basic stamp duty is leviable on instruments of conveyance, exchange, gift, lease etc. of vacant land situated in urban areas (other than vacant land of less than 100 sq.metres intended for residential purposes). Additional duty at the rate of 25 *per cent* is also leviable on non-agricultural land exceeding 100 sq.metres situated in rural areas. Further, an additional duty, at rates varying from 10 to 35 *per cent* of the basic stamp duty known as District Panchayat and Taluka Panchayat duty, is leviable in case of properties situated in rural areas falling within the jurisdiction of district/taluka panchayats.

During test check of the records of the Dy. Collector (VOP)-I, Rajkot and four^s Sub-Registrar Offices, it was noticed between April 2002 and October 2003 that in nine documents of vacant land situated in urban/rural areas registered in 2002, additional duty leviable was not levied. In other three documents of mortgage deeds registered between 2001 and 2002, the District Panchayat/Taluka Panchayat duty though leviable at 35 *per cent* on basic stamp duty was not levied. This resulted in short levy of stamp duty of Rs.5.47 lakh.

The above facts were brought to the notice of the Department between May 2002 and November 2003 and of the Government in April 2004. The Department replied in May 2004 that copies of all the documents have been forwarded to the Dy.Collectors (VOP) for taking action for recovery. Particulars of recovery; if any, and reply from the Government are awaited (August 2004).

The above matters were followed up with reminders to the Principal Secretary in June and Chief Secretary in July 2004. However, inspite of such efforts, no reply was received from the Government (August 2004).

^s Padra, SR-II and III Vadodara and SR-II Rajkot.

CHAPTER – VI

OTHER TAX RECEIPTS

6.1 Results of Audit

Test check of records in various departmental offices relating to the following receipts conducted during 2003-04 revealed non/short recovery of receipts amounting to Rs.67.21 crore in 157 cases as detailed below:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Entertainments tax	94	56.80
2	Electricity duty	15	9.53
3	Luxury tax	28	0.88
4	Profession tax	20	0.002
	Total	157	67.21

During the year 2003-04 the Departments accepted under assessment of Rs.18.73 lakh in 98 cases and recovered Rs.21.22 lakh in 90 cases pertaining to earlier years. A few illustrative cases highlighting important audit observations involving Rs. 27.38 crore are given in the following paragraphs.

ENTERTAINMENTS TAX

6.2 Incorrect grant of exemption

Under the Tourism Policy of 1995-2000, the Government exempted tax on entertainment units upto certain limits which fulfill the criteria laid down under the scheme during the eligibility period or up to the period of expiry of the limits of incentives, whichever is earlier. The eligibility/exemption certificates are issued by the Commissioner of Tourism/Entertainment Tax, respectively. Further the units are liable to pay entertainment tax after

exhaustion of exemption period/monetary limit. The competent authority will monitor the availing of exemption by the units through prescribed returns.

During test check of the records of the Commissioner of Entertainments Tax, Gandhinagar it was noticed in April 2003 that the owners of six multiplex cinemas had availed excess tax exemption of Rs.22.69 crore under the scheme. Failure to enforce the conditions of the policy and lack of proper monitoring resulted in excess grant of exemption from payment of entertainment tax of Rs.22.69 crore.

The above facts were brought to the notice of the Department in July 2003 and of the Government in March 2004; their replies have not been received (August 2004).

6.3 Non-realisation of entertainments tax and interest

Under the Gujarat Entertainments Tax (GET) Act, 1977 and the Rules made thereunder, entertainment tax shall be paid by the proprietor of a cinema house weekly within 14 days of the end of the week and by the proprietor of video parlour in advance every month by the 15th day of the month preceding the month to which the tax relates. If the payment of tax is delayed, simple interest at the rate of twenty four *per cent* per annum is chargeable on the unpaid amount of tax for the period of delay. Under the provision the proprietor is also required to submit periodical returns in prescribed form to the prescribed authority. In case of non submission, the prescribed authority will assess the case to the best of his judgement.

