



**Report of the  
Comptroller and Auditor General of India  
on  
Revenue Sector  
for the year ended 31 March 2018**



लोकहितार्थं सत्यनिष्ठा  
Dedicated to Truth in Public Interest



**Government of Chhattisgarh**  
*Report No. 02 of the year 2019*

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

**FOR THE YEAR ENDED 31 MARCH 2018**

**(REVENUE SECTOR)**

**GOVERNMENT OF CHHATTISGARH**

*Report No. 02 of the year 2019*

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## **PREFACE**

This Report of the Comptroller and Auditor General of India for the year ended 31 March 2018 has been prepared for submission to the Governor of Chhattisgarh under Article 151 of the Constitution of India.

The Report contains significant findings of audit of Receipts and Expenditure of major Revenue earning departments under Revenue Sector conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit during the period 2017-18, as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to period subsequent to 2017-18 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

# Overview

## OVERVIEW

This Report contains 14 paragraphs relating to taxes on sales, trade etc., stamp duty and registration fees, taxes on vehicles, mining receipts and forestry and wild life including a paragraph on 'Preparedness for transition to Goods and Services Tax (GST)'. The total financial implication of the Report is ₹ 49.50 crore, out of which ₹ 39.66 crore pertain to observations on short/non-levy of tax, inadmissible exemption on Stamp Duty and Registration Fees, non realisation of motor vehicle tax, short levy of Stamp Duty and Registration Fees etc., and ₹ 9.84 crore pertains to observations of irregular and avoidable expenditure. The departments have accepted audit observations amounting to ₹ 16.64 crore and recovered ₹ 0.56 crore.

The departments did not furnish specific replies to audit observations involving ₹ 11.03 crore, which included audit observations on short levy of Stamp Duty and Registration Fees (₹ 1.75 crore), irregular and excess expenditure on treatment of selected area without any plantation work (₹ 4.51 crore) and avoidable expenditure on Assisted Natural Regeneration in an area where the work had already been executed (₹ 3.97 crore).

Some of the major findings are summarised below:

### 1. General

The total receipts of the State Government amounted to ₹ 59,647.08 crore for 2017-18 against ₹ 53,685.25 crore for 2016-17. The State's own revenue for the year 2017-18 was ₹ 26,235.10 crore (43.98 *per cent* of total receipts); the share of receipts from Government of India was ₹ 33,411.98 crore (56.02 *per cent* of total receipts).

#### (Paragraph 1.2.1)

Actual receipt was less than Budget Estimates by 1.67 to 72.97 *per cent* under revenue heads viz., Stamps and Registration Fees, Taxes on goods and passengers, Taxes on vehicles and Revenue and Disaster Management while the actual receipts of State Excise was 27.95 *per cent* more than BE due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd. and levy of Countervailing Duty on liquor.

#### (Paragraph 1.2.2)

Arrears of revenue as on 31 March 2018 from taxes on sales, trade, etc., state excise, taxes and duties on electricity, taxes on vehicles, stamps and registration fees and mining receipts amounted to ₹ 3,545.13 crore, of which ₹ 1,314.56 crore was outstanding for more than five years.

Audit had recommended (Audit Report 2016-17) the Government to create database of outstanding arrears for periodic review and liquidation of arrears but the Government did not follow the recommendation as it was noticed that the Forest and Revenue and Disaster Management Department failed to provide any information related to outstanding arrears and arrears of revenue of above six departments increased from ₹ 2,690.26 crore to ₹ 3,545.13 crore in comparison to previous year.

#### (Paragraph 1.3)

Analysis of Inspection Reports (IRs) disclosed that 10,592 paragraphs involving potential revenue of as much as ₹ 9,194.44 crore relating to 2,600 IRs issued to the departments during 1994-95 to 2017-18 were outstanding at the end of July 2019. Out of 81 IRs issued during 2017-18, Audit did not receive even the first reply of 49 IRs (60.49 per cent) from the heads of offices.

**(Paragraph 1.4.1)**

Two Audit Committee Meetings (ACMs) were conducted during 2017-18. As against 141 paragraphs discussed, only 52 paragraphs could be settled.

**(Paragraph 1.4.3)**

Revenue earning departments failed to produce files/records relating to 87 cases to Audit during the period 2017-18, raising red flags. Consequently, Audit is unable to vouchsafe the genuineness of these transactions and likelihood of frauds cannot be ruled out.

**(Paragraph 1.4.4)**

Based on risk assessment Audit test checked records of 81 units out of 501 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 2017-18. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc., aggregating to ₹ 4,227.27 crore in 22,998 cases were pointed out. The departments concerned accepted underassessment and other deficiencies of ₹ 702.81 crore in 17,162 cases as mentioned in the Inspection Reports and recovered only ₹ 1.93 crore in 446 cases.

**(Paragraph 1.6)**

## **2. Commercial Tax**

On the Audit Report 2007-08 (Paragraph 2.4) the PAC had recommended in 22<sup>nd</sup> Report of 26 March 2015 that the department may immediately recover tax in cases where tax exemption were claimed/given on the basis of form 'F' of doubtful authenticity. Further, on the Audit Report 2009-10 (Paragraph 2.15.2) the PAC had recommended on 4 January 2018 (57<sup>th</sup> Report) that the department may issue clear instructions on tax on coconut oil so as to avoid confusion and also to recover the tax immediately. However, the department has not complied (July 2019) with PAC's recommendation in both the paragraphs.

**Audit recommends that the department should ensure compliance to recommendations given by the PAC.**

**(Paragraph 2.4)**

Scrutiny of transitional credit cases in seven selected circles out of total 30 circles revealed that the dealers were allowed Input Tax Credit of ₹ 2.70 crore in excess of Input Tax Rebate shown in their VAT returns, 15 taxpayers had not submitted quarterly returns for last six months but irregularly claimed ITC of ₹ 2.40 crore and one taxpayer who was not registered in VAT, Central Excise and Service Tax during pre-GST regime, irregularly carried forward ITC of ₹ 19.60 lakh through TRAN-I.

**(Paragraph 2.5.5.1)**

The AAs applied lower rate of VAT in 12 cases resulting in short levy of tax of ₹ 3.26 crore. Besides penalty of ₹ 6.51 crore was also leviable.

(Paragraph 2.6)

The AAs allowed the concessional rate of tax under CST without ensuring submission of declaration form 'C' by 32 dealers in 34 cases resulting in short levy of CST amounting to ₹ 6.40 crore.

(Paragraph 2.7)

The AAs allowed exemption of tax in transit sales under CST Act without statutory forms EI and C by five dealers in six cases resulting in short levy of tax amounting to ₹ 2.31 crore.

(Paragraph 2.8)

The AAs applied incorrect rate of Entry Tax on entry of goods from outside local area by eight dealers in 12 cases resulting in short realisation of entry tax amounting to ₹ 6.45 crore.

(Paragraph 2.9)

### 3. Stamp Duty and Registration Fees

Sub Registrar, Janjgir did not initiate any action after withdrawal of notifications of exemption to recover Stamp Duty and Registration Fees resulting in inadmissible exemption of Stamp Duty and Registration Fees including interest amounting to ₹ 1.11 crore.

(Paragraph 3.5)

### 4. Taxes on vehicles

Five 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 ₹ 2.60 crore and penalty of ₹ 2.84 crore from 1,138 vehicle owners.

(Paragraph 4.5)

### 5. Non-Tax Receipts

#### A. Forestry and Wild Life (Receipts)

The department did not develop any system for reconciliation of figures of quantity of minerals extracted and transported from forest areas with the Mineral Resources department, resulting in short realisation of revenue of ₹ 42.88 lakh.

(Paragraph 5.5)

#### B. Mining Receipts

Deputy Director Mining Administration, Raipur considered the entire lease period instead of considering the average production for the period of production as mentioned in the Mining Plan which led to incorrect calculation of average annual royalty consequent upon which Stamp Duty and Registration Fees of ₹ 0.76 crore was short levied.

(Paragraph 5.11)

District Mining Officer, Kawardha instead of considering price of aluminium at the time of execution (March 2017) of lease deed considered the price applicable at the time when the lessee had applied (October 2016) for extension of lease which resulted in incorrect calculation of average annual royalty due to which Stamp Duty and Registration Fees of ₹ 0.99 crore was short levied.

**(Paragraph 5.12)**

## **6. Forestry and Wild Life (Expenditure)**

Two Divisional Forest Officers selected ineligible sites for Compensatory Afforestation work, which resulted in irregular expenditure of ₹ 3.73 crore on treatment of selected area without any plantation work and excess expenditure of ₹ 0.79 crore on plantation of fewer plants than the norms set by Additional Principal Chief Conservator of Forest (State CAMPA).

**(Paragraph 6.2)**

Divisional Forest Officer, Kondagaon (South) incurred avoidable expenditure of ₹ 3.97 crore on Assisted Natural Regeneration in an area where the work had already been executed.

**(Paragraph 6.3)**

Divisional Forest Officer, Surguja incurred avoidable expenditure of ₹ 1.36 crore on plantation in Protection Working Circle under Green India Mission despite the plantation being prohibited according to the Working Plan of the Division.

**(Paragraph 6.4)**

# **Chapter-I: General**

## CHAPTER-I: GENERAL

### 1.1 Introduction

This Chapter presents an overview of the trend of receipts of the Government of Chhattisgarh (GoCG), analysis of arrears of taxes<sup>1</sup> pending collection, response of the Government/Departments towards Audit and departmental mechanisms to deal with this.

### 1.2 Trend of revenue receipts

**1.2.1** The tax and non-tax revenues raised by the GoCG, the State's share of net proceeds of divisible Union taxes and duties assigned to the State and Grants-in-aid received from Government of India (GoI) during the period 2013-18 are mentioned in **Table 1.1**:

**Table 1.1: Trend of revenue receipts**

<i>(₹ in crore)</i>						
Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
<b>1.</b>	<b>Revenues raised by the State Government</b>					
	• Tax revenues	14,342.71	15,707.26	17,074.86	18,945.21	19,894.68
	Percentage of growth compared to previous year	<b>10.04</b>	<b>9.51</b>	<b>8.71</b>	<b>10.95</b>	<b>5.01</b>
	• Non-tax revenues	5,101.17	4,929.91	5,214.79	5,669.25	6,340.42
	Percentage of growth compared to previous year	<b>10.51</b>	<b>-3.36</b>	<b>5.78</b>	<b>8.71</b>	<b>11.84</b>
	<b>Total</b>	<b>19,443.88</b>	<b>20,637.17</b>	<b>22,289.65</b>	<b>24,614.46</b>	<b>26,235.10</b>
<b>2.</b>	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	7,880.22	8,363.03	15,716.47	18,809.16	20,754.81 <sup>2</sup>
	• Grants-in-aid <sup>3</sup>	4,726.16	8,987.81	8,061.59	10,261.63	12,657.17
	<b>Total</b>	<b>12,606.38</b>	<b>17,350.84</b>	<b>23,778.06</b>	<b>29,070.79</b>	<b>33,411.98</b>
<b>3.</b>	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>32,050.26</b>	<b>37,988.01</b>	<b>46,067.71</b>	<b>53,685.25</b>	<b>59,647.08</b>
<b>4.</b>	<b>Percentage of 1 to 3</b>	<b>61</b>	<b>54</b>	<b>48</b>	<b>46</b>	<b>44</b>

*(Source: Finance Accounts of the Government of Chhattisgarh)*

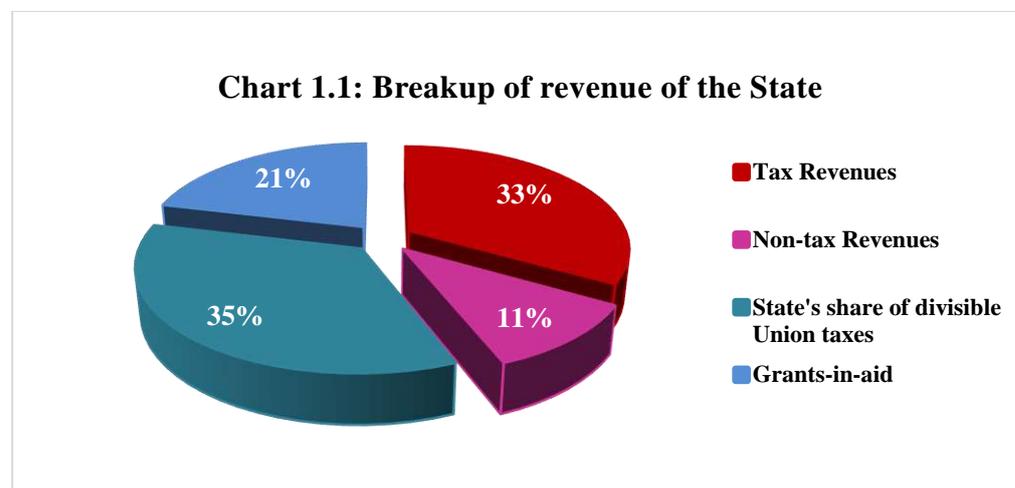
<sup>1</sup> Commercial Tax, Excise, Energy, Transport, Registration and Mining departments.

<sup>2</sup> For details please refer to the column on "tax revenue" of Statement 14, detailed accounts of revenue by minor heads of the Finance Accounts of the Government of Chhattisgarh for the year 2017-18. Amounts under the minor head 901- share of net proceeds assigned to the State booked under the major heads 0005-Central Goods and Services Tax, 0008-Integrated Goods and Services Tax, 0020- Corporation tax, 0021- Taxes on income other than Corporation tax, 0032- Taxes on wealth, 0037- Customs, 0038- Union excise duty, 0044- Service tax and 0045- Other taxes and duties on commodities and services under 'A-tax revenue' have been excluded from the revenues raised by the State and included in the State's share of divisible Union taxes in this statement.

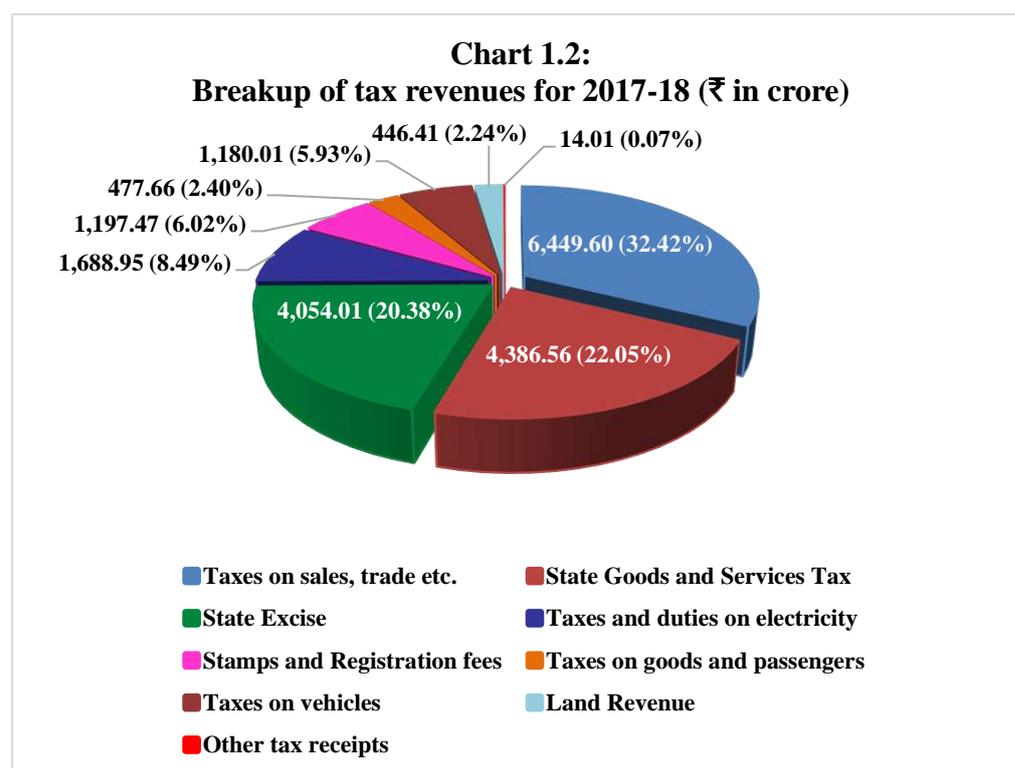
<sup>3</sup> Centrally sponsored scheme, Finance Commission grants and other transfer/grants (also includes compensation on GST received from GoI) to States/Union Territories with Legislatures.

Table 1.1 indicates that the average annual growth rate in respect of Tax Revenue and Non-tax revenue were 8.84 per cent and 6.70 per cent respectively during 2013-18.

Pictorial representation of breakup of revenue receipts of the State is given in **Chart 1.1:**



**1.2.2** Pictorial representation of the breakup of tax revenues for the year 2017-18 is given in **Chart 1.2:**



Budget Estimates (BE) proposed by the administrative Departments, BE approved by the Finance Department and actual receipts of tax revenues raised during the period 2013-18 are given in **Table 1.2:**

Table 1.2: Details of tax revenues raised by the Government

(₹ in crore)

Sl. No.	Head of Revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase (+) or decrease(-) in actual receipts in 2017-18 over 2016-17	Percentage of variation between BEs and actual receipts in 2017-18
1.	Taxes on sales, trade etc.	Proposed BE	8,010.49	9,118.94	9,270.93	10,198.02	10,441.02		
		Approved BE	8,436.00	9,800.00	10,998.00	11,928.37	13,444.70		
		Actual	7,929.51	8,428.61	8,908.36	9,927.21	6,449.60		
2	State Goods and Services Tax <sup>4</sup>	Proposed BE	NA	NA	NA	NA	NA		
		Approved BE	NA	NA	NA	NA	3,212.82		
		Actual	NA	NA	NA	NA	4,386.56 <sup>5</sup>		
Sub-total (1 and 2)	Proposed BE	8,010.49	9,118.94	9,270.93	10,198.02	10,441.02			
	Approved BE	8,436.00	9,800.00	10,998.00	11,928.37	16,657.52			
	Actual	7,929.51	8,428.61	8,908.36	9,927.21	10,836.16	(+) 9.16	NA <sup>6</sup>	
3.	State excise	Proposed BE	2,589.00	2,646.91	3,200.00	3,360.00	3,832.50		
		Approved BE	2,575.00	3,150.00	3,528.00	3,870.00	3,168.50		
		Actual	2,549.15	2,892.45	3,338.40	3,443.51	4,054.01	(+)17.73	(+) 27.95
4.	Taxes and duties on electricity	Proposed BE	715.00	1,196.00	1,400.00	1,420.00	1,521.00		
		Approved BE	820.00	1,100.00	1,400.00	1,575.00	1,650.00		
		Actual	1,020.44	1,312.93	1,372.84	1,495.48	1,688.95	(+)12.94	(+)2.36
5.	Stamps and Registration fees	Proposed BE	1,000.00	1,100.00	1,200.00	1,320.00	1,425.00		
		Approved BE	1,150.00	1,250.00	1,350.00	1,485.00	1,550.00		
		Actual	990.24	1,023.33	1,185.22	1,211.35	1,197.47	(-)1.15	(-)22.74
6.	Taxes on goods and passengers <sup>7</sup>	Proposed BE	1,102.44	1,087.26	1,080.62	1,188.68	1,196.94		
		Approved BE	1,192.00	1,335.00	1,441.80	1,563.77	1,767.06		
		Actual	945.44	981.88	1,040.26	1,340.35	477.66	(-)64.36	(-)72.97
7.	Taxes on vehicles	Proposed BE	618.58	699.63	761.83	950.40	1,050.00		
		Approved BE	731.38	800.00	864.00	954.11	1,200.00		
		Actual	651.07	703.48	829.22	985.27	1,180.01	(+)19.77	(-)1.67
8.	Land revenue	Proposed BE	292.21	459.45	468.80	496.80	550.00		
		Approved BE	376.00	460.00	496.80	550.00	600.00	(-)11.37	(-)25.60

<sup>4</sup> The figures in the proposed, approved and actual column in the Head “State Goods and Services tax” for the year 2013-14 to 2016-17 shown as Not Applicable (NA) because the Goods and Services Tax was implemented from 1 July 2017. Pre GST period is from 1.4.2017 to 30.6.2017 and post GST period is from 1.7.2017 to 31.3.2018. Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD); state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax have been subsumed in GST.

