

OVERVIEW

This Report contains an Audit on “Process of refund under Value Added Tax” and 13 paragraphs relating to mining receipts, taxes on sales, trade etc., taxes on vehicles, state excise and forestry and wild life. The total financial implications of the Report are ₹ 292.26 crore, out of which ₹ 284.67 crore (1.16 *per cent* of tax and non-tax revenue of the State during the year 2016-17) pertain to observations of underassessment, short/non levy, loss of revenue, etc. and ₹ 7.59 crore pertain to observations of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 48.75 crore and recovered ₹ 4.84 crore.

The departments did not furnish specific replies to audit observations involving ₹ 238.30 crore, which included audit observations on non-levy of land revenue on land covered under mining leases (₹ 177.60 crore) and non/short realisation of Infrastructure Development and Environment cess (₹ 42.30 crore) pertaining to Mineral Resources Department.

Some of the major findings are summarised below:

1. General

The total receipts of the State Government amounted to ₹ 53,685.25 crore for 2016-17 against ₹ 46,067.71 crore for 2015-16. The State’s own revenue was ₹ 24,614.46 crore (45.85 *per cent* of total receipts); the share of receipts from Government of India was ₹ 29,070.79 crore (54.15 *per cent* of total receipts). The State’s share in central taxes has increased from 32 *per cent* to 42 *per cent* following the recommendations of the 14th Finance Commission.

(Paragraph 1.2.1)

Audit noticed that Budget Estimates (BE) approved by Finance Department was much higher than what was proposed by Commercial Tax, Commercial Tax (Excise), Commercial Tax (Registration), Energy, Revenue and Disaster Management, and Mineral Resources departments. Achievement was less than BE by five to 25 *per cent* under revenue heads viz., Taxes on sales, trade etc., State excise, Taxes and duties on electricity, Stamps and Registration fees, Taxes on goods and passengers, Land revenue and Non-ferrous mining and metallurgical industries.

The rationale behind such increase could not be ascertained, as despite several formal requisitions at all levels including upto Principal Secretary, Finance, the Finance Department refused to allow Audit access to the records. Consequently, Audit could not exercise its mandate enshrined in Article 151 of the Constitution, Section 18(1)(b) of the CAG’s DPC Act, 1971 and Regulation 181 of the Regulations on Audit and Accounts, 2007.

Audit recommends that the Government should provide Audit with access to records to enable Audit to fulfil its mandate under the Constitution and the laws.

(Paragraph 1.2.2 and 1.2.3)

Arrears of revenue as on 31 March 2017 from taxes on sales, trade, etc., state excise, taxes and duties on electricity, taxes on vehicles, stamps and

registration fees, mining receipts, and forestry and wild life amounted to ₹ 2,698.93 crore, of which ₹ 975.84 crore was outstanding for more than five years. Audit noticed that except for the Commercial Tax and Mineral Resources Department, the remaining three departments viz., Commercial Tax (Excise), Transport and Revenue and Disaster Management (RDM) departments did not maintain database of arrears and therefore could not provide details of various stages at which arrears were pending. Further, figures of arrears provided by the RDM Department were not reliable as the opening balances of arrears of various minor heads for the year 2016-17 did not match with the closing balances of the previous year. The Mineral Resources Department considered only those cases as arrears where Revenue Recovery Certificates were issued and as such the Department had no data on actual arrears of revenue, and further, no revenue recovery certificates had been issued for more than five years. The departmental figures were therefore unrealistic.

Audit recommends that the revenue earning departments should create a database of outstanding arrears for periodic review and liquidation of arrears.

(Paragraph 1.3)

Analysis of Inspection Reports (IRs) disclosed that 10,267 paragraphs involving potential revenue of as much as ₹ 6,868.16 crore relating to 2,532 IRs were outstanding at the end of June 2017. Out of 471 IRs issued (2014-17), Audit did not receive even the first reply of 320 IRs (67.94 per cent) from the heads of offices.

(Paragraph 1.4.1)

Six Audit Committee Meetings (ACMs) were scheduled during 2016-17 but only four (Forest Department-3 and Commercial Tax (Excise)-1) could be conducted. As against 235 paragraphs discussed, only 113 paragraphs could be settled. Reasons for non-settlement of paragraphs were, non-production of required documents and recovery being in progress. ACM with Transport Department could not be conducted as the Department did not prepare the latest position and required records were not furnished by the Regional Transport Officers (RTOs).