During test check of records of three^{\$} Collectors and eight[@] Mamlatdar offices, it was noticed between December 2002 and December 2003 that 59 cinema houses and 35 video parlours either did not pay the tax or paid the tax late with delay ranging from 2 to 247 days. In addition they did not submit the returns to the prescribed authority during 2001-02 and 2002-03. Failure to enforce the provisions of the Act and lack of proper monitoring resulted in non-levy of tax of Rs.2.12 crore, including interest.

The above facts were brought to the notice of the Department between January and November 2003 and of the Government in March 2004. The department recovered an amount of Rs.1.32 lakh in 4 cases. The Commissioner of Entertainments Tax replied in August 2004 that the concerned offices have been instructed to recover the tax.

^{\$} Navsari, Surat and Vadodara.

[@] Ahmedabad, Jamnagar, Mehmedabad, Radhanpur, Surat, Sidhpur, Vansda and Vadodara.

6.4 Non-recovery of entertainments tax from cable operators

Under the GET Act, tax is leviable for exhibition of programmes with the aid of antenna or cable television. Every proprietor has to pay tax in advance in quarterly instalments at the rate prescribed. For non-payment of tax within the prescribed time, interest at the rate of 24 *per cent* per annum is leviable.

During test check of records of Collector (ET), Vadodara and 11[&] Mamlatdar offices, it was noticed between January and December 2003 that 865 cable operators did not pay entertainments tax between the period 1999-2000 and 2002-03. Failure to enforce the provisions of the Act and lack of proper monitoring resulted in non-recovery of entertainment tax of Rs.1.09 crore including interest.

The above facts were brought to the notice of the Department between January and December 2003 and of the Government in March 2004. The Commissioner of Entertainments Tax replied in August 2004 that the concerned offices have been instructed to recover the tax.

LUXURY TAX

6.5 Non/short levy of luxury tax/interest

Under the Gujarat Taxes on Luxuries (Hotels and Lodging Houses) GTL(H&LH) Act, 1977 and the Rules made thereunder, tax is leviable on the full tariff of a room as declared by the proprietors of hotels irrespective of whether the room was let out free or at concessional rates. Where any proprietor fails to furnish a true and correct return or to pay amount of tax due according to such return, he shall be liable to pay simple interest at the rate of 2 *per cent* per month.

- During test check of records of 10[#] Collectors (Luxury Tax), it was noticed between August 2001 and December 2003 that luxury tax including interest of Rs.1.04 crore was either not paid or paid short by 26 hotel owners during the period between 2000-01 and 2002-03.

The above facts were brought to the notice of the Department between September 2001 and December 2003 and of the Government in March 2004; their replies have not been received (August 2004).

- During test check of records of three[⊕] Collectors (LT), it was noticed between February and December 2003 that in four cases, the proprietors of

[&] Ahmedabad, Choryasi, Dahod, Dholka, Dhoraji, Gandhinagar, Himatnagar, Jasdan, Mehmedabad, Pardi and Viramgam.

[#] Ahmedabad, Anand, Bhavnagar, Bharuch, Gandhinagar, Jamnagar, Palanpur, Rajkot, Surat and Vadodara.

[⊕] Ahmedabad, Bhavnagar and Vadodara.

hotels had not paid the luxury tax of Rs.21.07 lakh collected between July 2002 and March 2003 from the customers. In 31 cases, the interest was calculated at the rate of 24 *per cent* per annum, in number of days, for the period of default instead of calculating at the rate of two *per cent* for each month and part of the month as laid down in the Act. This resulted in short levy of tax of Rs.24.83 lakh inclusive of interest of Rs.3.76 lakh.

The above facts were brought to the notice of the Department and Government between April 2003 and March 2004. The Department recovered an amount of Rs.19.18 lakh in four cases. Replies in the remaining cases have not been received (August 2004).

ELECTRICITY DUTY

6.6 Non-realisation of inspection fee

According to the provisions of the Indian Electricity Rules, 1956 and Government notifications issued thereunder, Inspectors are required to inspect all high tension, extra high tension and medium voltage installations and low voltage electrical installations in factory premises and in public places of amusement including cinemas/theatres etc. once in a year. Inspection fee at prescribed rates is required to be recovered in advance in respect of such inspections carried out by departmental officers.

