

## OVERVIEW

This Report contains 20 paragraphs including two Performance Audits and one Long paragraph involving ₹ 51.65 crore relating to non/short levy of revenue, non-imposition of penalty, irregular/avoidable expenditure etc. Some of the major findings are mentioned below:

### I. General

Total receipts of the Government of Chhattisgarh for the year 2014-15 were ₹ 37,988.01 crore. The revenue raised by the State Government amounted to ₹ 20,637.17 crore comprising tax revenue of ₹ 15,707.26 crore and non-tax revenue of ₹ 4,929.91 crore. The receipts from Government of India were ₹ 17,350.84 crore (States' share of divisible Union taxes: ₹ 8,363.03 crore and Grants-in-aid: ₹ 8,987.81 crore). Thus, the State Government's own contribution was 54 *per cent* of the total revenue.

**(Paragraph 1.1)**

The number of inspection reports (IRs) and paragraphs issued up to December 2014 but not settled by June 2015 stood at 2,811 and 11,073 respectively involving ₹ 7,132.64 crore. We are yet to receive even first replies for 112 IRs out of 147 IRs issued during 2014-15 though these were required to be furnished within one month of their receipt.

**(Paragraph 1.6.1)**

We conducted test check of the records relating to Commercial Taxes, State Excise, Stamp Duty and Registration, Land Revenue, Mining Receipts, Taxes on Vehicles, Forestry and Wildlife and Electricity Duty in 84 units during the year 2014-15 and observed under-assessment/short levy/loss of revenue aggregating ₹ 549.77 crore in 27,711 cases. The Departments concerned accepted under assessment and other deficiencies of ₹ 263.73 crore in 23,602 cases which were pointed out in audit during 2014-15.

**(Paragraph 1.9)**

### II. Commercial Tax

Performance Audit on “**System of Assessment under Value Added Tax (VAT)**” indicated the following deficiencies:

- Survey of unregistered dealers under Section 57A of CGVAT Act to bring new dealers under tax net was not conducted during the period 2010-11 to 2014-15.

**(Paragraph 2.2.8)**

- Growth rate of revenue over previous year drastically reduced from 24 *per cent* to six *per cent* during the period 2011-12 to 2014-15 in spite of increase in number of registered dealers and increase in rate of tax.

**(Paragraph 2.2.9)**

- The Government extended the time limit for self-assessment by seven to 48 months for the years from 2008-09 to 2013-14. Similarly, time limit for assessment under other Sections was extended by 21 to 31 months for the years from 2008-09 to 2010-11. Such excessive extension in finalisation of assessment cases would result in huge backlog of cases for assessment.

**(Paragraph 2.2.14)**

- The Commissioner did not select cases for tax audit under Section 21 (3) of CGVAT Act for the years 2008-09 and 2009-10. Further, only 11.59, 3.94 and 0.6 *per cent* of the self-assessment cases were selected for tax audit for the years 2010-11, 2011-12 and 2012-13 respectively.

**(Paragraph 2.2.15)**

- The Department could not furnish information regarding closing stock of dealers whose registration was cancelled and reversal of ITR thereon. This indicated that there was no monitoring mechanism in cases of cancelled registration to ensure reversal recovery of ITR on closing stock.

**(Paragraph 2.2.17)**

- There was short levy of tax of ₹ 21.82 lakh due to wrong categorization of contract for composition of tax in case of four dealers in three offices.

**(Paragraph 2.2.18)**

- There was short levy of tax of ₹ 9.16 crore due to incorrect classification of goods and application of lower rate of tax in 26 cases out of 1430 test checked from 5951 dealers in 11 offices.

**(Paragraph 2.2.19)**

- There were irregularities regarding Input Tax Rebate (ITR) like irregular/non-admissible ITR, excess ITR of ₹ 44.89 lakh in six cases out of 874 test checked from 2766 dealers in six offices.

