

REVENUE AUDIT MANUAL

ON

PURCHASE TAX ON SUGARCANE

**FOR USE OF I.A. & A.D. ONLY
OFFICE OF THE ACCOUNTANT GENERAL
(COMMERCIAL AND RECEIPT AUDIT) ANDHRA PRADESH
HYDERABAD – 500 004**

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ANDHRA PRADESH**

**ISSUED BY
THE ACCOUNTANT GENERAL (COMMERCIAL AND RECEIPT AUDIT), ANDHRA
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PREFACE

The audit of purchase tax (Receipts and Refunds) on purchase of sugarcane by sugar factories and khandasari units is being conducted in the state of Andhra Pradesh from 1983-84. This Manual on Audit of purchase tax on sugarcane in Andhra Pradesh State has been prepared in compliance with the instructions of the Comptroller and Auditor General of India. This manual is updated duly incorporating latest changes in this regard.

This manual is intended to guide the Officers and staff both in Head Quarters and in the field in the audit of purchase tax. However, the manual is not a substitute to the Andhra Pradesh Sugarcane (Regulation of Supply and Purchase) Tax Act 1961 and rules made there under. Those officers and staff engaged in the audit of purchase Tax receipts should acquaint themselves fully with provisions of the Acts, Rules made there under and other procedural instructions issued by the State Government.

State Receipt Audit (Headquarters) section shall be responsible for keeping the manual upto date.

Errors or omissions if any, noticed may be brought to the notice of Accountant General (Commercial and Receipt Audit), Andhra Pradesh, Hyderabad. Suggestions for the improvements of the Manual are also welcome.

HYDERABAD
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ACCOUNTANT GENERAL (C & RA)
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INDEX

Sl.No.	CHAPTER	PAGE No.
1.	Introduction	1-5
2.	Organizational set up	6
3.	Levy of purchase Tax	7-8
4.	Collection of Tax	9
5.	Penalties	10-11
6.	Records to be maintained and Audit Checks	12
7.	Duties and Powers of Inspector of Sugarcane.	13

CHAPTER – I
INTRODUCTION
CONSTITUTIONAL RESPONSIBILITY OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA FOR AUDIT OF RECEIPTS

1.1. The Audit of revenue is inherent in the powers vested in the Comptroller and Auditor General of India by Article 151 of the constitution. Article 151 lays down that the Reports of the Comptroller and Auditor General of India relating to the accounts of the union and the States shall be submitted to the President or the Governor of a State as the case may be, who shall cause them to be laid before each House of Parliament or Legislature of Union or a State. Thus the audit reports must relate to the totality of the accounts of the Union or a State and this totality would include all receipts embracing the revenues of the Union and of the States.

1.2. Section 16 of the Comptroller and Auditor General of India (Duties powers and conditions of service) Act 1974 specifically enjoins upon the Comptroller and Auditor General, to audit all receipts of the Union and of the States and to satisfy himself that the rules and procedures in that behalf are designed to secure an effective check on the assessment, collection and proper allocation of revenue and are duly observed. For that purpose, the Comptroller and Auditor General is authorized to undertake such examination of accounts as he thinks fit and to report thereon.

1.3 Principles of Receipt Audit

The audit of receipts is broadly governed by the general principles laid down in chapter 3 of Section II of the Manual of Standing Orders (Audit). The instructions contained in this manual are supplementary thereto and describes specifically the procedure to be followed in the Audit of receipts of purchase tax on sugarcane.

1.4. The levy and collection of purchase tax on sugarcane in Andhra Pradesh is governed by Andhra Pradesh sugarcane (Regulation of Supply & Purchase) Act 1961 and A.P. Sugarcane ((Regulation of Supply & Purchase) Rules 1961. The following are also relevant in the law relating to Sugarcane and Sugar.

1. The Sugar (control) order 1966.
2. The Sugarcane (control) order 1966.

1.5. AUDITING STANDARDS

Auditing Standards prescribe the norms of principles and practices, which the Auditors are expected to follow in the conduct of Audit. They provide minimum guidance to the Auditor that helps determine the extent of auditing steps and procedures that should be applied in; the audit and constitute the criteria or yardstick against which the quality of audit results are evaluated.