<sup>5</sup> In addition to receipts of State GST of ₹ 4,386.56 crore, compensation on GST ₹ 1,483.00 crore was also received from GoI during the period 2017-18.

<sup>6</sup> Budget estimate was prepared for the whole year but GST implemented from 1 July 2017, hence the actual receipt of 2017-18 could not be compared with Budget Estimate.

<sup>7</sup> Major portion (93.68 per cent) of Taxes on Goods and Passengers is from Entry Tax during the period 2017-18 which has since been abolished and subsumed in GST from 1.7.2017.

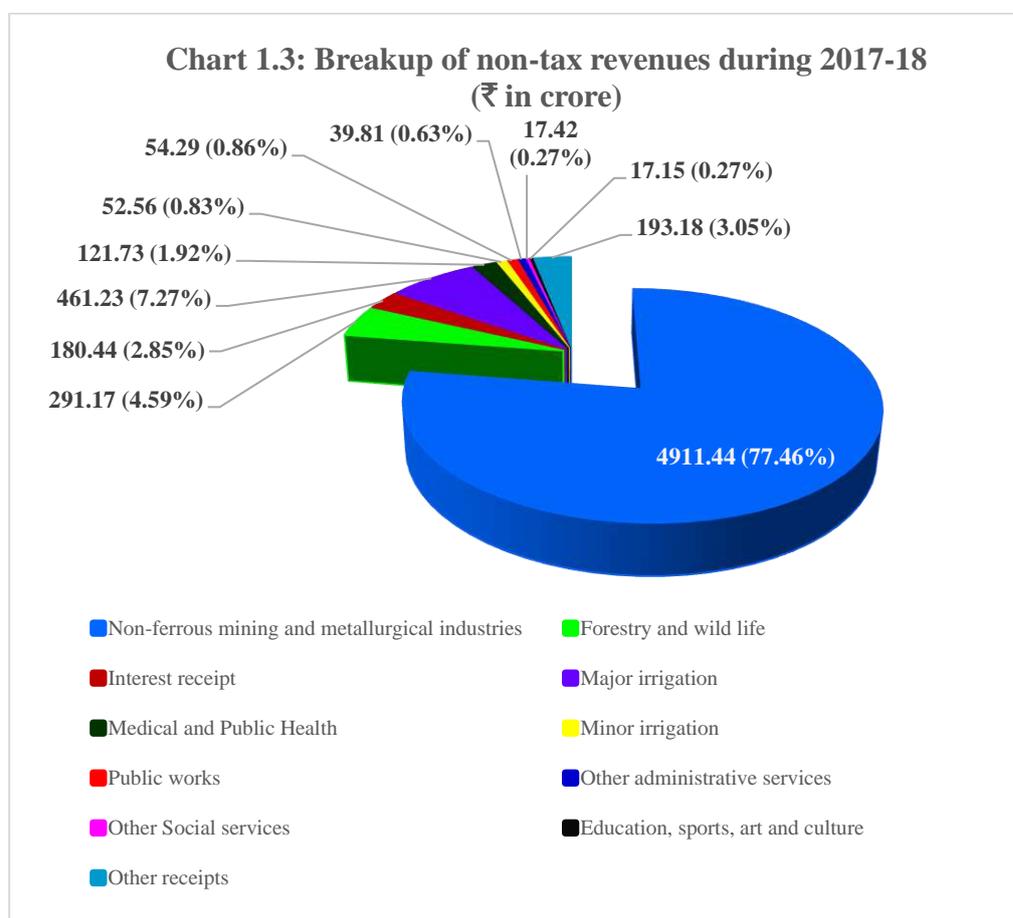
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		<b>Actual</b>	226.06	331.56	363.84	503.66	446.41		
9.	Other tax receipts <sup>8</sup>	<b>Proposed BE</b>	24.16	33.73	32.29	35.28	33.83		
		<b>Approved BE</b>	19.91	31.26	7.25	37.85	40.38		
		<b>Actual</b>	30.80	33.02	36.72	38.38	14.01	(-)63.50	(-)65.30
<b>Total</b>		<b>Proposed BE</b>	<b>14,351.88</b>	<b>16,341.92</b>	<b>17,414.47</b>	<b>18,969.18</b>	<b>20,050.29</b>		
		<b>Approved BE</b>	<b>15,300.29</b>	<b>17,926.26</b>	<b>20,085.85</b>	<b>21,964.10</b>	<b>26,633.46</b>		
		<b>Actual</b>	<b>14,342.71</b>	<b>15,707.26</b>	<b>17,074.86</b>	<b>18,945.21</b>	<b>19,894.68</b>	<b>(+)5.01</b>	<b>(-)25.30</b>

(Source: Information furnished by the Finance Department, Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

Following the GST implementation in July 2017, the overall revenue of the State grew by 12.84 per cent in percentage terms and ₹ 2,433 crore in real terms (including ₹ 1,483 crore received as compensation of GST). Thus, it appears that GST implementation gave a substantial boost in revenue collection.

**1.2.3** Pictorial representation of breakup of the non-tax revenues raised during the year 2017-18 are indicated in **Chart 1.3**:



The details of the non-tax revenues raised during the period 2013-18 are indicated in **Table 1.3**:

<sup>8</sup> 'Others' include actual receipts during 2017-18 under the following Revenue Heads: Hotel receipts tax (₹ 3.70 crore); other taxes on income and expenditure (₹ 0.17 crore); and other taxes and duties on commodities and services (₹ 10.14 crore).

Table 1.3: Details of non-tax revenues raised by the Government

(₹ in crore)

Sl. No.	Head of Revenue		2013-14	2014-15	2015-16	2016-17	2017-18	Percentage of increase(+) or decrease (-) in actual receipts in 2017-18 over 2016-17	Percentage of variation between BEs and actual receipts in 2017-18
1	Non-ferrous mining and metallurgical industries	BE	3,510.00	4,100.00	7,000.00	5,500.00	5,600.00	(+18.59	(-)12.30
		Actual	3,236.01	3,572.68	3,709.52	4,141.47	4,911.44		
2	Forestry and wild life	BE	450.00	520.00	500.00	550.00	600.00	(-)28.13	(-)51.47
		Actual	405.91	348.72	409.75	405.15	291.17		
3	Interest receipt	BE	364.14	323.40	260.67	249.38	137.25	(+14.75	(+31.47
		Actual	380.91	171.89	108.23	157.24	180.44		
4	Major irrigation	BE	340.31	413.55	389.34	586.47	703.68	(+5.46	(-)34.45
		Actual	339.82	410.95	502.17	437.35	461.23		
5	Minor irrigation	BE	853.04	561.50	277.47	288.34	288.34	(-)32.69	(-)57.78
		Actual	407.81	127.23	121.91	180.84	121.73		
6	Medical and Public Health	BE	14.18	14.80	16.22	15.93	29.33	(+13.03	(+79.20
		Actual	19.84	20.16	43.15	46.50	52.56		
7	Public works	BE	12.80	18.93	21.77	43.72	73.70	(+32.03	(-)26.34
		Actual	21.21	39.21	42.73	41.12	54.29		
8	Other administrative services	BE	19.29	16.06	30.40	23.69	65.43	(+8.59	(-)39.16
		Actual	38.20	36.45	65.52	36.66	39.81		
9	Other social services	BE	1.00	10.00	6.26	4.30	30.00	(-)39.32	(-)41.93
		Actual	64.34	41.74	29.15	28.71	17.42		
10	Education, sports, art and culture	BE	4.01	4.65	5.65	7.60	6.97	(-)36.58	(+146.05
		Actual	6.78	30.78	13.07	27.04	17.15		
11	Other non-tax receipts <sup>9</sup>	BE	503.23	201.73	155.21	150.71	169.50	(+15.56	(+13.97
		Actual	180.34	130.10	169.59	167.17	193.18		
<b>Total</b>		BE	<b>6,072.00</b>	<b>6,184.62</b>	<b>8,662.99</b>	<b>7,420.14</b>	<b>7,704.20</b>	<b>(+11.84</b>	<b>(-17.70</b>
		Actual	<b>5,101.17</b>	<b>4,929.91</b>	<b>5,214.79</b>	<b>5,669.25</b>	<b>6,340.42</b>		

(Source: Finance Accounts of the Government of Chhattisgarh and Budget Estimates as per the Budget Book of Government of Chhattisgarh)

<sup>9</sup> Other non-tax receipts include actual receipts during 2017-18 under the following heads: Dividends and profits (₹ 4.80 crore); Public service commission (₹ 10.72 crore); Police (₹ 17.08 crore); Jails (₹ 6.38 crore); Stationery and printing (₹ 3.43 crore); Contributions and recoveries towards pension and other retirement benefits (₹ 10.33 crore); Miscellaneous general services (₹ - 0.29 crore); Family welfare (₹ 0.06 crore); Water supply and sanitation (₹ 7.99 crore); Housing (₹ 3.94 crore); Urban development (₹ 31.37 crore); Information and publicity (₹ 0.06 crore); Labour and employment (₹ 20.61 crore); Social security and welfare (₹ 3.46 crore); Crop husbandry (₹ 12.22 crore); Animal husbandry (₹ 7.02 crore); Fisheries (₹ 4.45 crore); Food storage and warehousing (₹ 0.68 crore); Cooperation (₹ 2.57 crore); Other agricultural programmes (₹ 1.33 crore); Other rural development programmes (₹ 8.40 crore); Medium irrigation (₹ 5.91 crore); power (₹ 0.03 crore); Village and small industries (₹ 4.83 crore); Industries (₹ 10.55 crore); Civil aviation (₹ 0.30 crore); Roads and bridges (₹ 2.46 crore) and Other general economic services (₹ 12.49 crore).

As per the Rule 192 of Chhattisgarh Finance Code Volume-I, the Finance Department (FD) is responsible for preparing and presenting the statement of estimated receipts and expenditure on the basis of details provided by the administrative Department which is responsible for the correctness of details.

In respect of revenue projections for 2017-18 of six major administrative Departments<sup>10</sup>, Audit noticed that the BEs approved by FD were significantly higher than those proposed by the administrative Departments under Taxes on sales, trade etc., Taxes on vehicles, Taxes and duties on electricity, Stamps and Registration Fees, Taxes on goods and passengers and Land Revenue. Consequently, the actual receipts of the Departments except Excise Department and Taxes and Duties on electricity were less than BE by 1.67 to 72.97 *per cent* whereas the achievement in Excise Department was much higher (27.95 *per cent*) than the BE.

Revenue projection for 2017-18 in respect of Excise Department was scrutinised (August 2019) by Audit as there was remarkable variation in the budget proposed by the Department and that approved by the Finance Department.

Audit noticed that the Department prepared BE for the year 2017-18 on the basis of Revised Estimates (RE) of the year 2016-17 and increased the BE by five *per cent* compared to the Revised Estimates of 2016-17. On further examination of BEs proposed by 20 units out of 26 units provided by the Department, it was noticed that the subordinate offices had proposed BE (2017-18) with an increase of seven *per cent* compared to Revised Estimates of 2016-17. However, the Finance Department reduced the proposed BE of the Department by 17.33 *per cent*. The rationale behind such huge variation could not be ascertained, as despite several formal requisition at all levels including Secretary Finance (July 2019), the Finance Department did not allow audit access to the records.

The respective Departments reported the following reasons for variation.

**(a) Reasons for variation of receipts of 2017-18 over the receipts of 2016-17:**

**Tax revenue:**

**Taxes on sales, trade etc. and State Goods and Services tax:** The increase (9.16 *per cent*) was due to implementation of GST from 1 July 2017.

**State Excise:** The increase (17.73 *per cent*) was due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd., and levy of Countervailing Duty on liquor.

**Taxes and duties on Electricity:** The increase (12.94 *per cent*) was due to increase in consumption of electricity by industries, recovery of outstanding amount from industries and increase in electricity energy charges in 2017-18.

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<sup>10</sup> Commercial Tax, Excise, Registration, Energy, Transport and Revenue & Disaster Management departments.

**Taxes on goods and passengers:** The decrease (64.36 *per cent*) was due to subsuming of Entry Tax in GST.

**Taxes on vehicles:** The increase (19.77 *per cent*) was due to increase in registration of vehicles (13 *per cent*), rate of fees, quarterly and lifetime tax.

**Land revenue:** The decrease (11.37 *per cent*) was due to non-realisation of revenue from Naxal and drought (96 tehsils of 21 districts) affected areas, decrease in diversion/*nazul* cases and non-revision of rates.

#### **Non-tax revenue**

**Non ferrous mining and metallurgical industries:** The increase (18.59 *per cent*) was due to increase in production of coal (2.88 *per cent*), iron ore (11.19 *per cent*) and limestone (13.89 *per cent*) in comparison to the previous year.

**Forestry and Wildlife:** The decrease (28.13 *per cent*) was because of non-sanction of working plan in 13 divisions due to which work was not executed in due coupes.

**Minor irrigation:** The decrease (32.69 *per cent*) was due to declaration of drought in some Tehsils where recovery of water charges was withheld.

**Medical and public health:** The increase (13.03 *per cent*) was due to revenue realised from patient in lieu of accommodation facilities and sale of medicines etc.

**Other Social Services:** The decrease (39.32 *per cent*) was due to less deposit of amount relating to various schemes related to Nutrition and welfare of Scheduled Caste, Scheduled Tribe and Other Backward Classes.

**Education, sports, art and culture:** Security Fund of ₹ 3.44 crore from M/s. Everon Education Limited was confiscated in the year 2016-17. Therefore the actual receipts were higher during the previous year and there was decrease (36.58 *per cent*) in this year's receipts.

#### **(b) Reasons for variation of receipts from BEs during 2017-18:**

##### **Tax revenue:**

**State Excise:** The increase (27.95 *per cent*) was due to successful implementation of New Excise Policy 2017. The factors in the new excise policy were attributed to control over illegal sales of liquor consequent upon formation of Chhattisgarh State Marketing Corporation Ltd., and levy of Countervailing Duty on liquor.

**Stamps and Registration fees:** The decrease (22.74 *per cent*) was due to non-registration of land below five *dismil* and due to mismatch of map-*khasra* with that of *bhuiyan*<sup>11</sup> record.

**Taxes on goods and passengers:** The decrease (72.97 *per cent*) was due to subsuming of Entry Tax in GST.

**Land revenue:** The decrease (25.60 *per cent*) was due to non realisation of revenue in Naxal and drought (96 tehsils of 21 districts) affected areas, decrease in diversion/*nazul* cases and non-revision of rates.

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<sup>11</sup> *Bhuiyan* is a land records computerisation project of Chhattisgarh state.

**Non-tax revenue:**

**Non-ferrous mining and metallurgical industries:** The shortfall against the BEs (12.30 *per cent*) was due to non-achievement of production target of coal, limestone and bauxite.

**Forestry and wildlife:** The shortfall against the BEs (51.47 *per cent*) was because of non-sanction of working plan in 13 divisions which resulted in non-execution of any work in the due coupes.

**Major and Minor irrigation:** The shortfall against the BEs (34.45 *per cent* and 57.78 *per cent* respectively) were due to declaration of drought in some tehsils where recovery of water charges was withheld.

**Medical and public health:** The increase (79.20 *per cent*) was due to revenue realised from patient in lieu of accommodation facilities and sale of medicines etc.

**1.3 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2018 in respect of six departments amounted to ₹ 3,545.13 crore of which ₹ 1,314.56 crore (37.08 *per cent*) was outstanding for more than five years as detailed in **Table 1.4:**

**Table 1.4: Arrears of revenue**

(₹ in crore)

Sl. No.	Head of Revenue	Total amount outstanding as on 31 March 2018	Amount outstanding for more than five years as on 31 March 2018	Reply of Department with respect to status/stages of outstanding cases
1.	Taxes on sales, trade etc.	2,459.64	1,074.29	Cases pending in courts (₹ 240.56 crore); non-availability of information of movable/ immovable properties of outstanding taxpayers (₹ 223.93 crore); stay by court (₹ 572.66 crore); sick industries (₹ 7.55 crore); written off (₹ 2.20 crore); Pending in Appeal and Revision (₹ 123.75 crore); business closure of firms (₹ 375.44 crore); RRC issued to other States (₹ 209.81 crore) and recovery of ₹ 703.74 crore is under process by circle offices. Further, the Department stated (April 2019) that realisation of arrears of revenue is being done as per the provisions of Land Revenue Code. The Department further stated (Aug 2019) that ₹ 1,385.35 crore which has accrued during the last five years was due to additional demand raised by the Assessing Authorities in their assessment orders.
2.	State excise	51.20	26.49	Revenue Recovery Certificate (RRC) issued (₹ 47.03 crore); Stay by High Court (₹ 4.17 crore). The Department stated (March 2019) that realisation of arrears of revenue was being done as per the provisions of Land Revenue Code by the Districts.