During test check of records of five[§] Assistant Electrical Inspectors, it was noticed between March 2000 and August 2003 that though the inspections of electrical installations had been carried out by the Inspectors, inspection fee amounting to Rs.19.11 lakh for the period 1997-98 to 2002-03 had not been recovered in 291 cases.

After this was brought to the notice of the Department between April 2000 and September 2003 the department accepted the objections in all the cases and recovered an amount of Rs.14.00 lakh in 179 cases. The matter was reported to the Government in March 2004; their replies have not been received (August 2004).

[§] Bharuch, Mehsana, Nadiad, Surat and Valsad.

CHAPTER – VII

NON TAX RECEIPTS

7.1 Results of Audit

Test check of records in various departmental offices relating to the following receipts conducted during 2003-04 revealed non/short recovery of receipts amounting to Rs.162.52 crore in 86 cases as detailed below:

(Rupees in crore)

Sl. No.	Category	No. of cases	Amount
1	Geology & Mining	41	16.23
2	Forest Receipts	44	0.41
3	Interest Receipts	01	145.88
	Total	86	162.52

During the year 2003-04 the Departments accepted and recovered under assessment of Rs.2.88 lakh in seven cases pertaining to earlier years. A few illustrative cases highlighting important audit observations involving Rs.156.48 crore are given in the following paragraphs.

7.2 Interest Receipts

Interest Receipts constitute a significant part of the non-tax revenue of the State Government, which comprises interest chargeable on loans and advances to various public sector undertakings, local bodies, co-operative societies etc. and individuals including its employees. The loans granted usually carry interest at a rate fixed by the sanctioning authority, keeping in view the instructions issued by the Government from time to time and the purpose for which the loan is sanctioned. The Gujarat Financial Rules, 1971, contain provisions governing grant of loans, levy and recovery of interest and penal interest etc. The terms and conditions specified in the orders sanctioning the loan indicate the rate of interest, mode and manner of repayment of principal, the periodicity of instalments and payment of interest. Penal interest is chargeable on instalments of principal not paid as per the terms and conditions of the sanction.

The rates of interest chargeable in respect of the loans sanctioned for commercial and industrial purposes as also to Government companies/undertakings were revised twice by the Government from 1 April 1992 and from 1 April 1999. In the case of loans granted during the year 1999-2000, the rates of interest remained effective for the financial year 1999-2000 only.

The ineffectiveness of administrative departments in effecting recoveries of interest on loans granted by them from time to time are discussed in succeeding paragraphs.

Non recovery of interest on loans converted into equity

7.2.1 The Government of Gujarat had revised the rate of interest under the Finance Department Resolution of 30 June 1999. It was contemplated therein

that every single rupee whether from the Government or from the private sector bears a definite cost of borrowing, which cannot be neglected. State Government has to bear specific cost of borrowing funds. In turn, when State Government extends financial assistance in form of loan to any organisation, it is expected that Government should recover its cost of borrowing from the debtor since those funds were availed for the commercial purpose. Further according to Government Resolution of 14 March 2001 issued by Industries and Mines Department, different loans granted to Gujarat Industrial Investment Corporation (GIIC) were allowed to be converted into equity from 1 April 2000 and October 2000. The conversion was effective from the date of issue of shares by GIIC in favour of State Government. GIIC was required to pay interest at the applicable rate on the outstanding amount of loan to be converted till date of issue of the shares in favour of Government of Gujarat.

Mention was made in para 7.2.12 of Audit Report 1999-2000 about non-recovery of principal and interest on outstanding loans sanctioned by Industries and Mines Department from GIIC. Further scrutiny of loan records of GIIC revealed that loan aggregating Rs.99.22 crore granted to GIIC between January 1975 and March 2000 of which Rs.68.31 crore was interest bearing loans were converted into equity from 1 April 2000 (Rs. 80 crore) and October 2000 (Rs.19.22 crore). However, interest accrued and payable on the outstanding amount of loan as on date of conversion was not paid by GIIC. Though the corporation showed the outstanding interest of Rs.31.50 crore as on 31 March 2001 as a liability towards interest payable to Government in their Annual Report for the year ended 31 March 2002, the Administrative Department (Industries and Mines) had failed to effect recovery of interest as no subsidiary records like demand and collection register were maintained.