Audit recommends that the State Government should direct all departments to settle pending audit observations through periodic ACMs, and ensure that all relevant records are updated and presented to Audit for disposal of pending paragraphs.

(Paragraph 1.4.2)

Revenue earning departments failed to produce files/records relating to 98 cases to Audit during the period 2012-17, raising red flags of presumptive collusion of departmental officers on corruption and fraud. Consequently, Audit is unable to vouchsafe to the genuineness of these transactions.

Audit recommends that the Government should introduce measures to ensure that departmental officers invariably produce records to Audit especially after sufficient notice is given, and initiate disciplinary action against officers who fail to produce records to Audit.

(Paragraph 1.4.3)

Audit test checked records of 85 units pertaining to Commercial tax, State excise, Stamps and Registration fees, Land revenue, Taxes and duties on electricity, Mining receipts, Taxes on vehicles and Forestry and wild life during the year 2016-17. Besides, eight units of Mineral Resources Department were also audited between April 2017 and June 2017. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 2,913.82 crore in 38,881 cases. The departments concerned accepted underassessment and other deficiencies of ₹ 178.95 crore in 13,669 cases as mentioned in the Inspection Reports and recovered ₹ 4.97 crore in 2,194 cases.

(Paragraph 1.6)

2. Mining receipts

Though the Mineral Resources Department initiated action against the concerned officials responsible for inoperative mines in compliance to the PAC's recommendations and directions (93rd Report, 2011-12 on the Audit Report 2006-07), it did not evolve a mechanism to ensure that mines do not remain inoperative.

(Paragraph 2.4)

The Director, Geology and Mining (DGM) failed to put in place a mechanism to obtain details of the sale quantity, grade and invoice value of coal/middling/reject, resulting in short levy of royalty amounting ₹ 9.86 crore.

Audit recommends that the Department should (i) furnish the records requisitioned by Audit, (ii) consider modifying the format of monthly returns so that details of quantity and prices of middling/reject coals sold are also mentioned in the returns; (iii) ensure recovery of royalty as per applicable rates on the basic price reflected in the invoice.

(Paragraph 2.5)

Failure of DMO to ensure realisation of differential Stamp Duty (SD) and Registration Fee (RF) in cases of revision of mining plan or delayed publication of average sale price of iron ore by Indian Bureau of Mines (IBM) led to short levy of additional SD and RF amounting to ₹ 19.45 crore in four cases.

{Paragraph 2.6 (i) and (ii)}

Failure of eight DDMA/DMOs to review Demand and Collection Register periodically and issue demand notices led to non/short realisation of dead rent and interest thereon amounting to ₹ 1.07 crore from lessees of 36 mining and quarry leases.

(Paragraph 2.7)

Seven DDMA/DMOs failed to levy and collect the land revenue at the rates prescribed in the Chhattisgarh Land under Mining Leases Quarry leases Assessment Rules, 1987, resulting in non-realisation of land revenue of ₹ 177.60 crore on 694 mining leases.

Audit recommends that the Mineral Resources Department should review and collect all land revenue pertaining to lands under mining areas in all districts.

(Paragraph 2.8)

Five DDMA/DMOs collected ₹ 15.67 crore towards the National Mineral Exploration Trust as against realisable amount of ₹ 21.73 crore which resulted in short realisation of ₹ 6.06 crore.

(Paragraph 2.9)

Seven DDMA/DMOs did not realise/short realised Infrastructure Development and Environment cess amounting to ₹ 42.30 crore on mining and quarry leases.

(Paragraph 2.10)

3. Commercial Tax

Commercial Tax Department failed to comply with PAC's directions (22nd Report, 2014-15 on the Audit Report 2007-08) to recover the amount immediately in case of non-levy of tax by accepting form 'F' of doubtful authenticity. Though the Department had complied with PAC's recommendation (81st Report, 2010-11 on the Audit Report 2002-03) by taking action against erring officials in case of incorrect determination of turnover, the Department failed to evolve a mechanism to avoid recurrence of similar irregularities.