3.	Taxes and duties on electricity	951.63	189.58	RRC issued (₹ 211.53 crore); Pending in Courts (₹ 192.01 crore). The Department did not give the status of the remaining amount of ₹ 548.09 crore.
4.	Taxes on vehicles	27.72	8.06	Pending in Courts (₹ 0.84 crore). The Department did not provide the status of the remaining amount of ₹ 26.88 crore. Further, the Department stated that Transport Officers regularly serve notices to vehicle owners to pay the outstanding tax. Lists of outstanding taxpayers have been given to officials of Check-posts/Flying Squads for recovery of arrears.
5.	Stamps and Registration fees	54.17	15.37	RRC issued (₹ 45.00 crore); Pending in Courts (₹ 3.70 crore); Stayed by judicial/ appellate/ high court (₹ 5.47 crore). Further, the Department stated that action of recovery is being initiated by District Registrar (DR) on the basis of demand.
6.	Non-ferrous mining and metallurgical industries	0.77	0.77	The Department stated that instructions have been issued to Mining officers to recover the arrears by special drive. Further, in review meeting the Secretary, Mineral Resources Department, Chhattisgarh Government has instructed to the districts to send proposal to write off the arrears, which are very old.
<b>Total</b>		<b>3,545.13</b>	<b>1,314.56</b>	

(Source: Information furnished by the departments concerned)

Audit had recommended (Audit Report 2016-17) the Government to create database of outstanding arrears for periodic review and liquidation of arrears but the Government did not follow the recommendation as it was noticed that the Forest and Revenue and Disaster Management Department (RDM) failed to provide any information related to outstanding arrears (2017-18) and arrears of revenue of above six departments increased from ₹ 2,690.26 crore to ₹ 3,545.13 crore in comparison to previous year.

## 1.4 Response of the Government/departments to Audit

### 1.4.1 Position of outstanding Inspection Reports

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to the heads of the Department and the Government.

Analysis of IRs issued up to 31 March 2018 revealed that 10,592 paragraphs involving potential revenue of as much as ₹ 9,194.44 crore relating to 2,600 IRs remained outstanding at the end of July 2019. Department-wise details of IRs and audit observations are mentioned in **Table 1.5:**

**Table 1.5: Department-wise status of IRs**

(₹ in crore)

Sl. No.	Name of Department	Nature of receipt	Type of IRs	No. of outstanding IRs	No. of outstanding audit observations	Money value involved	
1.	Commercial Tax	Taxes on sales, trade etc.	Rev.	488	3,255	595.11	
			Exp.	40	74	5.95	
2.	Excise Department	State excise	Rev.	147	363	2,100.91	
			Entertainment tax	Rev.	94	149	4.10
				Exp.	34	63	27.63
3.	Registration Department	Stamp duty and Registration fee	Rev.	241	660	99.33	
			Exp.	7	19	3.81	
4.	Revenue and Disaster Management	Land revenue	Rev.	596	1,884	1,100.87	
			Exp.	47	120	13.82	
5.	Transport	Taxes on motor vehicles	Rev.	179	1,350	208.45	
			Exp.	46	101	0.21	
6.	Mineral Resources	Non-ferrous mining and metallurgical industries	Rev.	170	685	1,412.24	
			Exp.	36	64	308.46	
7.	Forest	Forestry and wildlife	Rev.	379	1,123	1,265.23	
			Exp.	435	2,119	934.72	
8.	Energy	Taxes and duties on electricity	Rev.	18	81	1,757.00	
			Exp.	5	17	5,333.35	
9.	Other Tax departments	Other receipts	Rev.	288	1,042	651.20	
			Exp.	1	10	0.13	
<b>Rev.</b>				<b>2,600</b>	<b>10,592</b>	<b>9,194.44</b>	
<b>Exp.</b>				<b>651</b>	<b>2,587</b>	<b>6,628.08</b>	
<b>Total:</b>				<b>3,251</b>	<b>13,179</b>	<b>15,822.52</b>	

Rev.- Revenue; Exp.-Expenditure

Out of 81 IRs issued during 2017-18, Audit did not receive even the first reply for 49<sup>12</sup> IRs (60.49 per cent) from the heads of offices.

#### **Recommendation:**

**The Government should introduce a mechanism to ensure that departmental officers respond to IRs promptly, take corrective action and work closely with Audit to bring about early settlement of IRs.**

#### **1.4.2 Response of the Departments to the Factual Statements and draft audit paragraphs**

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General (AG) to the Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of the replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

<sup>12</sup> Commercial Tax-13; Transport-05; Forest-15; Registration-03; Electricity-01; Excise-02; Revenue and Disaster Management -02 and Mineral Resources-08.

Out of 110 Factual Statements (FSs) issued to the Department, Audit did not receive (July 2019) reply of 60 FSs (54.55 per cent).

Thirteen paragraphs and Preparedness for transition to Goods and Services Tax which have been included in this Report were sent to the Principal Secretaries/Secretaries of the respective Departments in 2017-18. However, Audit did not receive the reply of eight DPs (57.14 per cent) from the Government (July 2019). The replies of the Principal Secretaries/Secretaries of the Departments on the paragraphs wherever received have been appropriately incorporated and commented upon in this Report.

### 1.4.3 Departmental Audit Committee Meetings (ACMs)

The Government sets up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs.

The number of ACMs held during the year 2017-18 is detailed in **Table 1.6:**

**Table 1.6: Details of ACM conducted**

Department	No. of meetings organised and date of such meetings	No. of IRs/paragraph discussed	No. of IRs/paragraphs settled	Percentage of paragraphs settled	Amount (₹ in lakh)
Commercial Tax	1 (26/04/2017)	61	01/09	14.75	3.81
Transport	1 (15/11/2017)	80	NIL/43	53.75	232.56
<b>Total:</b>	<b>2</b>	<b>141</b>	<b>01/52</b>	<b>36.88</b>	<b>236.37</b>

During 2017-18 two ACMs of Commercial tax and Transport Department were conducted. In the case of Commercial tax, 61 paragraphs were discussed and nine paragraphs were settled. In case of Transport Department 80 paragraphs were discussed and 43 paragraphs were settled.

#### **Recommendation:**

**The 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.**

### 1.4.4 Records not produced to Audit for scrutiny

The programme of local audit of tax revenue/non-tax revenue offices is drawn up sufficiently in advance and intimations are issued to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the period 2017-18, 87<sup>13</sup> out of 4,117 assessment files, returns, refunds, documents, registers and other relevant records were not made available to Audit. The above fact was included in the Inspection Reports and the same were sent to the Secretaries of the departments. The tax effect could not be computed in these such cases. Non-furnishing of records to Audit raises red flags as Audit is unable to vouchsafe the genuineness of these transactions and likelihood of frauds cannot be ruled out.

<sup>13</sup> Commercial Tax-85 cases; Forest (Expenditure)-01 and Mining-01

**Recommendations:**

**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.**

**1.4.5 Follow up on the Audit Reports-summarised position**

According to the instructions issued by the Finance Department, all departments are required to furnish explanatory memoranda (Departmental Notes) to the Chhattisgarh Vidhan Sabha Secretariat, in respect of paragraphs included in the Audit Reports, within three months of their being laid on the table of the House. The Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Chhattisgarh for the years ended 31 March 2009 to 31 March 2017 containing 218 paragraphs including Performance Audits were placed before the State Legislative Assembly between March 2010 and January 2019.

Explanatory Notes in respect of 12 paragraphs<sup>14</sup> of the Audit Reports (2004-05 and 2016-17) had not been received (April 2019) from State Revenue Departments (RDM, Mining, Transport, Excise and Forest Department).

The Public Accounts Committee (PAC) discussed 127 paragraphs out of 171 selected paragraphs pertaining to the Audit Reports for the years from 2002-03 to 2016-17 and gave its recommendations on 50 paragraphs of Audit Reports 2002-03 to 2010-11. However, Action Taken Notes (ATNs) have not been received till July 2019 in respect of 17<sup>15</sup> recommendations made by the PAC between 2010-11 and 2017-18.

**1.5 Analysis of the mechanism for dealing with the issues raised by Audit**

To analyse the system of addressing the issues highlighted in Inspection Reports/Audit Reports, the action taken on paragraphs and performance audits included in the Audit Reports of the last 10 years for Stamps and Registration Department was evaluated and included in this Audit Report.

The succeeding paragraphs 1.5.1 to 1.5.3 discuss the performance of the Stamps and Registration Department and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the year 2008-09 to 2012-13 and 2014-15 to 2015-16.

**1.5.1 Position of Inspection Reports of Stamps and Registration Department**

The summarised position of the inspection reports issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2018 are tabulated below in **Table-1.7**:

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<sup>14</sup> 2004-05 (01), and 2016-17 (11)

<sup>15</sup> Mineral Resources-01; Excise -02; Energy-01; Transport-03; Commercial Tax-06; Water Resources- 02 and Forest-02.

Table 1.7: Position of Inspection Reports

(₹ in crore)

Sl. No.	Year	Type of IRs	Opening Balance			Additions			Clearances			Closing Balance		
			IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value	IRs	Para-graphs	Money Value
1.	2008-09	Rev.	238	615	24.53	28	76	6.80	18	81	2.56	248	610	28.78
2.	2009-10	Rev.	248	610	28.78	19	29	1.38	21	31	1.35	246	608	28.81
3.	2010-11	Rev.	246	608	28.81	28	70	6.26	13	49	1.09	261	629	33.98
4.	2011-12	Rev.	261	629	33.98	10	49	4.27	14	36	1.71	257	642	36.54
5.	2012-13	Rev.	257	642	36.54	8	20	0.44	60	156	6.95	205	506	30.03
6.	2013-14	Rev.	205	506	30.03	25	134	56.77	5	20	1.35	225	620	85.44
		Exp.	0	0	0.00	4	10	1.81	0	0	0	4	10	1.81
7.	2014-15	Rev.	225	620	85.44	7	35	0.92	0	4	0.18	232	651	86.18
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
8.	2015-16	Rev.	232	651	86.18	4	19	3.27	0	0	0	236	670	89.45
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
9.	2016-17	Rev.	236	670	89.45	14	90	11.07	0	9	0.51	250	751	100.01
		Exp.	4	10	1.81	0	0	0.00	0	0	0.00	4	10	1.81
10.	2017-18	Rev.	250	751	100.01	5	28	3.22	0	0	0	255	779	103.23
		Exp.	4	10	1.81	3	9	2.00	0	0	0.00	7	19	3.81

The Government arranges ACMs between the Department and Accountant General's office to settle old paragraphs. However, during 2017-18 the Department did not conduct any ACM.

### 1.5.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Stamp and Registration Department and the amount recovered are mentioned in Table 1.8:

Table 1.8: Details of accepted cases

(₹ in crore)

Year	No. of paragraphs included	Money value	No. of paragraphs accepted	Money value of accepted paragraphs	Amount recovered
2008-09	4	1.59	2	1.14	0.39
2009-10	1	2.17	NIL	NIL	0.80
2010-11	4	1.87	2	0.61	0.17
2011-12	6	0.97	NIL	0.06	NIL
2012-13	1	80.40	NIL	67.63	0.20
2014-15	5	1.28	NIL	0.01	0.07
2015-16	4	1.91	NIL	NIL	NIL
<b>Total</b>	<b>25</b>	<b>90.19</b>	<b>4</b>	<b>69.45</b>	<b>1.63</b>

### 1.5.3 Action taken on the recommendations accepted by the departments/ Government

The drafts of Performance Audits (PAs) conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These PAs are also discussed in exit conference and the Department's/Government's views are included while finalising the Audit Reports.

Compliance of recommendations of PA on “Levy and collection of stamp duty and registration fees” featured in the Audit Report for the year 2012-13 along with replies of the Stamp and Registration Department received in March 2019 are mentioned below in **Table 1.9**:

**Table 1.9: Details of status of recommendations**

Sl. No.	Details of Recommendations	Status
1.	The Government should ensure preparation of BEs in accordance with the provisions of Budget Manual and guidelines issued by the Finance Department.	The Department stated that they are following the provisions and guidelines. However, actual receipt during the year 2017-18 was 22.74 <i>per cent</i> less than that approved (BE) by the Government.
2.	The Department may take immediate steps for realisation of arrears of revenue, which are showing an increasing trend.	The Department stated that they have issued instructions to the Districts to realise the arrears of revenue. However, there was 214 <i>per cent</i> increase in the Arrears of Revenue in the year 2017-18 compared to previous year.
3.	The Government may consider prescribing suitable monitoring mechanism to ensure compliance of codal provisions/instructions on conducting of prescribed inspections/spot verification by designated officers.	The Department stated that they have instructed the District Registrars (DRs)/Sub Registrars (SRs) to conduct prescribed monthly inspections/spot verifications as per codal provisions/instructions and the same was being reviewed every month.
4.	The Government may consider taking appropriate measures to ensure periodical inspection of public offices and necessary coordination with other Departments for realising the stamp duty.	The Department stated that the prescribed mechanism is in existence. The officials at District level had been instructed to imply the same and take appropriate action to ensure collection of Stamp Duty (SD).
5.	The Government may ensure proper coordination between Industries Department and Registration Department regarding the fulfilment of norms of Industrial Policies before allowing exemption of stamp duty.	The Department stated that action is being taken in coordination with the Industries Department. However, Audit has observed that mechanism to ensure the same is not in place as cases of irregular exemptions of SD have been persistently noticed.
6.	The Government should devise a mechanism ensuring submission of information/instruments for adherence of conditions of exemption of stamp duty.	The Department stated that the same mechanism is in existence. Though mechanism is in existence, adherence to condition of exemption is not being followed completely as Audit has observed cases where irregular exemptions have been provided to industries.

Sl. No.	Details of Recommendations	Status
7.	The Government may take necessary steps to review the orders finalised by DR in the interest of revenue.	The Department stated that mechanism is in existence in which if SR is not satisfied with the decision of DR, SR can appeal to Divisional Commissioner or Revenue Board.
8.	The Government may consider incorporating clear provision and criteria of main roads, registration of documents where one purchaser purchased the land from one seller and executed the documents in two separate parts in the guideline regarding determination of market value of the property to safeguard the revenue.	The Department stated that mechanism is in existence and the provisions of criteria of main road are mentioned in the Guidelines of each year. However, Audit has observed that similar paras are still being noticed and clear provisions and criteria of main road are not being incorporated in the guidelines of each year.
9.	The Government may consider issuing clarification regarding determination of market value when land is sold by more than one vendor in a single document.	The Department stated that mechanism is in existence and the legal provisions for prompt action are mentioned in the Guidelines of each year. However, similar paras are still being noticed.
10.	In order to avoid blockage of funds, the Government may consider introducing a mechanism for periodical monitoring of utilisation of stamps.	The Department stated that mechanism is in existence.
11.	Strengthen the internal control mechanism to ensure timely realisation of revenue and also to avoid non/short levy of stamp duty and registration fees.	The Department stated that mechanism is in existence and instructions have been re-issued (February 2019) for strict compliance.
12.	Ensuring necessary co-ordination among the Departments while allowing the exemption from payment of stamp duty to avoid loss of revenue.	The Department stated that provisions/instructions is in existence in the Rules/Provisions. Despite this, Audit has observed that irregular exemptions have been allowed by the Department.
13.	Issue necessary clarification on the criteria of the main road, registration of documents where one purchaser purchased the land from one seller and executed the documents in two separate parts and issue instruction for periodical revision of the cases decided by the DRs.	The Department stated that the same type of provisions have been given in the Registration Act, Rules and guidelines which was being periodically reviewed. However, Audit has observed that similar paras are still being noticed and clear provisions and criteria of main road are not being incorporated in the guidelines of each year.

## 1.6 Results of audit

### Position of local audit conducted during the year

Audit test checked records of 81 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 wildlife during the year 2017-18. Audit observed short levy or non-levy of taxes, duties and fees, loss of revenue, irregular/avoidable expenditure etc. aggregating to ₹ 4,227.27 crore in 22,998 cases. The Departments concerned accepted

underassessment and other deficiencies of ₹ 702.81 crore in 17,162 cases and recovered ₹ 1.93 crore in 446<sup>16</sup> cases.

### **1.7 Coverage of this Report**

This Report contains 14 paragraphs including Preparedness for transition to Goods and Services Tax amounting to ₹ 49.50 crore. The departments have accepted audit observations amounting to ₹ 16.64 crore and recovered ₹ 0.56 crore. The departments did not furnish specific replies to Audit observations involving ₹ 11.03 crore, which included Audit observations on short levy of Stamp Duty and Registration Fees (₹ 1.75 crore), irregular and excess expenditure on treatment of selected area without any plantation work (₹ 4.51 crore) and avoidable expenditure on Assisted Natural Regeneration in an area where the work had already been executed (₹ 3.97 crore) etc. These are discussed in succeeding Chapters 2 to 6.

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the State Government departments, but not covered in the test-check. The departments/Government may therefore like to internally examine all the other units with a view to ensuring that they are functioning as per requirement and rules.

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<sup>16</sup> Commercial Tax Department (19 cases) = ₹ 58.24 lakh, Transport Department (424 cases) = ₹ 128.93 lakh and Registration Department (03 cases) = ₹ 5.79 lakh

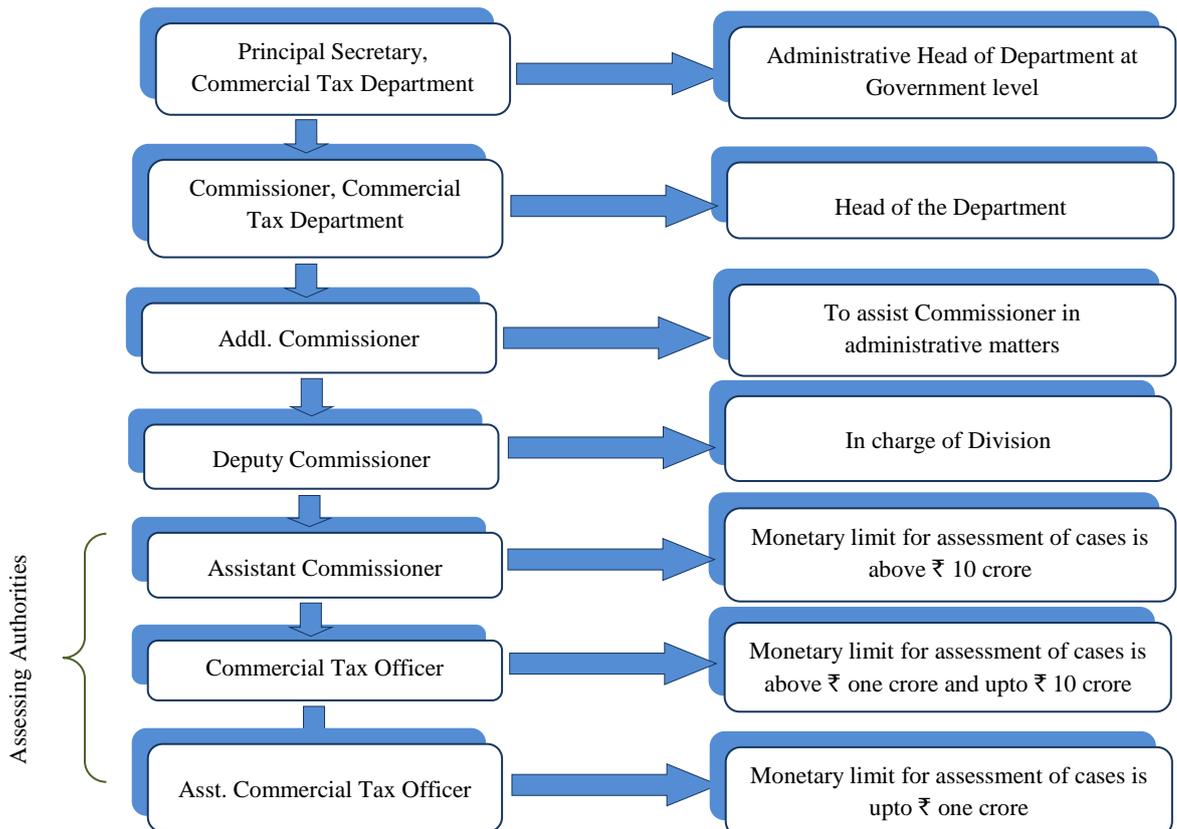
# **Chapter-II: Commercial Tax**

## CHAPTER II: COMMERCIAL TAX

### 2.1 Tax administration

Commercial Tax Department is administered at the Government level by the Principal Secretary. The Commissioner is the head of the Commercial Tax Department and is assisted by four Additional Commissioners (Addl. Commissioners), 12 Deputy Commissioners (DCs), 26 Assistant Commissioners (ACs), 72 Commercial Tax Officers (CTOs), 121 Assistant Commercial Tax Officers (ACTOs) and 174 Inspectors of Commercial Tax (CTIs) in performance of such functions as may be assigned to them under the Chhattisgarh Value Added Tax (CGVAT) Act 2005. Against the above sanctioned posts, nine DCs, 19 ACs, 67 CTOs, 31 ACTOs and 117 CTIs are presently working in the Department. In addition to the above, there is an Enforcement Wing at Headquarters headed by the Commissioner, which consists of one Joint Commissioner, one DC, one AC and two inspectors to conduct surprise inspections and unearth evasion of tax. There are two regional branches located at Raipur and Bilaspur. Organisational setup of the Department is given in **Chart 2.1**.