Under the Government Resolution of 2001, the Industries and Mines Department had converted Rs.68.31 crore being the amount of outstanding interest bearing loans sanctioned to the GIDC into equity. The share certificates were allotted to the Government on 30 March 2001. Since the Corporation did not declare dividend thereon during the period between April 2001 and March 2003 and accrual of interest obviously ceased on conversion, the Government could not recover the cost of borrowing of funds in this case as contemplated in the Government Resolution of 1999. Hence the intention of the Government to recover its cost of borrowings from the debtor was defeated in the case of loan granted to GIIC and resulted in unsound financial accommodation to the GIIC of Rs.19.69 crore worked out on basis of rates of interest stipulated in the terms and conditions while granting the loan.

Non recovery of interest and penal interest

7.2.2 As per the provisions of Gujarat Financial Rules, 1971, it shall be the responsibility of the authority sanctioning the loan to see that the loanee adheres strictly to the terms settled for the loan paid to him. Demand for payment of interest and repayment of loans are required to be raised by the departments as per terms and conditions prescribed in the Government orders sanctioning the loans. In case of default in repayment of instalments of principal and interest, penal interest is chargeable as per Government Resolution of 16 October 1976.

Test check of the records of the departments of Industries and Mines, Agriculture and Co-operation, Rural Development and Rural Housing and Urban Development and Urban Housing revealed that the loans aggregating Rs.128.46 crore were sanctioned to 11 loanees[#] between December 1989 and March 2003 for projects like social development, conversion into cumulative redeemable preference share/working capital cash deficit and development of fire services and other purposes. The loans and interest thereon were not repaid by the loanees. The departments also failed to work out outstanding loan and interest/penal interest thereon as prescribed registers/records like demand and collection were not maintained. However, on the basis of information collected from the loanee organisation, the amount of interest of Rs.76.12 crore including penal interest of Rs.6.67 crore was recoverable for the period from 1 April 1999 to 31 March 2003.

After this was pointed out between May and October 2003, the Government in the case of the Dairy Development Corporation replied in October 2003 that the outstanding loan amount including interest due to Government would be adjusted/settled by disposing of the assets of Ahmedabad Dairy and surplus land of Jamnagar Dairy as mentioned in the final order of Board of Industrial and Financial Reconstruction (BIFR) dated 14 January 2003. The matter relating to disposal of properties of above Corporations is under consideration of Government. Further progress in the matter and replies in remaining cases were awaited (August 2004).

Non-finalisation of terms and conditions

7.2.3 As per the provisions contained in the Gujarat Financial Rules, 1971, the order sanctioning the loan shall specify its terms and conditions including the terms of its repayment, rate of interest etc. In the case of interest free loans the Government decided (October 1976) that prompt repayment of loans should be ensured and in the case of default interest at the rates prescribed from time to time would be charged.

Mention was made in para 7.2.10 of Audit Report 1999-2000 about non-finalisation of terms and conditions of loans sanction orders issued by the Departments of Narmada and Water Resources, Industries & Mines, Agriculture, Co-operation and Rural Development. Further scrutiny of loan records of these Departments revealed that loan sanction orders issued by these departments to four[<] loanees sanctioning loans aggregating Rs.20.62 crore between 1994 and 2003 did not contain any terms and conditions for the repayment of loans and interest. Non finalisation of terms and conditions had resulted in non-raising of demand for interest amounting to Rs.9.38 crore from 1 April 1999 to March 2003, besides the principal of Rs.20.62 crore.

[#] Tourism Corporation, Gujarat State-Handicraft Development Corporation, Handloom Development Corporation, Gujarat Tractor Corporation Ltd., Dairy Development Corporation, Rural Housing Board, Ahmedabad Municipal Corporation and Kapadvanj, Nadiad, Padra and Borsad Municipalities.

[<] Gujarat State Khadi Gramodyog Board, Gujarat Land Development Corporation, Gujarat Water Resources Development Corporation and Gujarat Water Supply and Sewerage Board.

Non-levy of interest in the event of default in repayment of interest-free loans

7.2.4 According to the Government Resolution, interest free loans should be repaid promptly on the due dates. In the event of default in repayment of principal, interest at the rates prescribed by the Government from time to time should be charged on these loans.