The norms of Principles and Procedures to be followed by Audit are prescribed in "Auditing Standards" (2nd Edition, 2002) which, *inter-alia*, include the following:

A) Basic Postulates: The basic postulates for auditing standards are basic assumptions, consistent premises, logical principles and requirements which help in developing auditing standards and serve the auditors in forming their opinions and report on particularly in cases where no specific standards apply.

The Basic Postulates are:

- 1) The Supreme Audit Institution of India (SAI) should comply with the International Organisation of Supreme Audit Institutions (INTOSAI) auditing standards in all matters that are deemed material.
- 2) The SAI should apply its own judgement to the diverse situations that arise in the course of Government auditing.

- 3) With increased public consciousness, the demand for public accountability of persons or entities managing public resources has become increasingly evident so that there is a need for the accountability process to be in place and operating effectively.
- 4) Development of adequate information, control, evaluation and reporting systems within the Government will facilitate the accountability process, Management is responsible for correctness and sufficiency of the form and content of the financial reports and other information.
- 5) Appropriate authorities should ensure the promulgation of acceptable accounting standards for financial reporting and disclosure relevant to the needs of the Government, and audited entities should develop specific and measurable objectives and performance targets.
- 6) Consistent application of acceptable accounting standards should result in the fair presentation of the financial position and the results of operations.
- 7) The existence of an adequate system of internal control minimises the risk of errors and irregularities.
- 8) Legislative enactments would facilitate the co-operation of audited entities in maintaining and providing access to all relevant data necessary for a comprehensive assessment of the activities under audit.
- 9) All audit activities should be within the SAIs audit mandate.
- 10) SAIs should work towards improving techniques for auditing the validity of performance measures
- 11) SAIs should avoid conflict of interest between the auditor and entity under audit.

B) General Standards: 1) The general auditing standards describe the qualifications of the auditor and the auditing institution so that they may carry out the tasks of field and reporting standards in a competent and effective manner. These standards apply to all types of audit for both auditor and audit institutions. While auditing, the auditor should be independent, competent and due care should be taken in planning, specifying, gathering and evaluating evidence and in reporting on findings, conclusions and recommendations.

2) The legal mandate provided in the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 provides for full and free access for the CAG and his auditors to all premises and records relevant to audited entities and their operations and provides adequate powers to the CAG to obtain relevant information from persons or entities possessing it.

3) The audit department seek to create among audited entities an understanding of its role and function, with a view to maintaining amicable relationships with them. Good relationships can help the SAI to obtain information freely and frankly and to conduct discussions in an atmosphere of mutual respect and understanding.

C) Field standards (1): The purpose of field standards is to establish the criteria or overall framework for the purposeful, systematic and balanced steps or actions that the auditor has to follow. These steps and actions represent the rules of investigation that the auditor, as a seeker of audit evidence, implements to achieve a specific result.

(2) The field standards establish the framework for conducting and managing audit work. They are related to the general auditing standards, which set out the basic requirements for undertaking the tasks covered by the field standards. They are also related to reporting standards, which cover the communication aspect of auditing, as the results from carrying out the field standards constitute the main source for the contents of the opinion or report.

(3). The field standards applicable to all types of audit are:

- a). The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

- b). The work of the audit staff at each level and audit phase should be properly supervised during the audit; and a senior member of the audit staff should review documented work.
- c). The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control.

i) Planning: The auditor should plan the audit in a manner, which ensures that an audit of high quality is carried out without wastage of resources in an economic, efficient and effective way in a timely manner.

1) the following planning steps are normally included in an audit:

- a). Collect information about the audited entity and its organisation in order to assess risk and to determine materiality:
- b). Define the objective and scope of the audit:
- c). Undertake preliminary analysis to determine the approach to be adopted and the nature and extent of enquiries to be made later.
- d). Highlight special problems foreseen when planning the audit:
- e). Prepare a budget and a schedule for the audit:
- f). Identify staff requirements and a team for the audit: and
- g). Familiarise the audited entity about the scope, objectives and the assessment criteria of the audit and discuss with them as necessary.

ii). Supervision:- The work of audit staff at each level and audit phase should be properly supervised during audit, and a senior member should review documented work.

1) The following paragraphs explain supervision and review as an auditing standard.

A) Supervision is essential to ensure the fulfillment of audit objectives and the maintenance of the quality of the audit work. Proper supervision and control is therefore necessary in all cases, regardless of the competence of individual auditors.