**Chart 2.1: Organisational setup**



The receipts of commercial taxes are administered (upto 30/6/2017) under the provisions of:

- Chhattisgarh Value Added Tax Act, 2005
- Chhattisgarh Value Added Tax Rules, 2006

- Central Sales Tax Act, 1956
- Central Sales Tax (Registration & Turnover) Rules, 1957
- Chhattisgarh Entry Tax Act, 1976
- Rules, circulars, exemptions, notifications and instructions issued by the Department and State Government from time to time.

Since 1 July 2017 Goods and Services Tax (GST) was introduced and taxes are administered under the provisions of:

- Chhattisgarh Goods and Services Tax Act, 2017
- Chhattisgarh Goods and Services Tax Rules, 2017

## **2.2 Internal Audit**

The Department did not furnish the number of units planned, number of units audited and the observations made by the internal auditor. However, the Department stated (May 2019) that for smooth functioning of audit work, services of 10 Chartered Accountants had been hired on contract basis on the direction of the State Government. Audit observed that a dedicated Internal Audit Wing (IAW) was not functioning in the Commercial Tax Department.

### **Recommendation:**

**The Government may institute an internal audit wing for safeguarding assessment, levy and collection of all the revenue due.**

## **2.3 Results of audit**

Audit test checked records of 25<sup>1</sup> units out of 55 units relating to Commercial Tax Department in 2017-18 involving 6,155 (3,123 self-assessed and 3,032 scrutiny) cases out of 24,043 (11,667 self-assessed and 12,376 scrutiny) cases in the 25 units, which was 25.60 *per cent* of the total cases in selected units. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 11,267.56 crore of which, the audited units collected ₹ 5,503.05 crore which was 48.84 *per cent* of total revenue. In addition, a paragraph on “Preparedness for Transition to Goods and Services Tax (GST)” was compiled during the period from January to April 2019. Audit noticed irregularities involving ₹ 79.60 crore in 491 cases (181 self-assessed cases and 310 scrutiny cases), which fall under the following categories as given in **Table 2.1:**

<sup>1</sup> CTO-1, Raigarh; CTO-1, Raipur; CTO-2, Raipur; CTO-3, Raipur; CTO-4, Raipur; CTO-5, Raipur; CTO-8, Raipur; CTO-9, Raipur; CTO-2, Durg; CTO-1, Bilaspur; AC-3, Durg; DC, Div-I, Bilaspur; AC-2, Durg; AC-5, Raipur; AC, Korba; DC, Durg; AC-1, Durg; AC-3, Raipur; DC(HQ), Raipur; CTO, Rajnandgaon; AC-1, Circle-9, Raipur; AC-4, Raipur; AC, Raigarh; CTO-3, Durg; AC, Raipur (Circle 6,7 & 8)

Table 2.1: Results of audit

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Paragraph on “Preparedness for Transition to Goods and Services Tax (GST)”	1	5.30
2.	Short levy of tax/tax not levied	109	14.00
3.	Incorrect grant of exemption/deduction	73	23.20
4.	Application of incorrect rate of tax	25	11.12
5.	Incorrect determination of taxable turnover	26	5.70
6.	Other irregularities <sup>2</sup>	258	25.58
<b>Total</b>		<b>492</b>	<b>84.90</b>

The Department accepted underassessment of ₹ 1.50 crore in 39 cases and recovered ₹ 14.71 lakh in five cases. In the remaining cases, Audit is pursuing the matter with the Department.

After issue of seven draft paragraphs involving 93 cases amounting to ₹ 37.77 crore during 2017-18, the Department accepted underassessment of ₹ 10.34 crore in 49 cases and recovered ₹ 0.44 crore in 14 cases.

#### 2.4 Follow up of previous Audit Reports

In the Audit Reports for the period 2012-17, Audit had pointed out various observations amounting to ₹ 54.83 crore in 28 paragraphs against which Department accepted observations involving ₹ 12.68 crore and recovered ₹ 1.23 crore.

The PAC had selected 30 paragraphs of Audit Reports for the year 2002 to 2012 for discussion and gave its recommendation on 12 paragraphs for the year 2002-03, 2005-06 to 2007-08 and 2009-10. However, ATN has been received for only six paragraphs for the year 2002-03, 2005-06 and 2006-07.

On the Audit Report 2007-08 (Paragraph 2.4) the PAC had recommended on 26 March 2015 (22<sup>nd</sup> Report) that the Department may immediately recover tax where tax exemptions were claimed/given on the basis of form ‘F’ of doubtful authenticity. Further, on the Audit Report 2009-10 (Paragraph 2.15.2) the PAC had recommended on 4 January 2018 (57<sup>th</sup> Report) that the Department may issue clear instructions on tax on coconut oil so as to avoid confusion and also to recover the tax immediately. However, the Department has not complied (July 2019) with PAC’s recommendation in both the paragraphs.

#### Recommendation:

**The Department should expedite recovery on the cases of earlier years and ensure compliance to the recommendations given by the PAC.**

<sup>2</sup> Other irregularities include observations on claim of excess/inadmissible ITR; non-inclusion of the credit note or discount received in the turnover; non-inclusion of labour component etc.

## **2.5 Preparedness for transition to Goods and Services Tax (GST)**

### **2.5.1 Introduction**

Goods and Services Tax (GST), a unified indirect tax<sup>3</sup> across the nation on goods and services was implemented with effect from 1 July 2017. GST is levied on same taxable event i.e., supply of goods and services (*except alcohol for human consumption and five specified petroleum products*<sup>4</sup>), simultaneously by both Centre (CGST) and the States (SGST)/Union Territories (UTGST). Further, integrated GST (IGST) is levied on inter-state supply of goods or services (including imports) and the centre has exclusive power to levy IGST. Prior to implementation of GST, Value Added Tax (VAT) was leviable on intra-state sale of goods as per Chhattisgarh Value Added Tax Act, 2005 and Central Sales Tax (CST) on sale of goods in the course of inter-state trade or commerce as per CST Act, 1956.

The provisions relating to GST are being regulated by Centre, State and Union Territories on the recommendation of Goods and Services Tax Council (GSTC) which was constituted vide Article 279A of the Constitution of India with representation from Centre and all the States. The State Government notified (June 2017) the Chhattisgarh Goods and Services Tax Act, 2017 and the Chhattisgarh Goods and Services Tax Rules, 2017 and implemented GST with effect from 1 July 2017.

Goods and Services Tax Network (GSTN) was set up by the Government of India as a private company to provide Information Technology (IT) services. It provides Front-end IT services to taxpayers namely registration, payment of tax and filing of returns. Back-end IT services such as registration approval, taxpayer details viewer, refund processing, Management Information System (MIS) reports etc., are also being provided by GSTN to Model-II<sup>5</sup> states. Chhattisgarh opted to become a Model-II state for GST implementation.

### **2.5.2 Legal/Statutory Preparedness**

The State Government notified (June 2017) the Chhattisgarh Goods and Services Tax Act, 2017 and the Chhattisgarh Goods and Services Tax Rules, 2017. E-way bill<sup>6</sup> system was implemented in the State on inter-state transactions with effect from 01 April 2018 and on intra-state transactions with effect from 01 June 2018. The Chhattisgarh Government/State Tax Department had issued 254 notifications/ circulars/orders relating to GST from June 2017 to March 2019 for facilitating implementation of GST in the State.

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<sup>3</sup> Central indirect taxes such as central excise duty, additional excise duty, excise duty levied under the Medicinal and Toiletries preparation Act, service tax, additional customs duty (CVD), special additional duty of customs (SAD); state indirect taxes such as value added tax, central sales tax, entry tax, entertainment tax and purchase tax.

<sup>4</sup> Petroleum products: crude oil, high speed diesel, petrol, aviation turbine fuel and natural gas.

<sup>5</sup> In case of Model-II states both Front-end and Back-end services are provided by GSTN whereas in case of Model-I states only Front-end services are provided by GSTN.

<sup>6</sup> It is a unique document/bill, which is electronically generated for the specific consignment/movement of goods from one place to another, either inter-state or intra-state and of value more than ₹ 50,000 required under the current GST regime.

### 2.5.3 IT preparedness and capacity building efforts

GSTN provides three front-end services to the taxpayers namely registration, payment of tax and filing of returns. As Chhattisgarh opted Model-II for GST implementation, back-end applications like registration approval, taxpayer detail viewer, letter of undertaking processing, refund processing, MIS reports etc., for GST administration were being developed and maintained by GSTN. The access for back-end application was available to State through Multi-Protocol Level Switching connectivity at State Data Centre.

The Department had organized capacity building in five phases during 2016-17. In the initial phase, 10 officers up to the level of Addl. Commissioner were selected on the basis of interest and having computer knowledge as Master trainers to attend 'Special training session on GST laws' at National Academy of Customs, Excise and Narcotics (NACEN), Faridabad. Further, 49 officers/officials attended IT course on 'Training of Master trainers on GST portal' at Infosys, Chennai. Out of 960 working strength, 861 officers/staff were trained by the master trainers as given in **Table 2.2**:

**Table 2.2: Officers/Staff imparted training**

Sl. No.	Designation	Number of participants
1.	Divisional Dy. Commissioner	7
2.	Asst. Commissioner	16
3.	Commercial Tax Officer	53
4.	Asst. Commercial Tax Officer	46
5.	Commercial Tax Inspector	100
6.	Other Staff	639
<b>Total</b>		<b>861</b>

(Source: Information furnished by the Department)

Further, the Department organized more than 1,200 workshops and training programmes to spread awareness of the provisions of the GST to the dealers. The Department started five GST tabs (GST, GST Acts, GST Notification, GST Rules and GST Orders) on Departmental website 'comtax.cg.nic.in'. GST help desk was established in each office and a toll free GST helpline number was also provided to the tax-payers to facilitate in solving their problems/queries.

### 2.5.4 Registration of taxpayers

#### (A) Dealer Migration

The dealers who were registered under the CGVAT Act, 2005 were required to be registered provisionally under Section 139 of the Chhattisgarh GST Act 2017, if they possess a valid PAN number. After verification of all required information and documents by the Department, Registration Certificate under Chhattisgarh GST Act, 2017 was to be issued to all individual dealers.

The target date for migration, set by GoI, of dealers from CGVAT to Chhattisgarh GST was to be completed initially by 30 June 2017. However, in Chhattisgarh the dealer registration began from November 2016 due to certain technical glitches and target was revised on two occasions and finally extended up to 28 February 2019. As on 28 February 2019, the Department could register only 71.24 per cent (86,990 out of 1,22,114) dealers.

The status of provisional registration and final registration of existing registered taxpayers in the Department as on 31 March 2019 is detailed in **Table 2.3:**

**Table 2.3: Status of Dealer Registration**

Total number of registered dealers under Pre-GST laws with valid PAN	Total number of provisional ID received from GSTN (percentage w.r.t. column 1)	Number of dealers primary enrolled (percentage w.r.t. column 1)	Number of dealers allocated to State (percentage w.r.t. column 1)	Complete enrollment done (percentage w.r.t. column 1)	Active migrated taxpayers after cancellation at Circle level (percentage w.r.t. column 1)
1,22,114	1,10,033 (90.11 per cent)	1,07,773 (88.26 per cent)	91,547 (74.97 per cent)	86,990 (71.24 per cent)	74,148 (60.72 per cent)

(Source: Information furnished by the State Tax Department)

The table above indicates that around 29 per cent dealers were not yet registered under the GST.

• **Allocation of taxpayers between Centre and State**

As on 31 March 2019, there were 1,07,773 tax paying dealers under GST in Chhattisgarh. The allocation of tax payers between the Centre and Chhattisgarh was to be done as per circular dated 20 September 2017, issued by the GST Council.

The criteria laid down by the GST Council for allocation of tax payers were as follows:

- i) Of the total number of taxpayers with turnover below ₹ 1.50 crore, all the administrative control over 90 per cent of the taxpayers shall vest with the State tax administration and 10 per cent with the Central tax administration;
- ii) In respect of the taxpayers with turnover above ₹ 1.50 crore, all the administrative control shall be divided equally in the ratio of 50 per cent each for the Central and the State tax administration; and
- iii) The division of taxpayers in each State shall be done by computer at the State level based on stratified random sampling and could also take into account the geographical location and type of the taxpayers, as may be mutually agreed.

Accordingly, a Committee consisting of the representatives of the central GST and the state GST allocated the tax payers among themselves during 16 November 2017 to 01 March 2019 in six phases. The State Tax Department was allotted jurisdiction of 91,547 existing registered taxpayers as given in **Table 2.4:**

**Table 2.4: Allocation of existing registered taxpayers**

	Existing registered taxpayers		Total
	Turnover above ₹ 1.5 crore	Turnover below ₹ 1.5 crore	
<b>State</b>	6,769	84,778	91,547
<b>Centre</b>	6,765	9,461	16,226
<b>Total</b>	13,534	94,239	1,07,773

(Source: Information furnished by the State Tax Department)

**(B) Registration of new taxpayers**

As per Rule 9 of Chhattisgarh GST Rules, 2017 registration of new dealers under GST was to be completed within three working days of receipt of application. The status of new registration of dealers under GST as on 31 March 2019 is given in **Table 2.5**:

**Table 2.5: Registration of new taxpayers**

Applications received up to 31 March 2019	Number of applications rejected	Number of applications approved	Number of applications pending for registration
86,179	9,937	75,770 (87.92 per cent)	472

(Source: Information furnished by the State Tax Department)

The above table indicates that 11.53 per cent of applications were rejected on various grounds.

Regarding pendency of 472 applications, the Government replied (July 2019) that these were new applications which were disposed off within three working days.

**2.5.5 Audit findings**

Audit noticed irregularities relating to transitional credit and refund as detailed below:

**2.5.5.1 Transitional credit**

As per Section 140 of Chhattisgarh GST Act, 2017 read with Rule 117 of Chhattisgarh GST Rules, 2017, the registered taxpayers were:

- entitled to carry forward and claim un-availed amount of Input Tax Rebate (ITR) of the pre-GST regime (1<sup>st</sup> quarter of 2017-18) as Input Tax Credit (ITC) in the GST regime;
- entitled to claim un-availed ITR in respect of capital goods not carried forward in the VAT returns; and
- entitled to take transitional credit of VAT in respect of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on which credit was not claimed in pre-GST regime and the taxpayers are eligible for ITC on such inputs.

The registered taxpayers were required to file a return in prescribed form TRAN-1<sup>7</sup>. However, the taxpayers shall not be eligible to claim transitional credit under GST unless they furnish quarterly returns required under the pre-GST law for the period of six months (January to June 2017) immediately preceding 1 July 2017.

Scrutiny of transitional credit data revealed that 3,335 taxpayers claimed transitional credit amounting to ₹ 285.13 crore as SGST. Out of 3,335 transitional credit cases, the Department verified 222 transitional credit cases

<sup>7</sup> TRAN-1 should be filed by every person having Input Tax Credit on closing stock and migrated to GST from VAT, Service Tax or Central Excise. The balance of closing stock held as on 1 July 2017 has to be disclosed in TRAN-1 to claim ITC on the old stock in the GST regime.

in all circles. In seven selected circles, Audit scrutinised 58 cases which were scrutinised by the Department and no irregularities were noticed. In remaining 709 cases in these circles, Audit test checked 166 cases (23 per cent) which were not verified by the Department, Audit found irregularities as indicated in **Table 2.6** and succeeding paragraphs.

**Table 2.6: Scrutiny of Transitional credit**

<b>Total No. of Transitional credit cases: 3,335</b>		
<b>No. of transitional credit cases in seven selected circles<sup>8</sup>: 767</b>		
	<b>Department verified</b>	<b>Department did not verify</b>
No. of cases in seven selected circles	58 cases	709 cases
Cases scrutinised by Audit	58 cases (100 per cent)	166 cases (23 per cent)
Result of Audit	No irregularities were noticed.	Irregularities in 45 cases (27 per cent) with money value of ₹ 5.30 crore were noticed.

Details of irregularities noticed (*Appendix 2.1*) are as under:

- 17 taxpayers had no credit balance (zero) in the first quarterly returns of 2017-18, but incorrectly claimed and received ITC amounting to ₹ 1.59 crore;
- Eight taxpayers claimed ITC of ₹ 34.21 lakh in excess of ITR carried forward in 1<sup>st</sup> quarter of 2017-18; and
- Four taxpayers claimed credit of ₹ 77.19 lakh against negative balance in VAT returns.
- 15 taxpayers had not submitted quarterly returns for last six months (either 4<sup>th</sup> quarter of 2016-17 or 1<sup>st</sup> quarter of 2017-18) but irregularly claimed ITC of ₹ 2.40 crore.
- One taxpayer who was not registered in VAT, Central Excise and Service Tax during pre-GST regime, irregularly carried forward ITC of ₹ 19.60 lakh through TRAN-I.