Mention was made in para 7.2.14 of Audit Report 1999-2000 regarding non levy of interest for default in repayment of interest-free loans by Industries and Mines Department. Further scrutiny of records revealed that the GIIC and the Gujarat State Financial Corporation (GSFC) continued their practice of non-payment of instalment of interest free loan of Rs.30.05 crore sanctioned between the years 1979-80 and 1991-92 at prescribed intervals. The department had also failed to effect recovery of loan and levy of interest for default in payment of loan by both the corporations at prescribed intervals. This resulted in non-recovery of further interest of Rs.9.19 crore relating to the period from 1 April 1999 to 31 March 2003.

MINING RECEIPTS

Non/short levy of royalty, dead rent and surface rent

7.3.1 Under the Mines and Minerals (Regulation and Development) Act, 1957 and the Gujarat Minor Mineral Rules, 1966, a lessee is liable to pay in respect of each lease for major/minor mineral, dead rent or royalty whichever is higher. The rent is payable at the rate of 50 *per cent* of the dead rent if land granted on lease is less than a hectare. If payment of royalty or dead rent is not made within the date prescribed, interest at the rate of 24 *per cent* per annum is chargeable for the period of delay. Further, the lessee is liable to pay surface rent as specified by the Government in lease for the surface area used by him for the purpose of mining operations. Rules also provide for issue of demand notices for non payment of royalty/dead rent in time.

During test check of records of six* Geologist/Assistant Geologist Offices, it was noticed between January and September 2003 that in 153 cases, the lease holders had not paid royalty/dead rent/surface rent for the major/minor minerals during the period between 2001-02 and 2002-03. Failure of departmental officials to issue demand notices and take recovery action, resulted in non/short levy of royalty, dead rent and surface rent of Rs.10.48 crore including interest.

This was brought to the notice of the Department between February and November 2003 and of the Government in March 2004. The Commissioner of Geology replied in July 2004 that an amount of Rs.9.79 crore has been recovered in 60 cases and recovery proceedings are in progress in remaining cases (August 2004).

7.3.2 Government by issue of notifications in January and June 1999, fixed lump sum rate for payment of royalty by bricks/roofing tiles manufacturers.

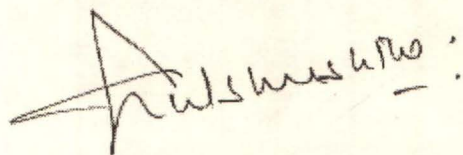
* Bharuch, Godhra, Kheda, Palanpur, Surat and Surendranagar.

The rate was fixed on the basis of quantity of bricks manufactured/with reference to number of dye revolving press used, for roofing tiles.

During test check of records of three Geologists/Assistant Geologists of Ahmedabad, Rajkot and Surat, it was noticed between March and July 2003 that 25 roofing tiles and 34 brick manufacturers either did not pay the royalty or paid short for the periods between 2001-02 and 2002-03. Failure of departmental officials to issue demand notices and take recovery action, resulted in non/short levy of royalty of Rs.12.17 lakh including interest.

The above facts were brought to the notice of the Department between April and August 2003 and of the Government in March 2004. The Commissioner of Geology and Mining replied in July 2004 that an amount of Rs.8.58 lakh has been recovered in 45 cases and issued demand notices in remaining cases. Recovery particulars and reply in remaining cases have not been received (August 2004).

The above matters were followed up with reminders to the Principal Secretaries in May/June and Chief Secretary in July 2004. However, inspite of such efforts, no reply was received from the Government (August 2004).



Ahmedabad

The:

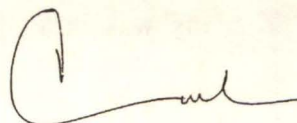
22 FEB 2005

(Anupam Kulshreshtha)

Principal Accountant General

(Commercial and Receipt Audit) Gujarat

Countersigned



New Delhi

The :

9 MAR 2005

(Vijayendra N. Kaul)

Comptroller and Auditor General of India

ANNEXURE - I

Refer Para 1.12

Department-wise break up of Inspections Reports and audit observations pending as on 30 June 2004.