B) Supervision should be directed both to the substance and to the method of auditing. It involves ensuring that:

- a. The members of the audit team have a clear and consistent understanding of the audit plan.
- b. The audit is carried out in accordance with the auditing standards and practices of the SAI.
- c. The audit plan and action steps specified in that plan are followed unless a variation is authorised.
- d. Working papers contain evidence adequately supporting all conclusions, recommendations and opinions
- e. The auditor achieves the stated audit objectives and
- f. The audit report includes the audit conclusions, recommendations and opinions, as appropriate.

2) All audit work should be reviewed by a senior member of the audit staff before the audit opinions or reports are finalised. It should be carried out as each part of the audit progresses. Review bring more than one level of experience and judgement to the audit task and should ensure that:

- a. All evaluations and conclusions are soundly based and are supported by competent, relevant and reasonable audit evidence as the foundation for the final audit opinion or report.
- b. All errors, deficiencies and unusual matters have been properly identified, documented and either satisfactorily resolved or brought to the attention of a more senior SAI officer, and
- c. Changes and improvements necessary to the conduct of future audits are identified, recorded and taken into account in later audit plans and in staff development activities.

3) This standard emphasis's the importance of involvement of each higher level of supervision and does not in any way absolve the lower levels of audit staff carrying out field investigations from any negligence in carrying out assigned duties.

iii) Study & Evaluation of Internal Control: The auditor, in determining the extent and scope of the audit, should study and evaluate the reliability of internal control and depend on the objectives of the audit and on the degree of reliance intended. Where accounting or other information systems are computerized, the auditor should determine whether internal controls are functioning properly to ensure the integrity, reliability and completeness of the data.

iv) Compliance with Applicable laws and regulations: In performance audit an assessment should be made of compliance with applicable laws and regulations when necessary to satisfy the audit objectives. The auditor should provide reasonable assurance to detecting illegal acts that could significantly affect audit objectives and should be alert to situation or transaction that could be indicative of illegal acts that may have an indirect effect on the audit reports.

The following paragraphs explain compliance as an auditing standard.

1) Reviewing compliance with laws and regulations is especially important when auditing government programs because decision-makers need to know if the laws and regulations are being followed, whether they are having the desired results, and, if not, what revisions are necessary. Additionally government organisations, programs, services, activities, and functions are created by laws and are subject to more specific rules and regulations.

2) Those planning the audit need to be knowledgeable of the compliance requirements that apply to the entity being audited. Because the laws and regulations that may apply to a specific audit are often numerous, the auditors need to exercise professional judgement in determining those laws and regulations that might have a significant impact on the audit objectives.

3) The auditor also should be alert to situations or transactions that could be indicative of illegal acts that may indirectly impact the results of the audit. When audit steps and procedures indicate that illegal acts have or may have occurred, the auditor needs to determine the extent to which these acts affect the audit results

4) In conducting audits in accordance with this standard, the auditors should choose and perform audit steps and procedures that, in their professional judgement, are appropriate in the circumstances. These audit steps and procedures should be designed to obtain sufficient, competent, and relevant evidence that will provide a reasonable basis for their judgement and conclusions.

5) Generally, management is responsible for establishing an effective system of internal controls to ensure compliance with laws and regulations. In designing steps and procedures to test or assess compliance, auditors should evaluate the entity's internal controls and assess the risk that the control structure might not prevent or detect non-compliance.

6) Without affecting the SAI's independence, the auditors should exercise due professional care and caution in extending audit steps and procedures relative to illegal acts so as not to interfere with potential future investigations or legal proceedings. Due care would include considering the concerned laws and relevant legal implications through appropriate forum to determine the audit steps and procedures to be followed.

v) Audit Evidence: Competent, relevant and reasonable evidence should be obtained to support the auditors judgment and conclusions regarding organization, programme, activity or function under audit.

The following paragraphs explain audit evidence as an auditing standard.

1) The audit findings, conclusions and recommendations must be based on evidence. Since auditors seldom have the opportunity of considering all information about the audited entity, it is crucial that the data collection and sampling techniques are carefully chosen. When computer-based system

data are an important part of the audit and the data reliability is crucial to accomplishing the audit objective, auditors need to satisfy themselves that the data are reliable and relevant.

2.) Auditor should adequately document the audit evidence in working papers, including the basis and extent of the planning, work performed and the findings of the audit. Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditor's significant findings and conclusions.