**(Paragraph 2.2.20)**

- The Assessing Officers incorrectly determined taxable turnover of ₹ 33.63 crore after taking into consideration the purchase price of material used in works contract, freight, profit etc. while in the light of Hon'ble Supreme court judgement and circular issued by the Government, the taxable turnover should be determined after deducting the expenses relating to the labour from the gross receipts. This resulted in short levy of VAT of ₹ 46.55 lakh.

**(Paragraph 2.2.24)**

- There was incorrect allowance of exemption against inter-state sale and stock transfer, transit sale and invalid form in case of 20 dealers out of 1282 test checked from 2147 dealers in 12 offices. This resulted in Non/Short levy of tax of ₹ 1.68 crore.

**(Paragraph 2.2.25)**

Application of incorrect rate of tax by the Assessing Officers (AOs) led to non/short levy of Value Added Tax (VAT) of ₹ 39.47 lakh.

**(Paragraph 2.3.1)**

The AO allowed Input Tax Rebate (ITR) in respect of whole quantity of coal purchased by the assessee without reducing the part used for generating tax free electricity sold within the State. This resulted in excess allowance of ITR amounting to ₹ 13.34 lakh.

**(Paragraph 2.4)**

The Assessing Officers short levied Central Sales Tax amounting to ₹ 45.45 lakh on interstate sale not supported by declaration.

**(Paragraph 2.5)**

Failure on the part of AOs to levy entry tax as per the rate mentioned in the schedules and notification resulted in short realisation of entry tax of ₹ 10.45 lakh.

**(Paragraph 2.6)**

### III. Stamps and Registration fee

Misclassification of instruments by the Sub Registrar resulted in short levy of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 41.29 lakh.

**(Paragraph 3.3)**

Properties of more than one seller were clubbed in a single document resulted in undervaluation of property and consequent short realisation of SD & RF amounting to ₹ 27.35 lakh.

**(Paragraph 3.4)**

Properties situated on the main roads were valued as situated off roads resulting in short realisation of SD & RF amounting to ₹ 24.96 lakh.

**(Paragraph 3.5)**

Non adherence of provisions of guidelines in valuation of agricultural properties situated in municipal areas resulted in short realisation of SD & RF amounting to ₹ 17.42 lakh.

**(Paragraph 3.6)**

The SRs overlooked the facts mentioned in the instruments, applied incorrect rates and did not observe the provisions of guidelines which resulted in short realisation of SD & RF amounting to ₹ 16.91 lakh.

**(Paragraph 3.7.1 and 3.7.2)**

### IV. Land Revenue

Non-levy of *Panchayat Cess* on premium and land rent levied on diversion of agricultural land in *gram panchayat* area resulted in non-realisation of ₹ 22.34 lakh.

**(Paragraph 4.3)**

Agricultural land purchased and mutated for industrial purposes was not diverted for industrial purposes resulted in non-realisation of land revenue amounting to ₹ 26 lakh.

(Paragraph 4.4)

## V. Taxes on Vehicles

Long Paragraph on “Non/Short realisation of tax from the owners of passenger and goods vehicles” indicated the following deficiencies:

- The RTOs/ARTOs/DTOs did not maintain/update Demand and Recovery Register of tax and Register of Certificate of Registration.

(Paragraph 5.2.9)

- There was short realisation of tax of ₹ 2.25 crore for the period July 2011 to March 2015 from the owners of 133 passenger vehicles out of 2,583 registered passenger vehicles due to non-determination of seating capacity on the basis of wheel base, non-consideration of sleeper (berth) into two seats, allowance of concessional rate of tax to other than educational institution buses etc.

(Paragraph 5.2.10)

- Tax and penalty of ₹ 19.05 crore due for the period between April 2010 to February 2015 from 5,677 vehicle owners out of 1,61,380 registered vehicles pertaining to selected transport offices was neither paid by the owners nor demanded by the Department.

(Paragraph 5.2.11)

## VI. Other Non-Tax Receipts

Departmental instructions regarding preparation of pure lots of timber for sale were not followed which resulted in delayed sale of timber and consequent loss of revenue amounting to ₹ 11.57 lakh.