(Rupees in crore)

Sl. No.	Department	Inspection Reports	Paras	Amount involved	Years to which observation relate	No. of IRs to which first replies have not been received
1	Sales Tax	1073	4076	396.29	1989-90 to 2003-04	66
2	Stamp Duty and Registration Fees	991	2487	783.77	1988-89 to 2003-04	51
3	Land Revenue	731	1100	89.67	1988-89 to 2003-04	34
4	Motor Vehicles Tax	226	860	307.81	1990-91 to 2003-04	6
5	Entertainments Tax	559	791	192.46	1989-90 to 2003-04	17
6	Geology and Mining	122	337	302.12	1995-96 to 2003-04	11
7	Forest	72	101	7.51	1993-94 to 2003-04	4
8	Luxury Tax	55	106	7.14	1995-96 to 2003-04	4
9	Electricity Duty	46	69	264.10	1989-90 to 2003-04	-
10	Profession Tax	26	52	0.23	1985-86 to 2003-04	3
11	Prohibition and Excise	7	9	0.07	1997-98 to 2003-04	2
	Total	3908	9988	2351.17		198

Category/ Denomination	Annexure-2 (Referred to in Para 5.2.6)																(Rupees in lakh)
	1999-2000				2000-2001				2001-2002				2002-2003				
	Quantity (Set)		Difference (-) Excess (+) Short		Quantity (Set)		Difference (-) Excess (+) Short		Quantity (Set)		Difference (-) Excess (+) Short		Quantity (Set)		Difference (-) Excess (+) Short		
	Supply from Nasik	Received by Depot	Quantity	Value	Supply from Nasik	Received by Depot	Quantity	Value	Supply from Nasik	Received by Depot	Quantity	Value	Supply from Nasik	Received by Depot	Quantity	Value	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Notarial stamp Rs.5	8000	8000	0	0	22000	22000	0	0	9000	9000	0	0	0	42000	-42000	-420.00	
Foreign bill stamp Rs.20	0	0	0	0	0	0	0	0	0	0	0	0	0	1000	-1000	-36.00	
Rs.50	0	0	0	0	0	0	0	0	0	0	0	0	0	963	-963	-86.67	
Share transfer stamp Rs.5	0	2000	-2000	-20.00	12000	12000	0	0	3000	3000	0	0	0	0	0	0	
Insurance stamp Rs.100	0	0	0	0	0	0	0	0	0	0	0	0	12000	11980	20	3.60	
Special adhesive stamp Rs.5	0	0	0	0	0	0	0	0	0	0	0	0	0	2000	-2000	-20.00	
Rs.10	0	0	0	0	1400	1350	50	1.00	0	0	0	0	0	27000	-27000	-540.00	
Rs.20	0	0	0	0	2000	1980	20	0.72	0	0	0	0	0	22954	-22954	-826.34	
Rs.50	0	0	0	0	8000	8000	0	0	0	0	0	0	0	22092	-22092	-1988.28	
Rs.100	0	0	0	0	4000	3966	34	6.12	0	0	0	0	0	27000	-27000	-4860.00	
Court fee lable stamp Re.0.05	0	0	0	0	66900	0	66900	2.68	0	0	0	0	0	0	0	0	
Re.0.25	20000	20000	0	0	20000	20000	0	0	0	0	0	0	0	50000	-50000	-10.00	
Re.0.50	0	0	0	0	20000	20000	0	0	4000	4000	0	0	0	10000	-10000	-4.00	
Re.0.60	0	0	0	0	67000	0	67000	32.16	0	0	0	0	0	0	0	0	
Re.0.65	8000	8000	0	0	75400	75375	25	0.01	0	0	0	0	0	0	0	0	
Re.0.75	0	0	0	0	0	0	0	0	0	0	0	0	0	20000	-20000	-12.00	
Re.1	8000	8000	0	0	48000	48000	0	0	32000	32000	0	0	0	65000	-65000	-52.00	
Rs.2	0	0	0	0	0	0	0	0	4000	4000	0	0	0	25000	-25000	-40.00	
Rs.5	0	0	0	0	0	0	0	0	4000	4000	0	0	0	8000	-8000	-32.00	
Rs.10	0	0	0	0	8000	8000	0	0	0	0	0	0	0	20000	-20000	-160.00	
Rs.20	8000	8000	0	0	0	0	0	0	4000	4000	0	0	0	23000	-23000	-368.00	