3.) Adequate documentation is important for several reasons, It will:

- a. Confirm and support the auditor's opinions and reports
- b. Increase the efficiency and effectiveness of the audit.
- c. Serve as a source of information for preparing reports or answering any enquiries from the audited entity or from any other party.
- d. Serve as evidence of the auditor's compliance with Auditing Standards
- e. Facilitate planning and supervision.
- f. Help the auditor's professional development.
- g. Help to ensure that delegated work has been satisfactorily performed, and
- h. Provide evidence of work done for future reference.

4.) The auditor should bear in mind that the content and arrangement of the working papers reflect the degree of the auditor's proficiency, experience and knowledge.

vi). Analysis of Financial Statements: In all types of audit when applicable auditor should analyse the financial statement to establish whether applicable accounting standards for financial reporting and disclosure are complied with and should perform to such degree that a rational basis is obtained to express an opinion on financial statements.

The auditor should thoroughly analyse the financial statements and ascertain whether:

- a). financial statements are prepared in accordance with acceptable accounting standards;
- b). Financial statements are presented with due consideration to the circumstances of the audited entity;
- c). Sufficient disclosures are presented about various elements of financial statements; and
- d). The various elements of financial statements are properly evaluated, measured and presented.

The methods and techniques of financial analysis depend to a large degree on the nature, scope and objective of the audit, and on the knowledge and judgement of the auditor.

2). Where the SAI is required to report on the execution of budgetary laws, the audit should include:

- a). For revenue accounts, ascertaining whether forecasts are those of the initial budget, and whether the audits of taxes, rates and duties recorded, and imputed receipts, can be carried out by comparison with the annual financial statements of the audited activity;
- b). For expenditure accounts, verifying credits to assist budgets, adjustment laws and, for carryovers, the previous year's financial statements.

3.) Where the SAI is required to report on systems of tax administration or systems for realising non-tax receipts, along with a systems study and analysis of realisation of revenue/receipts, detection of individual errors in both assessments and collection is essential to highlight audit assertions regarding the system defects and comment on their efficiency to ensure compliance.

D) Reporting Standards: 1). On the completion of each audit assignment, the Auditor should prepare a written report setting out the audit observations and conclusions in an appropriate form; its content should be easy to understand, free from ambiguity and supported by sufficient, competent and relevant audit evidence and be independent, objective, fair, complete, accurate, constructive and concise.

- 2). With regard to fraudulent practice or serious financial irregularities detected during audit or examined by audit, a written report should be prepared. This report should indicate the scope of audit, main findings, total amount involved, modus operandi of the fraud or the irregularity, accountability for the same and recommendations for improvement of internal control system, fraud prevention and detection measures to safeguard against recurrence of fraud/serious financial irregularity.
- 3). The audit report should be complete. This requires that the report contains all pertinent information needed to satisfy the audit objectives, and to promote an adequate and correct understanding of the matter reported. It also means including appropriate background information.
- 4). In most cases, a single example of a deficiency is not sufficient to support a broad conclusion or a related recommendation. All that it supports is that a deviation, an error or a weakness existed. However, except as necessary, detailed supporting data need not be included in the report.
- 5). Accuracy requires that the evidence presented is true and the conclusions be correctly portrayed. The conclusions should flow from the evidence. The need for accuracy is based on the need to assure the users that what is reported is credible and reliable.
- 6). The report should include only information, findings and conclusions that are supported by competent and relevant evidence in the auditor's working papers. Reported evidence should demonstrate the correctness and reasonableness of the matters reported.
- 7). Correct portrayal means describing accurately the audit scope and methodology and presenting findings and conclusions in a manner consistent with the scope of audit work.
- 8). Objectivity requires that the presentation through out the report be balanced in content and tone. The audit report should be fair and not be misleading and should place the audit results in proper perspective. This means presenting the audit results impartially and guarding against the tendency to exaggerate or over emphasise deficient performance. In describing shortcomings in performance, the Auditor should present the explanation of the audited entity and stray instances of deviation should not be used to reach broad conclusions.
- 9). The tone of reports should encourage decision-makers to act on the auditor's findings and recommendations. Although findings should be presented clearly and forthrightly, the auditor should keep in mind that one of the objectives is to persuade and this can best be done by avoiding language that generate defensiveness and opposition.
- 10). Being convincing requires that the audit results be presented persuasively and the conclusions and recommendation followed logically from the facts presented. The information presented should be sufficient to convince the readers to recognise the validity of the findings and reasonableness of audit conclusions. A convincing report can help focus the attention of management on matters that need attention and help stimulate correction.
- 11). Clarity requires that the report be easy to read and understand. Use of non-technical language is essential. Wherever technical terms and unfamiliar abbreviations are used, they should be clearly defined. Both logical Organisation of the material and precision in stating the facts and in drawing conclusions significantly contribute to clarity and understanding. Appropriate visual aids (such as photographs, charts, graphs and maps etc.,) should be used to clarify and summarise complex material.
- 12). Being concise requires that the report is not longer than necessary to convey the audit opinion and conclusions. Too much of details detracts from the report and conceals the audit opinion and conclusions and confuses the readers. Complete and concise reports are likely to receive greater attention.
- 13). Being constructive requires that the report also includes well thought out suggestions, in broad terms, for improvements, rather than how to achieve them. In presenting the suggestions due regard should be paid to the requirements of rules and orders, operational constraints and the prevailing milieu. The suggestions should be discussed with sufficiently high level functionaries of the entities and as far as possible, their acceptances obtained before these are incorporated in the report.