(Paragraph 6.3.1)

During auction of timber lots, timber was sold below its non-commercial value resulting in loss of revenue amounting to ₹ 5.03 lakh.

(Paragraph 6.3.2)

The average annual royalty was calculated incorrectly for the purpose of registration of mining lease. This resulted in short realisation of Stamp Duty and Registration Fee (SD & RF) amounting to ₹ 6.92 crore.

(Paragraph 6.7)

Absence of provisions for payment of differential SD & RF chargeable due to change in extractable quantity of minor minerals resulted in non-realisation of SD & RF amounting to ₹ 14.29 lakh.

(Paragraph 6.8)

## VII. Forestry and Wild life (Expenditure)

The Forest Department prepared project and executed teak plantation in the area already covered by forests resulting in doubtful expenditure of ₹ 1.11 crore.

**(Paragraph 7.3)**

The Forest Department did not adhere to the departmental norms while preparing the plants under MNREGA and prepared projects at higher rates resulting in excess expenditure of ₹ 57.14 lakh.

**(Paragraph 7.4)**

Non-observance of departmental norms while preparation of projects and execution of plantation works resulted in excess expenditure of ₹ 51.15 lakh besides plantation of lesser number of plants.

**(Paragraph 7.5)**

## VIII. Information Technology Audit

‘e-challan’ is a web enabled software to facilitate capture of online payment made by the taxpayers who have an internet enabled online bank account. It was developed under the supervision of the Directorate of Treasury, Government of Chhattisgarh (GoCG) through National Informatics Centre (NIC), Raipur. The customized challan format wherein government receipts can be accepted through internet via banking gateway and sent to treasury for all Departments was approved by Government of Chhattisgarh vide Rule 64A and 64B of Chhattisgarh Treasury Code.

Performance Audit on “**Implementation of e-Challan**” indicated the following deficiencies:

- Monitoring committee was not formed for the management of the project of e-Challan during its implementation. No parallel run of the software was conducted to evaluate its performance.

**(Paragraph 8.8)**

- Even though the Department had prepared the System Requirement Specification (SRS) and User Requirement Specification (URS), these remained incomplete as it did not contain the business rules to be mapped, the work flow and the technical specifications required for the new computerised system. Further, the Department did not prepare any System Design Document (SDD).

**(Paragraph 8.9)**

- Input controls and validation checks were not adequately mapped in e-Challan software.

**(Paragraph 8.10)**

- There was delay ranging from 10 days to five months in accounting of money in the treasury with respect to the date of receipt in bank through e-challan. Due to lack of monitoring control at treasury level, delay in the accounting remained unnoticed.

**(Paragraph 8.12)**

- Failure to map business rules regarding enhanced rate of fee for allotment of choice registration number by the Transport Department in the Dealer Point Registration (DPR) software resulted in short realisation of revenue amounting to ₹ 3.56 crore.

**(Paragraph 8.17)**

- As per terms and conditions of the agreement between dealers of vehicles and Transport Department, the dealers of vehicles were required to deposit online the Government revenue under the relevant head on the day of receipt of tax and fee. However, the dealers deposited Government revenue after a delay ranging between two to 1488 days. Further, the dealers registered old vehicles through Dealer Point Registration though they were authorized to register only new vehicles.

**(Paragraph 8.18 and 8.21)**

- The Directorate of Treasury failed to integrate the e-challan data with the module of all the user Departments resulting in manual interventions at many stages. Moreover, use of different unconnected software in different departments led to depiction of false payment details, manipulation of challans etc.

**(Paragraph 8.16 and 8.22)**

- Integrity of master data was not maintained as multiple records of the same challan were present.

**(Paragraph 8.23)**

- The Commercial Tax Department failed to follow best practices in implementation of e-challan due to which completeness, accuracy and validity of e-challan details submitted by the dealer could not be verified.

**(Paragraph 8.24)**

- The Commercial Tax Department did not apply input and validation checks in COMTAX software to prevent entry of same challans for payment of different taxes. This resulted in use of same challans for payment of VAT and entry tax.

**(Paragraph 8.27)**