Non-judicial paper stamp Rs.500	100000	100000	0	0	420000	420000	0	0	275000	90000	185000	925.00	185000	185000	0	0	
Rs.1000	200000	200000	0	0	1010000	1010000	0	0	470000	230000	240000	2400.00	240000	240000	0	0	
Rs.5000	0	0	0	0	200000	200000	0	0	218000	60000	158000	7900.00	158000	158000	0	0	
Rs.10000	50000	50000	0	0	100000	100000	0	0	90000	26000	64000	6400.00	64000	64000	0	0	
Rs.15000	0	0	0	0	0	0	0	0	24000	0	24000	3600.00	24000	24000	0	0	
Rs.20000	0	0	0	0	4000	4000	0	0	56000	16000	40000	8000.00	40000	40000	0	0	
Rs.25000	0	0	0	0	32000	32000	0	0	48000	32000	16000	4000.00	16000	16000	0	0	
TOTAL Exces				-20.00												-9455.29	-9475.29
Shortage				0				42.69				33225.00				3.60	33271.29

Note : Stamps were though received in other categories but for the purpose of brevity and clarity only those categories have been shown in the table where there is a difference between figures of stamps sent by C.S.D., Nasik and those received at the State, Depot, Albad.

ANNEXE - 3 (Referred to in Para 5.2.7)

A comparative statement of sale of stamp papers with the stamp duty realised through documents registered

(+) sale of stamps excess over stamp duty)
 (-) stamp duty excess over sale of stamps papers)
 (Rupees in crore)