Above deviations were due to the following reasons:

- Non-migration of legacy data from VAT to GST system by the Department and GSTN leading to glaring mismatch of data on transitional credit balance which facilitated manipulation by various dealers to claim irregular transitional credit.
- The Department did not cross verify all the transitional credit cases with VAT details though it was one time important exercise.

The Government replied (July 2019) that show cause notices were issued to 41 dealers, demand notices were issued to three dealers and in one case the dealer had submitted Annual Return of 2016-17 and 1<sup>st</sup> quarterly return of 2017-18.

<sup>8</sup> Circle-2, Durg; Circle-2, Jagdalpur; Circle-1, Korba; Circle-Manendragarh; Circle-1, 5 and 8, Raipur

Reply of the Government indicates that due to non-migration of legacy data from VAT to GST and non-verification of relevant records by departmental officials before accepting admissibility of transitional credit led to avoidable revenue loss.

**Recommendation:**

**The Department should examine all the transitional credit cases and take appropriate action to recover revenue while making the final assessment of the dealers concerned.**

**2.5.5.2 Refund under GST**

Section 54 read with Section 56 of Chhattisgarh GST Act, 2017 provides for refund of the balance amount in the electronic cash ledger or unutilised ITC at the end of particular tax period. Further, the payment of refund is to be provided to the dealer within 60 days from the date of receipt of application. Otherwise, the Government has the liability to pay interest to the tax payers at the rate of six *per cent* per annum in such cases.

As per information furnished by the Department, refunds in 1,620 cases amounting to ₹ 168.62 crore were allowed. Audit examined all 321 cases in seven GST circles involving refund of ₹ 3.59 crore and noticed in 130 cases that the Department refunded ₹ 29.30 lakh with a delay ranging from five to 471 days. In no case interest was paid to the applicants by the Department.

**2.5.6 Conclusion**

The Government has taken adequate steps in its preparedness for GST implementation with reference to enactment of Act, rules and capacity building though certain grey areas continue to exist as pointed out earlier.

**Value Added Tax**

**2.6 Short levy of tax**

**Application of lower rate of VAT resulted in short levy of tax of ₹ 3.26 crore and penalty of ₹ 6.51 crore.**

The Chhattisgarh Value Added Tax Act (CGVAT Act) 2005 provides that tax is to be levied as prescribed in the schedule appended to it.

Audit test check of the assessment records of 2,043 (1,038 self assessed and 1,005 scrutiny) out of 10,138 (5,524 Self assessed and 4,614 scrutiny) cases i.e. 20.15 *per cent* of total cases in seven<sup>9</sup> units revealed that in 12 cases (three self assessed and nine scrutiny) of 11 dealers i.e. 0.59 *per cent* of test checked cases, incorrect rate of tax of zero and five *per cent* was applied against applicable rate of five and 12.5/14 *per cent*. The Assessing Authorities (AAs) failed to detect the incorrect application of rates on the goods even in assessed cases and levied no tax or lower rate of tax. However, Audit cross-checked the documents (sale/purchase details) enclosed with the returns and found that

<sup>9</sup> AC-4, Raipur; CTO-4, Raipur; CTO-2, Durg; CTO-5, Raipur; CTO-9, Raipur; CTO-3, Durg and AC-5, Raipur

these goods<sup>10</sup> were taxable at the rate of five or 12.5/14 *per cent*. This resulted in short levy of tax of ₹ 3.26 crore and penalty of ₹ 6.51 crore.

Audit further noticed that the Department was using CGCOMTAX IT system for assessment and levy of VAT, however, the system did not have provision for coding of each commodity/goods along with rate of tax to be fed by the dealers. In absence of such system to verify the rates applied on the commodity/goods by the dealers, non-detection of the same by the AAs occurred year after year resulting in short levy/payment of tax.

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 4.29 crore has been raised in seven cases and ₹ 18.60 lakh has been recovered in three cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 3.5 of the Audit Report for the year ended 31 March 2017 where Audit had recommended that the Department should examine the failure of AAs from a vigilance angle and take appropriate action. However, these irregularities still persist and remained undetected till audit was conducted.

## Central Sales Tax

### 2.7 Concessional rate of tax allowed under Central Sales Tax (CST) Act without declaration forms

**The AAs allowed the concessional rate of tax without ensuring submission of declaration Form 'C' resulting in short levy of CST amounting to ₹ 6.40 crore.**

CST Act, 1956 provides for levy of tax at the rate of two *per cent* of turnover or tax rate applicable in the concerned State whichever is lower with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'. In the absence of Form 'C', the dealer is liable to pay tax at the rates prescribed in the CGVAT Act, 2005 for that commodity.

During test check of 1,583 (923 self assessed and 660 scrutiny) out of 7,278 (3,225 Self assessed and 4,053 scrutiny) cases i.e. 21.75 *per cent* of total cases in eight<sup>11</sup> units, Audit noticed that 34 self assessed cases of 32 dealers i.e. 2.15 *per cent* of test checked cases, Form 'C' valuing ₹ 195.81 crore were not furnished in support of interstate sales. In the absence of form 'C', the dealers were liable to pay tax at the rate of four/five or 14 *per cent*. The AAs should have levied tax as per rules on the interstate transactions without Form 'C'. However, all the dealers availed concessional rate of one/two *per cent* of tax under CST Act resulting in short realisation of tax amounting to ₹ 6.40 crore. Thus, the AAs failed to check the completeness of the statutory returns submitted by the dealers which was required to be done as per the departmental circular (November 2012).

<sup>10</sup> Iron pellets, panel boards, digital camera, Aluminum composite panel sheet, DTH set-up box, tyre oil, Skimmed milk Powder, Mowrah cake and toast

<sup>11</sup> AC-3, Raipur; CTO-9, Raipur; AC-1, Circle-9, Raipur; CTO-8, Raipur; DC, Raipur; CTO-1, Raigarh; AC-3, Durg and AC-4, Raipur

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 36.16 lakh has been raised in 15 cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 4.7 of the Audit Report for the year ended 31 March 2016. Though such omissions of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

## **2.8 Exemption of tax allowed in transit sales under Central Sales Tax (CST) Act without statutory forms**

**The AAs allowed exemption of tax to the tune of ₹ 2.31 crore without submission of statutory Forms 'E-I and C'.**

CST Act, 1956 provides for exemption of tax in respect of transit sale. For claiming exemption, dealers are required to furnish Form 'E-I/II' and Form 'C' in support of such sale. In the absence of E-I/II/C forms, the tax on these goods is leviable at the rates as prescribed in the CGVAT Act, 2005 and CST Act, 1956. Further, CST Act, 1956 provides for levy of tax at the rate of two *per cent* with effect from June 2008 on interstate sales of goods made against declaration in Form 'C'.

During test check of 694 (404 self assessed and 290 scrutiny) out of 3,045 (2,328 self assessed and 717 scrutiny) cases i.e. 22.79 *per cent* of total cases in three<sup>12</sup> units, Audit found that in six self assessed cases of five dealers i.e. 0.86 *per cent* of test checked cases, 'E1' and 'C' forms of ₹ 85.09 crore were not furnished in support of transit sales under CST Act, 1956 but had claimed exemptions from payment of tax on the above transactions. In absence of statutory forms, the dealers were liable to pay tax at the rate of four/five or 14 *per cent*. However, the AAs without verifying the completeness of statutory returns allowed exemption of tax which resulted in short realisation of tax amounting to ₹ 2.31 crore. Thus, the AAs failed to check the completeness of the statutory returns submitted by the dealers, which was required to be done as per the departmental circular (November 2012).

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 1.76 crore has been raised in four cases. Further progress of other cases are awaited (August 2019).

Similar observation was previously featured in para 4.8 of the Audit Report for the year ended 31 March 2016. Though such omissions on the part of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

## **Entry Tax**

### **2.9 Entry tax short realised due to incorrect application of rates**

**Short realisation of ₹ 6.45 crore of Entry Tax (ET) on application of incorrect rate on entry of goods from outside local area.**

<sup>12</sup> CTO-8, Raipur; AC-1, Circle-9, Div-2, Raipur and AC-5, Raipur

Chhattisgarh Entry Tax (CGET) Act, 1976 provides that a dealer is liable to pay Entry Tax (ET) as specified in the schedules appended to it.

During test check of 1,320 (715 Self assessed and 605 scrutiny) out of 3,225(1,678 self assessed and 1,547 scrutiny) cases i.e. 40.93 *per cent* of total cases in seven units<sup>13</sup>, Audit noticed that in 12 (three self assessed and nine scrutiny) cases of eight dealers i.e. 0.91 *per cent* of test checked cases, the AAs did not apply correct rates of entry tax while assessing/filing the cases/returns. The Assessing Authorities (AAs) failed to detect the incorrect application of rates on the goods even in assessed cases and levied no tax or lower rate of tax.

These cases indicate that while assessing/filing the cases/returns, the AAs/dealers did not apply the correct rates of ET as prescribed in the Schedules and Notifications. This resulted in short realisation of ET of ₹ 6.45 crore.

On this being pointed out (February 2019) in Audit, the Department stated (March 2019) that demand for tax of ₹ 10.00 crore (₹ 5.66 crore pertains to audit observations) has been raised in seven cases. Further progress of other cases are awaited (July 2019).

Similar observation previously featured as para 4.9 of the Audit Report for the year ended 31 March 2016. Though such omissions on the part of the AAs were pointed out in audit, these irregularities not only persisted but also remained undetected till audit was conducted.

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<sup>13</sup> AC-9, Raipur; AC-3, Raipur; AC-2, Durg; DC, Durg; AC, Korba; AC-5, Raipur and AC-4, Raipur

**Chapter-III:**  
**Stamp Duty and**  
**Registration Fees**

## CHAPTER III

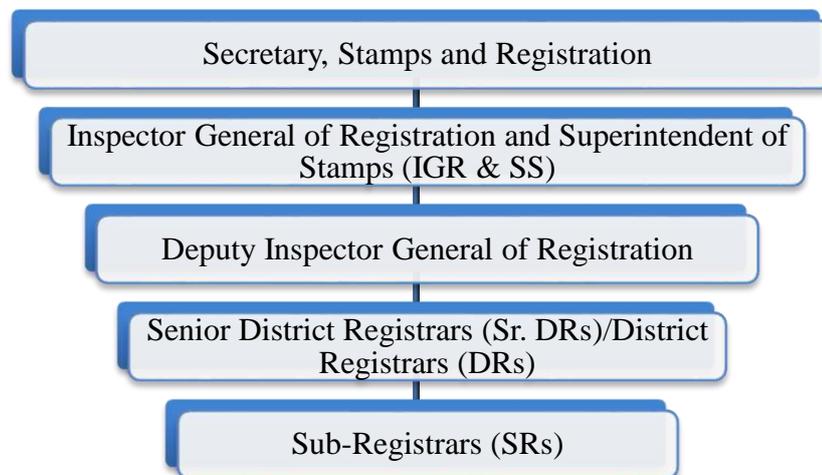
### STAMP DUTY AND REGISTRATION FEES

#### 3.1 Tax administration

Receipts from Stamp Duty (SD) and Registration Fees (RF) in the state are regulated under the Indian Stamp Act, 1899; Registration Act, 1908; Indian Stamp Rules, 1975; the Chhattisgarh preparation and revision of Market Value Guidelines Rules, 2000; and rules made there under by the Chhattisgarh Government. Registration of instruments/documents is done in Sub-Registrar office and SD is leviable on execution of instruments and RF is payable on registration of instruments. The role of Senior District Registrar (Sr. DR)/District Registrar (DR) is to guide Sub-Registrars (SRs) in their day to day function, pass orders in cases of valuation of stamps required, penalty, refund and Inspection of SR.

The Secretary, Stamps and Registration department is responsible for determination of policy, monitoring and control at the Government level. The Inspector General of Registration cum Superintendent of Stamps (IGR & SS) is the head of the Registration Department who is assisted by two Deputy Inspector General Registration (DIGR), 19 Sr. DRs/DRs and 69 SRs. Organisational setup of the Department is given in **Chart 3.1**.

**Chart 3.1: Organisational setup**



#### 3.2 Internal Audit

The Internal Audit Wing (IAW) of a Department is a vital component of its internal control mechanism. It enables the organisation to ensure itself that the prescribed systems are functioning reasonably well.

The Department replied (November 2018) that there are two sanctioned posts of Assistant Internal Audit Officer (AIAO). However, Audit noticed that both the posts were lying vacant since 2015-16 and no Internal Audit was conducted during this period. On being asked about the efforts made by the Department to fill the vacancies, Department stated that, letter was issued (October 2018) to the Director, Treasury Accounts and pension for posting of vacant post of AIAO.

**Recommendation:**

**The Government should strengthen IAW by providing dedicated staff.**

**3.3 Results of audit**

Audit test checked the records of five<sup>1</sup> SRs out of 114 units in 2017-18. Audit test checked 8,710 cases out of 87,509 cases in the five units, which was 9.95 per cent of the total cases in selected units. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 1,211.35 crore of which, the audited units collected ₹ 446.61 crore. Audit noticed irregularities amounting to ₹ 4.37 crore in 147 cases, as mentioned in **Table 3.1**:

**Table 3.1: Results of Audit**

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Incorrect exemption in Stamp Duty and Registration Fees	1	0.99
2.	Loss of revenue due to undervaluation, misclassification of instruments and underassessment of Stamp Duty	146	3.38
<b>Total</b>		<b>147</b>	<b>4.37</b>

The Department accepted five cases involving ₹ 1.06 crore. However, no recovery has been made. In the remaining cases, audit is pursuing the matter with the Department.

After issue of two draft paragraphs involving 16 cases amounting ₹ 2.23 crore during 2017-18, the Department accepted undervaluation/inadmissible exemption of ₹1.05 crore in four cases and recovered ₹ 0.06 crore in three cases.

**3.4 Follow up of previous Audit Reports**

In the Audit Reports for the period 2012-16, Audit had pointed out various observations amounting to ₹ 83.59 crore in 10 paragraphs against which Department accepted observations involving ₹ 67.64 crore and recovered ₹ 0.27 crore.

The PAC had selected 19 paragraphs of Audit Reports 2003-04 to 2006-07, 2008-09, 2010-11 and 2012-13 for discussion and gave its recommendations (2003-04 to 2005-06 and 2008-09) on six paragraphs. ATN has been received for all six paragraphs.

**3.5 Inadmissible exemption**

**Inadmissible exemption of Stamp Duty and Registration Fees amounting to ₹ 1.11 crore under Chhattisgarh Special incentive scheme.**

Government of Chhattisgarh (GoCG) notified on April 2017, full exemption from payment of Stamp Duty (SD) and Registration Fees (RF) at the time of registration on the sale/resale of sick/closed industries under its special incentive Scheme 2016 of Industrial Policy 2014-19 for re-operation/rehabilitation of sick/closed industries. However, Government of Chhattisgarh

<sup>1</sup> SR; Rajnandgaon, Durg, Mahasamund, Raipur and Janjgir

withdrew (22 June 2017) the same with retrospective effect from 25 May 2017.

As per the terms and conditions of Exemption Certificate (EC) issued by the Industries Department, commercial production is to be commenced within three months from the date of issue of EC. Further, breach of any of the terms and conditions mentioned anywhere in the EC, the benefits availed under the Scheme shall be withdrawn and recovered as arrears of land revenue along with interest at the rate of 12.5 *per cent* per annum from the date from which the benefits have been availed.

During test check (February 2018) of 1,128 out of 6,568 (17 *per cent*) registered documents (lease deed and sale deed) in the office of the SR, Janjgir, Audit noticed that a sale deed was executed (June 2017) by M/s Mahindra Power Private Limited for an industrial area admeasuring 28.34 acres situated in village Madwa, Tehsil Janjgir, District Janjgir-Champa. The company got exemption (8 June 2017) on Stamp Duty and Registration Fees payable on registration of the sale deed valuing ₹ 14.04 crore under the scheme. M/s Mahindra Power Private Limited had purchased through auction an industrial area admeasuring 28.34 acres land of M/s. Suryachakra Global Enviro Power Limited which was mortgaged with M/s. Indiabulls Housing Finance Ltd.

Further scrutiny of the documents revealed that Industries Department issued EC (April 2017) for purchase of sick/closed industry (power plant) of M/s Suryachakra Global Enviro Power Limited and the document was registered in June 2017. Audit verified the records pertaining to M/s Mahindra Power Private Limited in District Trade and Industries Centre (DTIC), Janjgir and found that the industry had commenced its commercial production from October 2017. The document was registered (8 June 2017) after the withdrawal (effective from 25 May 2017) of notification, granting exemption and violating the terms and conditions of exemption certificate to commence commercial production within three months.

However, after the Government notification (22 June 2017), regarding withdrawal of Government notification with retrospective effect (25 May 2017) for exemption from payment of Stamp Duty and Registration Fees at the time of registration on sale/resale of sick/closed industries, SR failed to initiate any action to recover the Stamp Duty and Registration Fees amounting to ₹ 1.11 crore including interest of ₹ 12.37 lakh from M/s Mahindra Power Pvt. Ltd.

On this being pointed out (September 2018) in Audit, the Government replied (October 2018) that demand for ₹ 98.98 lakh was raised. Further progress of recovery is awaited (August 2019).

# **Chapter-IV:**

# **Taxes on Vehicles**

## CHAPTER-IV: TAXES ON VEHICLES

### 4.1 Tax administration

The Transport Department functions under the overall charge of the Additional Chief Secretary-cum-Transport Commissioner (TC) who is responsible for execution and implementation of policies, direction and administration, initiating proposals for change of tax rates etc. Besides this, he is also the appellate authority for hearing of cases assessed by his subordinates and is assisted by one Additional TC, one Joint TC, one Assistant TC and one Deputy Director, Finance (DDF) at Headquarters. There are five Regional Transport Officers (RTOs), one Additional Regional Transport Officer (ARTO) and 19 District Transport Officers (DTOs) under the administrative control of TC. RTO is responsible for issue of permits, licences, registration of vehicles and assessment and collection of Motor Vehicle Tax and the ARTO/DTO discharges the duties of RTO except for issue of permits. Permits in respect of vehicles registered under ARTO/DTO are issued by the assigned RTO. There are seven<sup>1</sup> regional flying squads, which are working under the control of the respective RTOs/DTOs in the State. Besides this, there is a central flying squad covering the entire State.

The receipts from taxes on vehicles are administered under the provisions of:

- Motor Vehicles (MV) Act, 1988;
- Central Motor Vehicle (CMV) Rules, 1989;
- Chhattisgarh *Motoryan Karadhan*(CGMK) *Adhiniyam*, 1991;
- Chhattisgarh *Motoryan Karadhan Niyam*, 1992;
- Chhattisgarh *Motoryan Niyam*, 1994;and
- Executive orders issued under these Acts and Rules from time to time.