14). Timeliness requires that the audit report should be made available promptly to be of utmost use to all users, particularly to the auditee organisations and/ or Government who have to take requisite action.

CHAPTER -2**ORGANISATIONAL SET UP**

2.1. The A.P. Government in the Food and Agriculture Department administers the provision of the Act and Rules on purchase Tax through the Cane commission in the Office of the Commissioner and Director of Sugar and Cane Commissioner. He exercises his powers and performs duties through the Deputy Cane Commissioner and Assistant Cane Commissioners who are the Assessing Authorities of the purchase tax. There are eleven Assistant Cane Commissioners in the State in the following sugarcane regions:

1. Bhodan
2. Zaheerabad
3. Miryalaguda
4. Cuddapah
5. Chittoor
6. Anakapally
7. Samarlakota
8. Bobbili
9. Vuyyur
10. Nellore
11. Tanuku

2.2. Under each Assistant Cane Commissioner, there are Cane Regulation Inspectors who ensure the collection of purchase tax in the factory/factories which is/are under their supervision.

2.3. *Constitution of the sugarcane Advisory Committee:*

As soon as may be after the commencement of the A.P.Sugarcane (Regulation of Supply and Purchase) Act 1961, the Government shall by notification constitute a committee for the state to be called the A.P.Sugarcane Advisory Committee.
(Section. 3 of APS (RSP) ACT 1961).

2.4. *Constitution of council:*

For each factory zone, the Cane Commissioner shall, by notification, constitute a Cane Development Council which shall be a body corporate by the name of the factory zone for which it is constituted having perpetual succession and a common seal with power to acquire, hold and dispose of property and to enter into contracts and may by its corporate name sue and be sued.
(Section 5 (1) of A.P.S. (RSP) Act 1961).

CHAPTER – 3

LEVY OF PURCHASE TAX

3.1. The Government may by notification levy a tax at such rate not exceeding “One Hundred Rupees” per metric tonne on the purchase of cane required for use consumption or sale in a factory or khandasari unit (section 21 (1) of APS (RSP) Act 1961).

3.2. The Government may, by notification remit in whole or in part such tax in respect of cane used or intended to be used in a factory or khandasari unit for any purpose specified in such notification (section 21 (2) of APS (RSP) Act 1961).

Note: Govt. have fixed a rate of Rs.60 per MT and Rs. 22 per MT on the purchase of cane required for use, consumption or sale in all factories and khandasari units respectively vide G.O.M’s No: 109 Industries and Commerce (sugar) Dept. dt: 21-05-96. The rate was Rs.30 per MT prior to 21-05-1996.

Govt.ordered vide G.O.M’s No:327 Industries and Commerce (sugar) Dept. dt:14-12-2006 for passing on the entire purchase Tax of Rs.60/- per Metric Tonne in respect of Sugar Factories and Rs.22/- per Metric Tonne in respect of Khandasari Sugar Units to the cane growers for 2006-07 season as was done during the seasons 2001-02 to 2005-06 also.