Sr. No.	District	1998			1999			2000			2001			2002			2003		
		Sale of stamps	Stamp duty realised	Difference	Sale of stamps	Stamp duty realised	Difference	Sale of stamps	Stamp duty realised	Difference	Sale of stamps	Stamp duty realised	Difference	Sale of stamps	Stamp duty realised	Difference	Sale of stamps	Stamp duty realised	Difference
1	Ahmedabad	33.96	--	--	37.06	96.61	-59.55	49.74	53.41	-3.67	42.25	43.35	-1.10	51.22	61.80	-10.58	--	90.51	--
2	Bharuch	12.04	--	--	11.21	17.86	-6.65	16.76	8.52	8.24	11.13	9.99	1.14	10.29	10.10	0.19	--	11.29	--
3	Himatnagar	3.86	--	--	4.26	3.82	0.44	5.20	4.76	0.44	4.86	5.09	-0.23	5.95	7.01	-1.06	19.55	7.14	12.41
4	Mehsana	10.10	--	--	11.65	10.46	1.19	9.36	9.18	0.18	9.46	9.79	-0.33	11.26	11.71	-0.45	--	14.83	--
5	Nadiad	11.93	--	--	10.66	3.31	7.35	5.99	4.86	1.13	5.65	5.30	0.35	5.85	5.74	0.11	6.87	6.47	0.40
6	Patan	--	--	--	0.00	3.63	-3.63	4.36	2.91	1.45	4.76	3.79	0.97	6.09	4.20	1.89	9.94	4.07	5.87
7	Surat	31.97	--	--	37.84	42.36	-4.52	47.95	15.28	32.67	51.73	37.98	13.75	53.30	47.51	5.79	69.36	64.68	4.68
8	Anand	--	--	--	1.76	6.92	-5.16	22.68	8.59	14.09	32.84	8.60	24.24	8.48	10.17	-1.69	13.09	10.77	2.32
9	Bhuj	6.50	--	--	7.95	9.49	-1.54	10.10	11.40	-1.30	7.06	7.36	-0.30	7.50	17.18	-9.68	--	26.34	--
10	Gandhinagar	5.23	--	--	6.42	6.92	-0.50	1.97	7.43	-5.46	7.54	8.73	-1.19	9.48	9.43	0.05	--	14.01	--
11	Narmada	--	--	--	--	--	--	0.67	0.57	0.10	0.66	0.60	0.06	0.64	0.61	0.03	--	0.63	--
12	Navsari	--	--	--	2.61	3.92	-1.31	6.62	5.57	1.05	5.96	6.14	-0.18	6.94	6.56	0.38	8.37	7.91	0.46
13	Porbandar	4.51	--	--	4.15	3.63	0.52	3.54	3.44	0.10	4.18	3.71	0.47	5.12	5.59	-0.47	5.29	4.65	0.64
14	Surendranagar	6.24	--	--	6.14	5.75	0.39	6.10	5.65	0.45	5.89	5.38	0.51	6.61	6.07	0.54	6.76	6.34	0.42
15	Bhanvnagar	9.02	--	--	10.13	10.48	-0.35	5.05	8.95	-3.90	8.81	8.38	0.43	11.14	16.44	-5.30	14.09	11.68	2.41
16	Vadodara	29.17	--	--	35.14	38.21	-3.07	42.54	39.66	2.88	43.41	35.99	7.42	45.74	40.03	5.71	--	101.07	--
17	Valsad	11.48	--	--	14.10	7.39	6.71	17.34	8.76	8.58	12.96	8.92	4.04	12.32	8.77	3.55	--	10.41	--
18	Junagadh	24.28	--	--	23.30	10.89	12.41	20.93	11.55	9.38	17.37	11.18	6.19	22.37	13.77	8.60	--	14.61	--
19	Rajkot	--	--	--	35.99	34.53	1.46	39.80	36.00	3.80	36.50	33.86	2.64	42.87	38.67	4.20	34.99	51.12	-16.13
20	Palanpur	6.13	--	--	4.63	4.90	-0.27	6.97	5.42	1.55	12.65	5.86	6.79	7.43	6.80	0.63	--	7.43	--
21	Amreli	4.54	--	--	5.13	5.50	-0.37	4.58	4.48	0.10	3.70	5.50	-1.80	4.50	4.10	0.40	4.93	4.85	0.08
22	Jamnagar	11.48	--	--	11.26	9.86	1.40	11.57	10.22	1.35	14.97	11.92	3.05	11.75	9.86	1.89	--	14.20	--
23	Dahod	--	--	--	0.37	1.18	-0.81	1.77	1.22	0.55	1.41	1.41	0.00	1.64	1.39	0.25	--	1.86	--
24	Godhara	4.01	--	--	4.58	3.41	1.17	4.24	3.46	0.78	3.30	3.42	-0.12	3.02	3.23	-0.21	--	4.18	--
25	DangsAhwa	--	--	--	0.01	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.01	0.02	0.00	0.02	0.02	--	--
					286.35	341.03	-54.68	345.84	271.29	74.55	349.06	282.25	66.81	351.53	346.74	4.79			

ANNEXURE-4

Refer Para 5.3.2

Disposal of cases under the scheme

(Rupees in crore)

Sl. No.	Name of the office	No. of cases pending under Section 32A as on 31.7.1998	No. of cases disposed of during the scheme	Stamp duty realised
1	VOP-I, Ahmedabad	92,284	8,077	2.89
2	VOP-II, Ahmedabad			
3	VOP- I, Vadodara	46,765	7,391	4.55
4	VOP II, Vadodara			
5	VOP I, Surat	24,265	13,435	9.79
6	VOP II, Surat			
7	VOP I, Rajkot	41,625	10,567	6.05
8	VOP II, Rajkot			
9	VOP Bharuch	29,800	3,313	1.13
10	VOP, Nadiad	22,966	6,817	2.65
11	VOP Mehsana	39,209	8,061	1.96
12	VOP, Himatnagar	28,712	13,224	2.67
13	VOP, Gandhinagar	7,879	378	0.23
14	VOP, Junagadh	58,570	12,109	4.58
15	VOP, Valsad	49,551	7,607	3.93
16	VOP, Kutch	14,201	5,552	1.57
17	VOP, Jamnagar	26,917	4,320	1.67
18	VOP, Bhavnagar	24,307	4,369	1.71
19	VOP, Amreli	22,962	3,052	0.59
20	VOP, Surendranagar	6,916	2,378	0.45
21	VOP, Palanpur	18,187	2,274	0.31
	Total	5,55,116	1,12,924	49.49

Flow chart showing indenting supply of stamps issue of licence to vendors and collection of SD in Registrar Offices in Gujarat