### 4.2 Internal Audit

The Internal Audit Wing (IAW) of Transport Department comprises of one Internal Audit Officer and two Senior Auditors against a sanctioned strength of one Internal Audit Officer (IAO), three Junior Accounts Officers (JAO), two Senior Auditors and three Junior Auditors. Thus, there was a shortage of manpower in JAO and Junior Auditor cadre during the year 2017-18.

During the year 2017-18, the IAW audited only seven units against 22 units planned. Audit reviewed the IRs of seven units of IAW and noticed that, in almost all the units, the IAW had pointed out non-recovery of taxes from the owners of goods and passenger vehicles. However, similar observations are still being noticed by Audit.

The Department stated (November 2018) that directives had been issued to the audited units for compliance of the observations made by the IAW. The Department further stated that three officials posted in IAW were also looking after other works of the Department, which was the reason for not auditing all planned units. Further, one post of JAO has been filled up (March 2019).

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<sup>1</sup> Ambikapur, Bilaspur, Durg, Jagdalpur, Korba, Raigarh and Raipur

**Recommendation:**

**The Government should strengthen IAW by filling the vacant post and providing dedicated staff.**

**4.3 Results of audit**

The Transport Department generated ₹ 985.27 crore in 2016-17 in 23 units. Audit test checked 11 *per cent* cases (33,992 out of 3,19,638) in seven units which constitute 67.42 *per cent* of the total revenue. Audit noticed various irregularities in 60 *per cent* (20,508 out of 33,992) of test checked cases amounting to ₹ 60.14 crore, as mentioned in **Table 4.1**:

**Table 4.1: Results of audit**

(₹ in crore)			
Sl. No.	Category	No. of cases	Amount
1.	Non-realisation of tax/penalty from vehicles	12,892	55.03
2.	Short realisation of tax	229	2.09
3.	Other irregularities <sup>2</sup>	7,387	3.02
<b>Total</b>		<b>20,508</b>	<b>60.14</b>

The Department accepted audit observations on short realisation of tax, non-realisation of tax and penalty and other irregularities etc., of ₹ 51.64 crore in 16,574 cases (81 *per cent*) and the Department recovered ₹ 91.94 lakh in 288 cases. In the remaining cases, audit is pursuing the matter with the Department.

After issue of one draft paragraph involving 1,274 cases amounting ₹ 5.05 crore during 2017-18, the Department accepted non/short realisation of ₹ 4.92 crore in 1,259 cases and recovered ₹ 0.37 crore in 136 cases.

**4.4 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2012-13 to 2016-17, Audit had pointed out various observations amounting to ₹ 38.45 crore in 10 paragraphs against which the Department accepted observations involving ₹ 36.92 crore and recovered ₹ 2.18 crore.

The PAC had selected 15 paragraphs of nine Audit Reports for the years 2003-04, 2004-05, 2006-07 to 2011-12 and 2013-14 for discussion and gave its recommendations on six paragraphs of Audit Reports for the years 2003-04, 2004-05, 2006-07 to 2008-09. However, ATN has not been received in three paragraphs for the year 2007-08 and 2008-09.

**4.5 Motor vehicle tax from the owners of vehicles not realised**

**Inaction by RTOs/ARTOs/DTOs in recovery of tax of ₹ 2.60 crore and penalty of ₹ 2.84 crore from 1,138 vehicle owners.**

Chhattisgarh *Motoryan Karadhan (CGMK) Adhiniyam*, 1991 prescribes that tax shall be levied on every goods and passenger vehicle used or kept for use in the State at the rate of ₹ 1,200 to ₹ 36,000 per month in respect of passenger

<sup>2</sup> Other irregularities includes plying of overage vehicles, plying of vehicles without fitness certificate and non-renewal of permit by transport vehicles etc.

vehicle and ₹ 300 per quarter for gross vehicle weight of goods vehicle up to 2,000 Kgs and additional ₹ 100 for each 500 Kgs or part thereof. In case of non-payment of the tax, the owner of goods and passenger vehicles is liable to pay penalty<sup>3</sup> not exceeding the amount of unpaid tax. Where any owner fails to pay tax, penalty or both, the taxation authority is required to issue a demand notice and take action to recover the amount as arrears of land revenue. If a vehicle owner wants his vehicle off-road for a particular period, he shall submit the intimation of non-use before the commencement of the period of non-use to the Taxation Authority concerned.

During test check of Demand and Collection Register and VAHAN 2.0 database relating to 10,012 registered vehicles in five Transport Offices for the period 2013-14 to 2017-18, Audit noticed that in respect of 1,274 vehicles<sup>4</sup> (12.72 per cent) in five Transport Offices<sup>5</sup> tax for the period from April 2013 to October 2017 amounting to ₹ 2.90 crore was not paid by the owners of these vehicles. There was no evidence on record to prove that the vehicles were off the road. The RTOs/ARTOs/DTOs did not initiate any action to realise the tax due, even after availability of report generating facility in VAHAN software. The VAHAN software has provision to generate list of defaulters for non-payment of motor vehicle tax and penalty if any. Despite having the software facility, the RTOs/ARTOs/DTOs did not take action to recover tax and penalty from the owners of 1,274 vehicles. Thus, failure on the part of RTOs/ARTOs/DTOs in taking appropriate action resulted in non-realisation of tax of ₹ 2.90 crore and penalty of ₹ 2.91 crore.

On this being pointed out (March 2019), the Department replied (April 2019) that an amount of ₹ 37.00 lakh (Tax: ₹ 29.41 lakh and penalty: ₹ 7.59 lakh) had been recovered from 136 vehicle owners. The Department further stated that directions have been issued to the concerned Transport Officers to recover the remaining outstanding amount. Thus, the amount of ₹ 5.44 crore (Tax ₹ 2.60 crore and penalty ₹ 2.84 crore) is still outstanding from 1,138 vehicle owners.

Similar observations were pointed out in Audit Reports for the years 2012-13 to 2016-17 but concrete and effective action was not taken by the Department to check the persistence of such irregularities.

**Audit had recommended (Audit Report 2016-17) the Department to evolve a mechanism to ensure full recovery of taxes and penalty. However, non-recovery still persists.**

<sup>3</sup> One twelfth of the unpaid amount of tax for the default of each month and part thereof.

<sup>4</sup> 1,062 (Goods vehicles) + 212 (Passenger vehicles)= 1,274 vehicles

<sup>5</sup> ARTO, Durg; ARTO, Rajnandgaon; DTO, Baikunthpur (Koria); DTO, Mahasamund; and RTO, Raipur

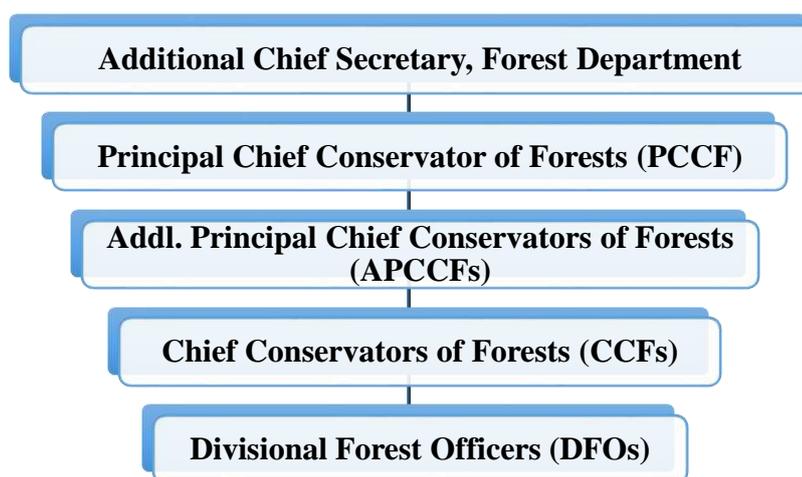
# **Chapter-V: Non-Tax Receipts**

## Chapter-V: Non-Tax Receipts

### Section A: Forestry and Wild Life (Receipts)

#### 5.1 Tax administration

The Forest Department functions under the overall control of Additional Chief Secretary (ACS), who is the Chief Controlling Officer of the Department at Government level. The Principal Chief Conservator of Forest (PCCF) is the Head of the Department. The Addl. PCCFs work under the supervision of PCCF. The PCCF is assisted by Chief Conservator of Forest (CCF) at circle level who is assisted by Divisional Forest Officer (DFO) at Divisional level. The organisational setup of Forest Department is depicted in the organogram below:



#### 5.2 Internal Audit

Internal Audit wing was established (2010) in the office of Principal Chief Conservator of Forest (PCCF) which has been working under Addl. PCCF (Finance/Budget). As per orders of PCCF, employees of Finance/Budget and other wings conducted internal audit of the subordinate offices as per tour programme. The detail of internal audit planned and conducted during the period 2013-14 to 2017-18 is given in **Table 5.1**:

**Table 5.1: Details of internal audit planned and conducted**

Year	Audit planned	Audit conducted	Shortfall in percentage	IRs issued	Compliance of issued IRs
2013-14	09	09	0	09	02
2014-15	17	17	0	17	08
2015-16	34	27	21	27	06
2016-17	18	14	22	14	03
2017-18	12	10	17	Under process	--

From the above table it is evident that during the year 2015-18, there was shortfall of 17 to 22 *per cent* in internal audit. Further, it was also noticed that, compliance of 53 to 79 *per cent* inspection reports were not submitted to

higher authority. Further scrutiny of Inspection Reports issued by the Internal Audit wing of the Department revealed that it has pointed out issues mainly related to establishment and irregular expenditure.

The Department replied (June 2019) that due to assembly session, important official works and election training of staff, internal audit of the Divisions could not be conducted as per plan. Correspondence for issuing of inspection reports is being done.

The fact remains that the internal audit of Divisions could not be completed as per plan and the audit remained ineffective as no action was taken on the IRs.

### **5.3 Results of audit**

Audit test checked the records of 19<sup>1</sup> out of 67 units relating to Forest and Wildlife department in 2017-18. Revenue generated by the Department during the year 2016-17 aggregated to ₹ 405.15 crore out of which, the audited units collected ₹ 256.12 crore. The transaction covered in audit during 2017-18 was 63.22 per cent. Audit noticed irregularities of ₹ 16.17 crore in 47 cases which fall under the following categories as given in the **Table 5.2:**

**Table 5.2: Results of audit**

(₹ in crore)

Sl. No.	Category	No. of cases	Amount
1.	Short realisation of revenue due to sale of forest produce below the upset price	14	6.64
2.	Revenue not realised due to deterioration/shortage of forest produce	15	2.04
3.	Other irregularities	18	7.49
<b>Total</b>		<b>47</b>	<b>16.17</b>

During the period 2017-18, the Department did not accept any cases and no recovery was made. Audit is pursuing the matter with the Department.

### **5.4 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2012-13 to 2016-17, Audit had pointed out various observations involving ₹ 299.02 crore in 29 paragraphs against which Department accepted observations involving ₹ 84.62 crore. However, no recovery has been made.

The PAC had selected 26 paragraphs of Audit Reports (2002-07 and 2009-14) for discussion and gave its recommendation (2002-07 and 2010-11) on five paragraphs. However, Action Taken Notes (ATN) have been received in only three paragraphs of ARs 2004-05, 2005-06 and 2010-11.

<sup>1</sup> DFO, Marwahi, Manendragarh, Kondagaon, Baikunthpur, Raipur, Korba, Dharmjaygarh, Mahasamund, Durg, Gariyaband, Rajnandgaon, Kanker, Dantewada, Raigarh, Jagadapur, Dhamtari, Bilaspur, Ambikapur and Balodabazar.

## 5.5 Short realisation of transit fee

**Absence of any prescribed system for reconciliation of figures of quantity of mineral extracted and transported between the Forest Department and the Mineral Resources Department, led to short realisation of transit fee of ₹ 42.88 lakh.**

The Indian Forest Act, 1927 provides that all produces from the mines, if extracted from forest land or transported through forest area shall be called forest produce. As per Chhattisgarh Transit (Forest Produce) Rules, 2001, a transit pass is mandatory for transportation of any forest produce from forest land and is issued by Forest Department after payment of prescribed transit fee<sup>2</sup>. The transit fee is levied on the quantity of forest produce being extracted and transported by the lease holder.

During scrutiny of documents related to transit pass in three divisions<sup>3</sup>, it was noticed that the forest land had been transferred to various agencies<sup>4</sup> for mining purposes. Cross verification of records maintained in these divisions regarding transportation of the quantity of forest produce from forest area with that of the Mineral Resources Department revealed that:

- In Dharamjaygarh and Manendragarh divisions during the period between 2013-14 and 2017-18, the Department levied and collected ₹ 22.53<sup>5</sup> lakh as transit fee for transportation of 3.12 lakh metric tonne of coal extracted from forest land. However, as per the information provided by Mineral Resources Department, 7.23 lakh metric tonne of coal was extracted and transported from the forest land on which transit fee of ₹ 56.99 lakh was leviable. However, the Department levied ₹ 22.53 lakh resulting in short levy of ₹ 34.46 lakh.
- Further, in Korba division, Audit noticed that the user agency (SECL) did not deposit transit fee of ₹ 8.42 lakh for transportation of 1.08 lakh metric tonne of coal for seven months from the lease area during the period 2013-14 and 2017-18.

Thus, in the absence of any prescribed system for reconciliation of figures between Forest Department and Mineral Resources Department for the quantity of mineral extracted and transported, there was short realisation of ₹ 42.88 lakh.

The Department replied that in case of Korba, letter has been issued to user agency for depositing the balance amount of transit fee and in case of Manendragarh, quantity of mineral transported through forest would be reconciled and if any, discrepancy is found, the amount would be recovered. Further, instructions have been issued to establish check posts at the exit points of the mining areas under jurisdiction of Forest Divisions.

<sup>2</sup> Rate of ₹ seven per tonne from June 2002 and revised rate of ₹ 15 per tonne from 30 June 2015

<sup>3</sup> DFO, Dharamjaygarh, Korba and Manendragarh.

<sup>4</sup> SECL, Hasdeo area, SECL Raigarh, SECL Korba.

<sup>5</sup> Transit fee at the rate of ₹ seven per ton up to June 2015 and ₹ 15 per ton thereafter.

The fact remains that in the absence of any prescribed system for reconciliation of figures between Mining and Forest Department, there was short realisation of transit fee.

**Recommendation:**

**The Forest Department in co-ordination with Mining Department should develop a system of reconciliation of quantities extracted and transported from forest land.**

**5.6 Non-recovery/levy of value of forest produce and inspection charges**

**The DFOs failed to recover the value of forest produce and also did not levy inspection charges on the forest produce supplied to other Department/Organisation which led to non-recovery/levy of ₹ 34.34 lakh.**

The Chhattisgarh Government had ordered (July 2002) that the cost of Bamboo, Poles etc. used in barricades for security purposes of Very Important Persons (VIP) in public functions in each district shall be paid by the State Public Works Department (PWD). Further, as per Forest Financial Rules, Forest Department shall recover the inspection charges at the rate of 10 per cent of the cost of supply made to the other departments or Non-Government Organisations (NGOs). Also, payments received from other Departments should be considered and accounted for as departmental revenue.

Audit noticed that in two<sup>6</sup> divisions, the DFOs supplied 66,965 bamboos, 11,019 poles, 6,523 fencing poles and 540 fuel stacks amounting to ₹ 53.42 lakh to various Department for VIP programmes/other works during 2013-18. Out of this, 31,592 bamboos, 1,102 poles, 1,029 fencing poles and 540 fuel stacks were neither returned back nor the value of ₹ 29.00 lakh of these materials was recovered from the various Departments.

Further, the inspection charges of ₹ 5.34 lakh leviable at the rate of 10 per cent of the cost of forest produce supplied to the other Departments was not levied.

This resulted in non-recovery of value of forest produces amounting to ₹ 29.00 lakh and non-levy of inspection charges of ₹ 5.34 lakh.

The reply of the Department is awaited (August 2019).

**Section B: Mining Receipts**

**5.7 Tax administration**

Management of mineral resources is the responsibility of both the Central and the State Governments in terms of entry 54 of the Union list (List I) and entry 23 of the State list (List II) of the Seventh Schedule of the Constitution of India. Government of India (GoI) enacted the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR) as amended in January 2015 which lays down the legal framework for regulation of mines and minerals other than petroleum and natural gas. In exercise of the powers

<sup>6</sup> Gariyaband and Korba

conferred by the MMDR, various Rules have been framed by the GoI and the State Government from time to time. GoI framed the Mineral Concession Rules (MCR), 1960. The State Government is empowered under the MMDR to make rules to regulate and grant mining lease in respect of minor minerals. Accordingly, the Chhattisgarh Minor Mineral Rules, 2015 was framed.

Prospecting and mining operations can be undertaken only with a licence or mining lease granted under the Rules. Mining receipts comprise mainly of application fees for lease/permit/prospecting licence, royalty, cess, dead rent<sup>7</sup>, surface rent, fines and penalties, interest for belated payment of dues etc. Mining lessees are required to pay royalty before dispatch of the minerals from the leased area.

The Secretary, Mineral Resources Department is the head at the Government level and the Director, Geology and Mining (DGM) is the head of the Department at the Directorate level and is responsible for administration and implementation of the Mining Acts and Rules. Under the Directorate, there are three Regional offices one each at Bilaspur, Jagdalpur and Raipur headed by the Joint Directors (Regional Heads) which are responsible for prospecting, survey and sampling of minerals in the State.

Mining offices are located in each districts under the direct control of concerned District Collector. There are 27 Deputy Directors Mining Administration (DDMAs)/District Mining Officers (DMOs)/Assistant Mining Officers (AMOs) who assist the District Collector. 49 Mining Inspectors (MIs) posted in District Mining Offices are responsible for assessment and collection of revenue, prevention of illegal excavation and dispatch of minerals and other activities leading to leakage of revenue from the areas under their control. Besides this, there is a flying squad to prevent theft of minerals and evasion of royalty, which reports to DGM.

## 5.8 Internal Audit

The Internal Audit Wing (IAW) of Mining Department comprises of Joint Director (Finance) and two Auditors.

Details on internal audit carried out during 2013-18 are mentioned in **Table 5.3**:

**Table 5.3: Details of Internal Audit**

Year	Total no. of offices	Sanctioned Strength <sup>8</sup> for internal audit	Men-in-Position (No.)	No. of Offices planned for internal audit	No. of Offices audited	No. of IRs issued	Money value involved (₹)
2013-14	30	04	02	13	13	13	NIL
2014-15	30	04	02	07	07	07	NIL
2015-16	30	04	03	16	16	16	NIL
2016-17	30	04	03	14	14	14	NIL
2017-18	30	04	03	19	19	19	NIL
<b>Total</b>				<b>69</b>	<b>69</b>	<b>69</b>	<b>NIL</b>

(Source: Information furnished by DGM)

<sup>7</sup> Dead rent is the minimum royalty payable per year. When royalty payable exceeds the dead rent deposited, the lessee shall pay royalty over and above the dead rent

<sup>8</sup> Including Deputy Director (Finance and Administration)

The Department stated (December 2018) that only suggestive notes have been issued. Though there was shortage of staff in IAW, the Department was able to conduct audit of all the offices planned for internal audit from 2013-18 and 69 IRs were issued during the period.