(Paragraph 3.3)

Audit on “**Process of refund under Value Added Tax**” indicated the following deficiencies:

In 11 test checked units, in 1,039 out of 2,953 cases (35.18 *per cent*) pertaining to the period 2012-13 to 2016-17, Assessing Authorities (AAs) delayed refund from the date of refund order by up to 2,234 days. The Department is liable to pay interest amounting to ₹ 93.91 lakh to the dealers for delay in payment of refund, which however, was not paid.

Audit recommends that the Department should devise a work plan to deal with refund cases in a timely manner to avoid liability of payment of interest.

(Paragraph 3.4.8)

The AA failed to detect incorrect claim and carry forward of Input Tax Rebate (ITR) of ₹ 4.19 crore by a dealer.

{Paragraph 3.4.9 (i)}

Two AAs incorrectly determined turnover of two dealers which resulted in short levy of tax of ₹ 3.24 crore and consequent incorrect refund of ₹ 2.76 crore.

{Paragraph 3.4.9 (ii)}

The AA did not comply with Departmental circular (September 2012) regarding determination of taxable turnover of works contractor which resulted in incorrect refund of ₹ 86.77 lakh.

(Paragraph 3.4.10)

Compliance Audit Observations:

Four AAs failed to detect incorrect classification of goods declared by four dealers which resulted in short levy of tax of ₹ 4.64 crore.

(Paragraph 3.5)

Two AAs while assessing two cases, failed to levy interest amounting to ₹ 1.02 crore on delayed payment of VAT.

(Paragraph 3.6)

4. Other Tax Receipts

Taxes on Vehicles

In compliance to PAC's recommendations (46th Report, 2009-10; 56th Report, 2009-10 and 96th Report, 2011-12) to make recoveries of outstanding tax at the earliest and to take action against negligent officials, the Transport Department recovered tax and penalty amounting to ₹ 1.08 crore out of total ₹ 5.48 crore and initiated action against officials as recommended in 46th and 56th Report of PAC. However, similar observations were noticed by Audit in 2016-17 which shows that the Department has not evolved any mechanism to prevent recurrence of similar irregularities.

(Paragraph 4.4)

Seven Regional Transport Officers (RTOs)/Additional RTOs (ARTOs)/District Transport Officers (DTOs) failed to ensure timely payment of Motor Vehicle Tax by vehicle owners, resulting in outstanding tax of ₹ 3.48 crore and penalty of ₹ 2.31 crore from 2,263 vehicle owners.

Audit recommends that the Department may evolve a mechanism to ensure that Vehicle Taxes are collected fully and defaulters are not allowed to escape the payment of tax and penalty.

(Paragraph 4.5)

State excise

Commercial Tax (Excise) Department failed to comply with the PAC's recommendation (8th Report, 2014-15 on the Audit Report 2007-08) to fix norm for yield of alcohol from grains.

(Paragraph 4.9)

Instead of forfeiting Bank Guarantee (BG) and Security Deposit (SD), the Department adjusted outstanding dues of ₹ 27.73 crore against BG of ₹ 3.04 crore and SD of ₹ 2.13 crore and raised demand for ₹ 22.56 crore only on cancellation of licence of six licensees and acceptance of applications for surrender of another four licensees who had not paid license fee and duty for the period of operation of shops.

(Paragraph 4.10)

5. Forestry and Wild Life

Two Divisional Forest Officers (DFOs) constructed six new Water Bound Macadam (WBM) road by incurring an expenditure of ₹ 2.33 crore without taking clearance from GoI as required under the Forest Conservation Act, 1980.

(Paragraph 5.4)

The Principal Chief Conservator of Forest (PCCF) issued norms under Departmental work for unirrigated mixed plantation higher than comparable work under State CAMPA resulting in avoidable expenditure of ₹ 2.03 crore on plantation on 1,295.192 hectare in four divisions during 2014-15.

Audit recommends that the Department should ensure uniformity in setting the norms for forestry work of same type covered under different schemes.

(Paragraph 5.5)

Five forest divisions purchased store items amounting to ₹ 3.23 crore from various cooperative societies without floating open tender in violation of the Chhattisgarh Store Purchase Rules, 2002.

(Paragraph 5.6)