Audit is of the view that, the Department may obtain compliance report of IRs issued by IAW instead of issuing only suggestive notes.

### **5.9 Results of audit**

Audit test checked records of 11<sup>9</sup> out of 32 units of the Mineral Resources Department in 2017-18. The Department collected ₹ 4,141.47 crore revenue from mines and mineral during 2016-17. Eleven audited units collected ₹ 3,319.66 crore. The transaction covered in audit during 2017-18 was 80.15 *per cent*. Audit found irregularities amounting to ₹ 1,070.45 crore in 958 out of 1,356 cases. The Department accepted 121 cases involving ₹ 46.62 crore.

### **5.10 Follow up of previous Audit Reports**

In the Audit Reports for the period from 2012-17, Audit had pointed out various observations amounting to ₹ 278.62 crore in 15 paragraphs against which Department accepted observations involving ₹ 51.39 crore and recovered ₹ 6.97 crore.

The PAC had selected 10 paragraphs of eight Audit Reports out of which seven paragraphs of six Audit Reports for the year 2002-03, 2004-05, 2005-06, 2006-07, 2009-10 and 2015-16 were discussed and gave its recommendations on six paragraphs of Audit Reports for the year 2002-03, 2004-05, 2005-06, 2006-07 and 2009-10. However, ATN has not been received in one paragraph of Audit Report for the year 2005-06.

### **5.11 Short levy of Stamp Duty and Registration Fees due to incorrect calculation of average annual royalty**

**DDMA, Raipur considered the entire lease period instead of considering the average production for the period of production as mentioned in the Mining Plan which led to incorrect calculation of average annual royalty consequent upon which Stamp Duty and Registration Fees of ₹ 0.76 crore was short levied.**

As per Indian Stamp (IS) Act, 1899, five *per cent* Stamp Duty is payable at the market value equal to five times of the average annual rent where the lease period is between 20 and 30 years. Government of Madhya Pradesh instruction (March 1993) as adopted by Chhattisgarh stipulates that in respect of quarry leases Stamp Duty and Registration Fees are to be determined on average annual royalty calculated on estimated quantity mentioned in lessee's application form or on dead rent payable on the quarry lease area whichever is higher.

During test check of 13 quarry lease cases (February 2018) in the office of Deputy Director (Mineral Administration) (DDMA), Raipur Audit noticed that

<sup>9</sup> DMOs: Balrampur, Kanker, Dantewada, Rajnandgaon, Kabirdham & Janjgir-Champa, DDMA: Korba, Balodabazar, Raigarh, Bilaspur & Raipur

in 12 cases the methodology confirmed the rule for calculation of Average Annual Royalty (AAR) but in one case of limestone quarry lease there was deviation in calculation of AAR and no reasons were recorded.

A limestone quarry lease was executed (August 2016) for a period of 30 years in favour of M/s B.R.K. Developers & Miners Private Limited. The Average Annual Royalty (AAR) was calculated on the basis of average estimated production of 10 years as mentioned in mining plan and for the remaining 20 years Dead Rent was considered. Accordingly Stamp Duty and Registration Fees of ₹ 0.23 crore and ₹ 0.17 crore respectively were levied and collected on AAR of ₹ 0.88 crore<sup>10</sup>. Had the DDMA calculated AAR considering the mining plan submitted by the lessee, Stamp Duty and Registration Fees of ₹ 0.66 crore<sup>11</sup> and ₹ 0.50 crore<sup>12</sup> respectively on AAR of ₹ 2.64 crore<sup>13</sup> would have been levied. Thus, calculation of AAR by considering Dead Rent for remaining 20 years not only resulted in undue favour to the lessee but also led to short levy of Stamp Duty and Registration Fees of ₹ 0.43 crore and ₹ 0.33 crore respectively.

On this being pointed out by Audit (February 2018), DDMA, Raipur replied that opinion of the District Registrar has been sought.

The matter was brought to the notice (February 2019) of Government/ Department for their comments. Reply has not been received (August 2019).

### 5.12 Short levy of Stamp Duty and Registration Fees due to consideration of incorrect price of Aluminium

**DMO, Kawardha instead of considering price of aluminium at the time of execution of lease deed considered the price prevailing at the time of application resulting in incorrect calculation of average annual royalty consequently leading to short levy of Stamp Duty (SD) and Registration Fees (RF) of ₹ 0.99 crore.**

As per Indian Stamp (IS) Act, 1899 five *per cent* Stamp Duty is payable at the market value equal to five times of the average annual rent where the lease period is between 20 and 30 years. Government of Madhya Pradesh instruction (March 1993) as adopted by Chhattisgarh stipulates that Stamp Duty and Registration Fees in respect of renewal of mining leases is to be determined on average annual royalty calculated on the quantity of mineral to be extracted as shown in the application form, average production during last three years and quantity shown in the Mining Plan whichever is higher. The rate of royalty of bauxite is 0.60 *per cent* of sale price<sup>14</sup> prevailing at the time of execution of deed.

<sup>10</sup> Royalty: 33,01,426 MT x ₹ 80 per MT (Rate of royalty for limestone) = ₹ 26,41,14,080;  
Dead Rent: ₹ 7,500 per hectare per year x 7.870 hectare x 20 years = ₹ 11,80,500;  
Average: (₹ 26,41,14,080 + ₹ 11,80,500)/30 = ₹ 88,43,153

<sup>11</sup> 5 *per cent* of ₹ 13,20,57,040 (₹ 2,64,11,408 × 5)

<sup>12</sup> 75 *per cent* of ₹ 66.03 lakh

<sup>13</sup> ₹ 26,41,14,080/10

<sup>14</sup> Sale price= 0.529 (ratio of aluminium in Al<sub>2</sub>O<sub>3</sub>) x Percentage of Al<sub>2</sub>O<sub>3</sub> in the bauxite x London Metal Exchange (LME) price of aluminium(in dollar) x Exchange rate of dollar in Indian rupee

During test check of records (April 2018) in the office of District Mining Officer (DMO), Kawardha, Audit noticed that a bauxite mining lease admeasuring 626.117 hectare area was sanctioned to Bharat Aluminium Company Limited (BALCO) for 20 years for the period 27 March 1997 to 26 March 2017. The lessee applied for extension of mining lease for further 30 years as per the provisions of Section 8A (5) of Mines and Mineral (Development & Regulation) Act, 1957 mentioning the annual production of 12.50 lakh MT in its application. Scrutiny of the records revealed that the DMO had calculated average annual royalty<sup>15</sup> of ₹19.46 crore by considering the London Metal Exchange (LME) price of Aluminium of October 2016. Accordingly, lessee executed (March 2017) supplementary lease deed for 30 years by depositing Stamp Duty (SD) and Registration Fees (RF) of ₹ 5.11 crore and ₹ 3.65 crore respectively. Since the deed was executed in the month of March 2017, the DMO should have calculated the average annual royalty by considering the price of aluminium in LME as on March 2017 instead of October 2016. Hence, Stamp Duty of ₹ 5.69 crore<sup>16</sup> and Registration Fees of ₹ 4.06 crore<sup>17</sup> was leviable on average annual royalty of ₹ 21.66 crore<sup>18</sup> on sale price of ₹ 28,880.77<sup>19</sup> per MT. Thus, consideration of incorrect price of Aluminium by the DMO resulted in short levy of Stamp Duty and Registration Fees of ₹ 0.99 crore (SD- ₹ 0.58 crore and RF- ₹ 0.41 crore).

On this being pointed out in Audit (April 2018), DMO replied that action would be taken after examination of the case.

The matter was reported (February 2019) to Government/Department for their comments. Their reply has not been received (August 2019).

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<sup>15</sup> Sale Price x Average quantity of minerals to be extracted x rate of royalty

<sup>16</sup> ₹ 21.66 crore x 5 times x 5.25 per cent (including 0.25 per cent Cess)= ₹ 5.69 crore

<sup>17</sup> 75 per cent of ₹ 5.42 crore = ₹ 4.06 crore

<sup>18</sup> Average Annual Royalty = ₹ 28,880.77 x 12,50,000 x 0.60 per cent = ₹ 21,66,05,775

<sup>19</sup> Sale Price = 0.529 x 0.4417 x \$ 1901.57 x 65 per \$ = ₹ 28,880.77

**Chapter-VI:**  
**Forestry and Wild Life**  
**(Expenditure)**

## CHAPTER VI: FORESTRY AND WILD LIFE (EXPENDITURE)

### 6.1 Results of audit

Audit test checked records of 24<sup>1</sup> out of 67 offices relating to Forest Department during 2017-18. Expenditure incurred by the Department during the year 2016-17 aggregated to ₹ 1,030.74 crore. The audited units incurred expenditure of ₹ 623.21 crore. Audit noticed irregularities of ₹ 119.68 crore in 195 cases which fall under the categories as detailed in **Table 6.1**:

**Table 6.1: Results of audit**

<i>(₹ in crore)</i>			
Sl. No.	Category	No. of cases	Amount
1.	Irregular expenditure	93	76.51
2.	Avoidable expenditure	10	4.88
3.	Unfruitful expenditure	19	19.21
4.	Excess expenditure	23	7.51
5.	Other irregularities	50	11.57
<b>Total</b>		<b>195</b>	<b>119.68</b>

During the period 2017-18, the Department accepted two cases involving ₹ 0.04 crore. In the remaining cases, Audit is pursuing the matter with the Department.

### 6.2 Selection of ineligible sites for plantation under Compensatory Afforestation Fund Management and Planning Authority (CAMPA)

**Two Divisional Forest Officers (DFOs) selected ineligible sites for proposed Compensatory Afforestation (CA) work, incurred irregular expenditure of ₹ 3.73 crore on treatment of selected area without any plantation work and excess expenditure of ₹ 0.79 crore was made as plants planted were less than the norms set by APCCF (State CAMPA).**

As per para 3.2 and 3.3 of Handbook on Forest (Conservation) Act, 1980, Forest (Conservation) Rules, 2003 issued (2004) by Ministry of Environment and Forest (MoEF), Compensatory Afforestation (CA) shall be done over equivalent area of non-forest land. If non-forest land is not available CA shall be carried over double the area of degraded forest land. The CA should clearly be an additional plantation activity and not a part of the annual plantation programme. Further, as per the Working Plan (WP) of Korba Division, plantation work is not to be taken up in Selection-cum-Improvement (SCI) Working Coupes, only protection and conservation activities are to be carried

<sup>1</sup> DFO, Marwahi, Manendragarh, Kondagaon(S), Baikunthpur, Raipur, Korba, Dharamjaygarh, Mahasamund, Durg, Gariyaband, Rajnandgaon, Kanker, Dantewada, Raigarh, Bilaspur, Jagdalpur, Dhamtari, Sarguja, Balodabazar, CF Wildlife Raipur, PCCF Wildlife Raipur, Padap Board, Raipur, PCCF, New Raipur and Social Forestry, Bilaspur

out. Moreover, norms set for site preparation and plantation work of 1,100 plants per hectare under CA is ₹ 52,000 and ₹ 38,000 respectively.

During test check (September 2017) in the office of Divisional Forest Officer (DFO), Dharamjaygarh and Korba, Audit noticed that administrative approval of ₹ 7.20 crore was granted for site preparation and plantation of 9,26,122<sup>2</sup> plants in 841.929<sup>3</sup> hectare of degraded forest area under CA. The DFOs selected sites of Selection-cum-Improvement (SCI)<sup>4</sup>/ Improvement Working Coupes (IWC)<sup>5</sup> for plantation and CCF accorded (January 2016) technical sanction for the same despite availability of degraded forest in both divisions viz., Korba (22,950.901 ha) and Dharamjaygarh (6,452.336 ha). Due to selection of SCI/IWC coupes by the DFOs instead of degraded forest area of Rehabilitation/ Plantation Working Coupes (RWC<sup>6</sup>/PIWC<sup>7</sup>), the plantation work was limited to planting 4,59,565<sup>8</sup> plants in 522.253<sup>9</sup> hectare area out of 841.929 hectare. In remaining 319.676 hectare of selected area, treatment was carried out without plantation. In both works the Department incurred an expenditure of ₹ 6.16<sup>10</sup> crore. Since, the amount was sanctioned by state CAMPA for plantation in 841.929 hectare area, expense of ₹ 2.31<sup>11</sup> crore on treatment without plantation in 319.676 hectare area was irregular. Further, only 4,59,565 plants were planted by the DFOs in 522.253 hectare area instead of 5,74,478<sup>12</sup> plants in as much area which resulted in excess expenditure of ₹ 0.79<sup>13</sup> crore due to plantation of 1,14,913<sup>14</sup> lesser plants in said area.

Thus, selection of ineligible sites for plantation by the DFOs and grant of technical sanction by CCF not only led to violation of FC Act with irregular expenditure of ₹ 2.31 crore and excess expenditure of ₹ 0.79 crore but also defeated the objective of CA plantation. It is surprising that 100 *per cent* plantation work has been carried out in dense forest area and not a single plant was planted in degraded forest area.

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<sup>2</sup> 841.929 x 1,100

<sup>3</sup> Korba: 615.929 hectare, Dharamjaygarh: 226 hectare.

<sup>4</sup> SCI working circle comprises forest area having density above 0.5 where re-generation is in abundance. The main objective to constitute this circle is commercial exploitation of timber.

<sup>5</sup> IWC working circle comprises forest area having density above 0.5. The main objective to constitute this working circle is not for commercial exploitation of forest but to remove deficiency in trees by carrying out improvement work so that these forests may turn into productive forest in future.

<sup>6</sup> These Working Circles includes low density forest areas below 0.4, the main objective to constitute this circle is rehabilitation of forest from available root stock.

<sup>7</sup> PIWC comprises mainly blank forest areas where re-generation is not available. The main objective to constitute the circle is enrichment of forest areas by irrigated/unirrigated plantation of trees.

<sup>8</sup> Korba: 3,35,653 + Dharamjaygarh:- 1,23,912

<sup>9</sup> Korba: 368.253 hectare and Dharamjaygarh: 154 hectare

<sup>10</sup> Korba: ₹ 4.19 crore, Dharamjaygarh: ₹ 1.97 crore

<sup>11</sup> ₹ 1.68 crore + ₹ 0.63 crore (Korba: ₹ 4.19 crore/615.929 hectare x 247.676 hectare and Dharamjaygarh: ₹ 1.97 crore/226 hectare x 72 hectare)

<sup>12</sup> 522.253\*1,100= 5,74,478

<sup>13</sup> Korba: ₹ 42,94,095 (₹ 250.55 lakh/4,05,078 plants x 69,425 plants) + Dharamjaygarh: ₹ 36,02,520 (₹ 134.16 lakh/1,69,400 plants x 45,488 plants)

<sup>14</sup> 5,74,478 (522.253\*1100) - 4,59,565

Audit further scrutinised the Working Plan (WP), Compartment History and Project Report of the work and noticed that out of 16 coupes in which plantation in 368.253 hectare was carried out by the Korba Division, three compartments of SCI working coupe namely P 1120, P 1364 and P 1367, plantation was carried out in 115 hectare by planting 1,12,750 plants by incurring expenditure of ₹ 1.42 crore. During joint physical verification by Audit and concerned Range Officer, it was found that all three compartments were covered by dense forest and regeneration was already in abundance; plantation was done as a gap plantation in between the blank areas of dense forest.

Above plantation done by division was clearly in contravention to the Handbook on Forest (Conservation) Act, 1980, Forest (Conservation) Rules, 2003 where it is clearly mentioned that plantation is not to be taken up in dense forest area and SCI coupes have dense forest area. Thus, expenditure of ₹ 1.42 crore incurred on plantation work in SCI coupes under CA was irregular.

On this being pointed (September 2017) out the DFOs replied that the identified coupes were SCI and IWC coupes in which it is not possible to have entire blank area. The area can be treated by two processes, first by plantation in blank area and second by natural regeneration (adoption) in stocked area. Further, the above coupes were vulnerable to encroachment as it was in the vicinity of human population. Keeping a view on this situation, the plantation was proposed on the basis of actual site condition. The plantation was carried out in blank/sparse areas for conserving the forest.

Replies of the DFOs are not acceptable as even after availability of degraded forest land, the CA work was carried out in SCI/IWC coupes with abundant natural regeneration property where plantation work even in blank areas is prohibited as per WP. Further, no encroachment was mentioned in the Compartment History of the coupes. Thus, Audit is of the view that the Department may investigate from vigilance angle and ensure to avoid recurrence of such irregular expenditure.

The matter was brought to the notice (June and September 2018) of the Government/Department for their comments. Reply has not been received (August 2019).

### **6.3 Irregular and avoidable expenditure on Assisted Natural Regeneration (ANR) work in already treated coupes**

**Avoidable expenditure of ₹ 3.97 crore was incurred on Assisted Natural Regeneration in an area where the work had already been executed.**

Principal Chief Conservator (PCCF), Chhattisgarh directed (November 2012) all the Chief Conservator of Forests (CCFs)/Divisional Forest Officers (DFOs) that Assisted Natural Regeneration (ANR<sup>15</sup>) work was to be taken in the

<sup>15</sup> ANR is the forestry activity taken to improve the regeneration of healthy coppice generated after felling of trees through Singling, Soil and water conservation and protection work.

coupes of the Selection-cum-Improvement (SCI) and Improvement Felling Series (IFS) in which felling work had been carried out in previous year.

Scrutiny of records (June 2017) in the office of DFO, Kondagaon (South) for the year 2016-17, revealed that Additional PCCF (State CAMPA) sanctioned (January 2017) ₹ 3.95 crore for the first year of ANR work in 4,940.130 hectares under State CAMPA. The sanction was conditional as the work was to be executed in coupes where felling work had been carried out in 2014-15 and before commencement of work, it was to be ensured that the same work had not been sanctioned under other head. However, the DFO incurring an expenditure of ₹ 3.97 crore during 2017-18 from CAMPA funds executed ANR work in 27 coupes where felling work was carried out in 2008-09 and 2009-10. Further scrutiny revealed that these coupes had already been treated with natural regeneration work in the years 2009-10 and 2010-11 with an expenditure of ₹ 38.36 lakh under Departmental Head as well as sixth year of cleaning work had already been carried out in above coupes in 2013-14 and 2014-15. Thus, the DFO not only violated the conditions stipulated in the sanction order but also, incurred an irregular and avoidable expenditure of ₹ 3.97 crore. This needs to be investigated further by the State Government.

On this being pointed (June 2017) out, the DFO replied that the ANR work was to be done in the felling coupes in the subsequent year, but due to non-allotment of budget for the work under Departmental Head the proposals for the work was prepared in the year 2016-17. ANR work had not been carried out in the coupes from other head.

Reply of the DFO is factually incorrect as the Division had already carried out the ANR work from the Departmental Head during 2009-10 and 2010-11. Further, sixth year's cleaning work was already done in these coupes in 2013-14 and 2014-15, hence the work of ANR relating to first and second year was not required. The allotment from the State CAMPA was for the coupes, where the felling work had been carried out in the year 2014-15 only. The fact that the area had been previously treated under Departmental Head was not taken into consideration while preparing the Project for ANR work which resulted in duplication of work in the same coupes.

The matter was reported (October 2018) to the Government/Department for their comments. Reply is awaited (August 2019).

#### **6.4 Avoidable Expenditure on plantation**

**Avoidable Expenditure of ₹ 1.36 crore was made on plantation in Protection Working Coupe under Green India Mission despite the plantation being prohibited according to the Working Plan of the Division.**

According to the Working Plan (WP) of Sarguja Division, Protection Working Circle (PWC) is constituted by including hilly areas which have slope more than 25 degree and 78.93 *per cent* of total area is covered with dense forest. Further, the WP prescribes that no plantation work is to be carried out in scarce and devoid of forest areas.

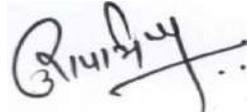
During test check (March 2017) of plantation reports, project report, working plan etc., of DFO, Sarguja Division, Audit noticed that plantation work was

carried out in 755 hectare area of 14 compartments under Green India Mission (GIM) by incurring an expenditure of ₹ 3.90 crore. On observing WP of the Division, it was found that out of 14 compartments six<sup>16</sup> compartments were in PWC and plantation work was carried out in 290 hectare of these six compartments at an expenditure of ₹ 1.36 crore. As WP prohibits plantation even in scarce and devoid of forest areas of PWC coupes which already have dense forest, no plantation work was to be carried out in these coupes. Thus plantation work carried out by DFO resulted in avoidable expenditure of ₹ 1.36 crore.

On this being pointed out by audit (September 2017) the Government replied (May 2018) that the plantation under GIM was carried out as per the provisions and directions of GIM which is an ambitious plan of Government of India. The main objective of GIM is to keep the nearby areas green. An initial survey and demarcation was conducted and plantation was carried out in plain areas having slope less than 25 degree after found fit for plantation.

Reply of the Government is not acceptable as the PWC is constituted to protect the bio-diversity, natural vegetation along with soil and water conservation. The plantation was prohibited even in the blank areas of the coupe. Further, the four<sup>17</sup> compartments were having a slope of more than 30 degree.

**Raipur**  
**The 14 January 2020**

  
**(DINESH RAYBHANJI PATIL)**  
**Accountant General (Audit)**  
**Chhattisgarh**

**Countersigned**

**New Delhi**  
**The 20 January 2020**

  
**(RAJIV MEHRISHI)**  
**Comptroller and Auditor General of India**

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<sup>16</sup> Compartment number- P-2363 (70 ha), P-2351 (50 ha), P-2350 (50 ha), P-2361 (35 ha), P-2357 (70 ha) and P-2376 (15 ha)

<sup>17</sup> P-2351, P-2350, P-2361, P-2376

# **APPENDIX**

**Appendix 2.1**

**(Referred to paragraph 2.5.5.1)**

**Table showing the details of dealers who claimed SGST transitional credit in excess of ITR as shown carried forward in VAT returns.**

Sl. No.	Name of unit	Name of the tax payer (M/s)	GSTIN	VAT credit available in quarterly return (₹)	VAT credit carried forward (₹)	Excess credit /Ineligible credit carried forward (₹)	Remark
1	CTO-1, Raipur	SVS Pharmaceutical Distributor	22AAXFS2085A1Z8	0	8,04,310	8,04,310	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 8,04,310 and hence incorrect.
2	CTO-1, Raipur	Laxmi Medical Agency	22AAFFL9471R1ZM	0	5,95,840	5,95,840	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 5,95,840 and hence incorrect.
3	CTO-1, Raipur	A T Buildcon Pvt. Ltd.	22AAECA7431N1ZO	0	9,40,100	9,40,100	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 9,40,100 and hence incorrect.
4	CTO-1, Raipur	Prakash Medical Stores	22AAJFP7759A1ZA	0	9,26,750	9,26,750	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 9,26,750 and hence incorrect.
5	CTO-1, Raipur	Rishabh Buildtech India Pvt. Ltd.	22AADCR8166N1ZY	0	14,40,090	14,40,090	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 14,40,090 and hence incorrect.
6	CTO, Manendragarh	Abhishek Baderiya	22AHXPB2785R1ZK	11,556	2,01,440	1,89,884	Closing balance for 1 <sup>st</sup> quarter of 2017-18 was ₹ 11,556 but in Tran-1 it is shown as ₹ 2,01,440. Hence, there is ineligible transitional credit of ₹ 1,89,884.

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7	CTO, Manendra garh	Dipesh Kumar Gupta	22ATWPG4236B1ZY	38,817	38,820	38,820	Closing balance as on 2016-17 was (-) ₹ 73,127 whereas opening balance for 1 <sup>st</sup> quarter of 2017-18 was ₹ 1,40,369. So there is a computation mistake which rendered the transitional credit ineligible.
8	CTO, Manendra garh	Gupta Enterprises	22AAIHD5860K1Z8	1,51,780	1,51,780	86,640	Closing balance as on 2016-17 was ₹ 30,182 whereas opening balance for 1 <sup>st</sup> quarter of 2017-18 was taken as ₹ 1,16,822. Thus there was an excess/ineligible credit of ₹ 86,640.
9	CTO, Manendra garh	R.Rajendrapal and Company	22AAKHR7074K1ZQ	1,64,380	1,64,380	18,109	There is a computation mistake as a result ₹ 18,109 more transitional credit was carried forward. Thus excess/ineligible.
10	CTO, Manendra garh	Anand Agencies	22ACRPJ0914H1ZU	0	2,78,910	2,78,910	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 2,78,910 and hence incorrect.
11	CTO, Manendra garh	AkashMedicose	22AKXPS5740C1ZY	0	1,52,160	1,52,160	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 1,52,160 and hence incorrect.
12	CTO-1, Korba	Mohan Lal Jain	22ADGPJ2105A1ZM	59,07,639	77,79,860	18,72,221	Computation of closing balance of VAT credit in quarterly return was wrong and hence incorrect.
13	CTO-1, Korba	GMM Co. Ltd.	22AABCG0949C1Z7	0	4,90,180	4,90,180	Computation of closing balance of VAT credit in quarterly return was wrong and hence incorrect.
14	CTO-2, Durg	Shree Vibgyor Offset Press	22ACBFS5774L1ZT	- 1,68,28,868	67,85,995	67,85,995	In first quarterly return for the period 2017-18, the dealer had balance of VAT credit as (-) ₹ 1,68,28,868. However, the dealer incorrectly filed Tran-1 for ₹ 67,85,995.
15	CTO-2, Durg	Shriram Enterprises	22AFHPA6107J1ZX	1,48,375	3,49,360	2,00,985	In first quarterly return for the period 2017-18, the dealer had balance of VAT credit as ₹ 1,48,375 only. However, the

							dealer incorrectly carried forward credit of ₹ 3,49,360.
16	CTO-5, Raipur	Hanuman Ingots Private Limited	22AACCH4665D1ZY	-2,49,60,166	8,40,532	8,40,532	In first quarterly return for the period 2017-18, the dealer had balance of VAT credit as (-) ₹ 2,49,60,166. However, the dealer incorrectly filed TRAN1 for ₹ 8,40,532.
17	CTO-5, Raipur	Kashi Power Con	22ACAPC6211H1ZG	0	3,66,736	3,66,736	There is no credit balance available in the 1 <sup>st</sup> quarterly return for the period 2017-18 and hence carried forward of credit is incorrect.
18	CTO-5, Raipur	Jayshree Steel	22AWWPA9860C1ZG	2,08,248	6,86,398	4,78,150	In first quarterly return for the period 2017-18, the dealer had balance of VAT credit as ₹ 2,08,248 only. However, the dealer incorrectly carried forward credit of ₹ 6,86,398.
19	CTO-5, Raipur	JSK Corporation Private Limited	22AADPJ1960A1Z9	0	2,57,034	2,57,034	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
20	CTO-5, Raipur	Hetero Healthcare Limited	22AABCH6890D1ZS	0	4,870	4,870	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
21	CTO-5, Raipur	Sarla Trading Company	22BXPPP4812C1ZN	0	1,19,676	1,19,676	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
22	CTO-5, Raipur	R.S. Enterprises	22AJHPB2708A1Z7	0	13,722	13,722	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
23	CTO-5, Raipur	Rajshree Rajendra Pataskar	22AJGPP8158F1Z4	0	34,419	34,419	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.

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24	CTO-8, Raipur	Swastik Pesticides Limited	22AAGCS0057A1Z3	0	10,31,680	10,31,680	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
25	CTO-8, Raipur	Sumeet Synfab India Private Limited	22AAHCS7997Q1ZA	0	26,62,400	26,62,400	There is no credit balance available in the 1 <sup>st</sup> quarterly returns for the period 2017-18 and hence carried forward of credit is incorrect.
26	CTO, Jagdalpur	Ashok Sharma	22AJNPS3638J1ZU	-25,076	2,34,130	4,569	As per Annual Return of 2016-17, amount of ITR of ₹ 2,59,208 was available as closing balance. The dealer carried forward nil ITR in first quarter of 2017-18. The net effect after taking the actual opening balance of ITR of ₹ 2,59,208 and the tax liability of ₹ 29,647 for that quarter was that the dealer had transferred excess credit of ₹ 4,569.
27	CTO, Jagdalpur	BMS Projects	22AAOFB3108J1ZP	0	57,42,090	57,42,090	Closing balance as on 1 <sup>st</sup> quarter of 2017-18 was '0' whereas transitional credit carried forward was ₹ 57,42,090 and hence incorrect.
28	CTO, Jagdalpur	Sahoo Enterprises	22ABIFS3263J1Z4	-69,398	1,64,300	87,797	As per Annual Return of 2016-17, amount of ITR of ₹ 69,398 was available as closing balance. The dealer carried forward nil ITR in first quarter of 2017-18. The net effect after taking the actual opening balance of ITR of ₹ 69,398 and the tax liability of ₹ 0 for that quarter was that the dealer had transferred excess credit of ₹ 87,797.
29	CTO, Jagdalpur	Essar Steel India Limited	22AAACE1741P1ZR	30,82,989	5,36,050	5,36,050	Computation of closing balance of VAT credit in quarterly return was wrong and hence incorrect.
<b>Total</b>						<b>2,70,00,719</b>	

(Note: - Figures are rounded off to nearest ten)

Table showing the details of dealers who did not submit quarterly returns but carried forward SGST transitional credit.

Sl no.	Name of unit	Name of the tax payer (M/s)	GSTIN	VAT credit available in quarterly return (₹)	VAT credit carried forward (₹)	Incorrect credit /Ineligible credit carried forward (₹)	Remark
1	CTO, Circle-1, Raipur	Sharda Logistics	22ADIFS0553K1Z3	--	11,40,060	11,40,060	Quarterly return for 4 <sup>th</sup> quarter of 2016-17 was not submitted and hence transitional credit availed was incorrect.
2	CTO, Circle-1, Raipur	Mandhan Motors Pvt. Ltd.	22AACCR7744R2ZS	--	6,53,200	6,53,200	Quarterly return for 1 <sup>st</sup> quarter of 2017-18 was not submitted and hence transitional credit availed was incorrect.
3	CTO, Circle-1, Raipur	Avinash Infra Project Pvt. Ltd.	22AABCJ3884H1ZM	--	8,79,722	8,79,722	Quarterly returns for last six months were not submitted and hence transitional credit availed was incorrect.
4	CTO, Circle-1, Raipur	Anand Singhania	22AJKPS7492K2ZI	--	38,19,840	38,19,840	Quarterly returns for last six months were not submitted and hence transitional credit availed was incorrect.
5	CTO, Circle-1, Raipur	Shri Equipment Finance Ltd.	22AAKCS3431L1ZC	--	25,10,220	25,10,220	Quarterly return for 1 <sup>st</sup> quarter of 2017-18 was not submitted and hence transitional credit availed was incorrect.
6	CTO, Circle-1, Raipur	Universal Distributors	22AAEFU2126M1ZA	--	6,23,680	6,23,680	Quarterly returns for last six months were not submitted and hence transitional credit availed was incorrect.
7	CTO, Manendragarh	Suneel Prasad	22AKCPP1657N1ZZ	--	10,240	10,240	Quarterly returns for last six months were not submitted

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							and hence transitional credit availed was incorrect.
8	CTO, Manendragarh	Jitendra Kumar Shah	22APBPS7104M1ZV	72,200	72,200	72,200	Quarterly return for 4 <sup>th</sup> quarter of 2016-17 was not submitted and hence transitional credit availed was incorrect.
9	CTO, Manendragarh	Baderia Medical Store	22ADAPA2460M1ZY	--	2,38,380	2,38,380	Quarterly returns for last six months were not submitted and hence transitional credit availed was incorrect.
10	CTO, Manendragarh	Agarwal Emporium	22ADNPA2509E1Z8	--	28,170	28,170	Quarterly return for 1 <sup>st</sup> quarter of 2017-18 was not submitted and hence transitional credit availed was incorrect.
11	CTO, Manendragarh	Banshi Lal Shah	22BDMPS4635K1Z6	1,18,997	1,35,184	1,35,184	Quarterly return for 4 <sup>th</sup> quarter of 2016-17 was not submitted and hence transitional credit availed was incorrect.
12	CTO, Circle- 1, Korba	Agrawal Medicines	22AMYPA0520H1ZH	5,79,499	5,79,499	5,79,499	The tax payer did not submit the quarterly return for the 4 <sup>th</sup> quarter of 2016-17. Hence, transitional credit availed was incorrect.
13	CTO, Circle- 8, Raipur	SKM Buildcon	22ABNFS3804J1Z4	--	13,91,780	13,91,780	The dealer did not submit quarterly return for 1 <sup>st</sup> quarter of 2017-18 and hence transitional credit availed was incorrect.
14	CTO, Circle- 8, Raipur	Shri Balaji Developers	22ABVFS3319J1ZU	--	18,49,960	18,49,960	The dealer did not submit quarterly return for 1 <sup>st</sup> quarter of 2017-18 and

							hence transitional credit availed was incorrect.
15	CTO, Circle-2, Durg	Ricoh India Limited	22AAACR4151J1ZO	--	1,01,05,035	1,01,05,035	The dealer did not submit quarterly return for 1 <sup>st</sup> quarter of 2017-18 and hence transitional credit availed was incorrect.
<b>Total</b>						<b>2,40,37,170</b>	

(Note: - Figures are rounded off to nearest ten)

**Table showing the details of unregistered dealers (in VAT, Central Excise and Service Tax) who carried forward SGST transitional credit through Tran-1.**

Sl no.	Name of unit	Name of the tax payer (M/s)	GSTIN	VAT credit available in quarterly return (₹)	VAT credit carried forward (₹)	Incorrect credit /Ineligible credit carried forward (₹)	Remark
1	CTO, Circle-1, Raipur	Benipal Trans Link	22AHHPB6381K1ZE	--	19,59,620	19,59,620	The dealer was not registered in VAT, Central Excise and Service Tax during Pre-GST period but carried forward transitional credit of ₹ 19,59,620/- in Tran-1 which is incorrect.
<b>Total</b>						<b>19,59,620</b>	

(Note: - Figures are rounded off to nearest ten)

# **GLOSSARY**

## GLOSSARY OF ABBREVIATIONS

Abbreviation	Full form
AA	Assessing Authority
AAO	Assistant Accounts Officer
AAP	Annual Average Production
AAR	Annual Average Royalty
AC	Assistant Commissioner
ACCT	Assistant Commissioner Commercial Tax
ACM	Audit Committee Meeting
ACTO	Assistant Commercial Tax Officer
AIAO	Assistant Internal Audit Officer
AMO	Assistant Mining Officer
APCCF	Additional Principal Chief Conservator of Forest
ARTO	Additional Regional Transport Officer
ATN	Action Taken Note
BE	Budget Estimate
CAMPA	Compensatory Afforestation Fund Management and Planning Authority
CCF	Chief Conservator of Forest
CCT	Commissioner of Commercial Tax
CGET	Chhattisgarh Entry Tax
CGMK	Chhattisgarh Motoryan Karadhan Adhiniyam
CGVAT	Chhattisgarh Value Added Tax
CMMR	Chhattisgarh Minor Mineral Rules
CST	Central Sales Tax
CTD	Commercial Tax Department
CTI	Commercial Tax Inspector
CTO	Commercial Tax Officer
DC	Deputy Commissioner
DDF	Deputy Director, Finance
DDMA	Deputy Director Mineral Administration
DFO	Divisional Forest Officer
DGM	Director, Geology and Mining
DIGR	Deputy Inspector General Registration
DMO	District Mining Officer
DTH	Direct to Home
DTO	District Transport Officer
ET	Entry Tax
FD	Finance Department
GIM	Green India Mission
GoCG	Government of Chhattisgarh
GoI	Government of India
GST	Goods and Services Tax
IAW	Internal Audit Wing
IBM	Indian Bureau of Mines
IGST	Integrated Goods and Services Tax
IR	Inspection Report

IGR	Inspector General of Registration
ITC	Input Tax Credit
ITR	Input Tax Rebate
IT	Information Technology
IWC	Improvement Working Circle
JAO	Junior Accounts Officer
JD	Joint Director
LME	London Metal Exchange
LUT	Letter of Undertaking
MCR	Mineral Concession Rules
MI	Mining Inspector
MMDR	Mines and Minerals Development and Regulation
MPLS	Multi-Protocol Level Switching
MRD	Mineral Resources Department
MT	Metric Tonne
NACEN	National Academy of Customs and Narcotics
NWPC	National Working Plan Code
PA	Performance Audit
PAC	Public Accounts Committee
PAN	Permanent Account Number
PCCF	Principal Chief Conservator of Forest
PIWC	Plantation Working Circle
PWC	Protection Working Circle
RF	Registration Fees
RO	Range Officer
RRC	Revenue Recovery Certificate
RTO	Regional Transport Officer
RWC	Rehabilitation Working Circle
SCI	Selection-Cum-Improvement
SD	Stamp Duty
SDO	Sub-Divisional Officer
SGST	State Goods and Services Tax
SR	Sub Registrar
SS	Superintendent of Stamps
STD	State Tax Department
TC	Transport Commissioner
TDS	Tax Deduction at Source
TTO	Taxable Turnover
VAT	Value Added Tax
WP	Working Plan



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