3.3. Notwithstanding any thing in any other law for the time being in force, any sum due to Govt. towards the purchase tax levied under section 21 of A.P.Sufarcane (R.S.P) Act, 1961 shall be a first charge on the sugar produced out of cane already subject to purchase tax. No occupier of factory or owner or Khandasari unit shall remove or cause to be removed any sugar produced in the factory or khandasari unit on or after the date specified by the Cane Commissioner in this behalf, either consumption or for sale or manufacture of any other commodity in or outside the factory or khandasari unit, until he has paid such sum.

Provided that such sugar may be deposited without payment of any such sums in a godown or other place of storage approved by the assessing authority and where it is so deposited it shall not be removed there from until the sum as aforesaid has been paid (Section.21 (3) of APS (RSP) Act 1961).

3.4. Before the beginning of each crushing season or as soon thereafter as may be and in the case of crushing season beginning on the date of commencement of A.P.Sugarcane (R.S.P.) amendment Act, 1976 as soon as may be after such commencement the assessing authority shall work out and specify the provisional amount of tax calculated per metric tonne of sugar under sub-section (1) by correlating the quantity of sugarcane purchased for the factory of khandasari unit during the last preceeding crushing season in which the factory or khandasari unit was under production.

Explanation I :- If the factory or khandasari unit was under production during only a part of any such previous crushing season, it shall be sufficient to take into consideration that part of the crushing season during which the factory or khandasari unit was actually under production.

Explanation II :- If the factory or khandasari unit had not commenced production before the crushing season for which the provisional assessment is made, then the assessing authority may specify the provisional amount of tax on the basis of comparable data, relating to other factories or khandasari units if any, in the same region or of any other relevant factory. (Section.21(3-A) APS (RSP) Act 1961).

3.5. At the end of crushing season the assessing authority shall work out and specify a revised amount of tax to be paid by taking into account the quantity of sugarcane purchased for the factory or khandasari unit and the sugar produced in the factory or khandasari unit during the current crushing season and, where the amount is reduced or increased on such revision, the excess paid or the deficit as, the case may be, shall be spread over the remaining stock of the said sugar and the amount to be paid before removal of such stock of sugar shall be refixed accordingly and if no such sugar remains in stock then the owner shall be entitled to a refund or liable to pay the balance as the case may be.(Section.21(3-B) APS (RSP) Act 1961).

3.6. If at any time, it appears to the assessing authority that a part of the stock of the said sugar has been removed, or is for any other reason no longer available and the payment towards tax due against such part under this section has not been made, the assessing authority may direct the deficit to be recovered by spreading it over the sugar in stock at that time.(Section.21(3-C) APS (RSP) Act 1961).

3.7. Where the assessing authority is satisfied that the occupier of a factory or owner of a khandasari unit had removed or caused to be removed any sugar in contravention of the provisions of section 21 or has failed to account fully for the sugar produced in the factory or khandasari unit or deposited by him under the provision to sub-section (3) the person liable to pay the tax shall in addition to the amount payable under sub section (3) in respect of the quantity of sugar so removed or caused to be removed or unaccounted for, be also liable to pay by way of penalty a further sum not exceeding one hundred percent of the sum so payable.(Section.21(3-D) APS (RSP) Act 1961).

CHAPTER – 4

COLLECTION OF TAX

4.1 (a) The tax payable shall be levied and collected from the occupier of the factory or the owner of the khandasari unit in such manner and by such authority as may be prescribed (Section.21(4) APS (RSP) Act 1961).

(b) Arrears of tax shall carry interest at such rate as may be prescribed(Section.21(5) APS (RSP) Act 1961).

(c) If the tax together with interest, if any due thereon is not paid by the occupier of factory or the owner of the khandasari unit within the prescribed time, it shall be recoverable from him as an arrear of Land Revenue (Section.21(6) APS (RSP) Act 1961).

4.2.1.(a) The occupier of a factory or the owner of a Khandasari Unit shall pay into the nearest treasury or in the manner specified by the Government the provisional amount of tax per metric tonne of sugar as fixed and communicated by assessing authority under sub-section 3-A of section 21

(b) The occupier of Sugar Factory or owner of Khandasari Sugar Mill pay the Purchase Tax due amount within (14) days from the date of purchase of cane under section 21(6) of Andhra Pradesh Sugar Cane (Regulation of supply and purchase) Act, 1961

(c) Where an occupier of a Sugar Factory or owner of Khandasari Mill fails to make payment of Purchase Tax for the sugar cane purchased within the time stipulated under clause (b) he shall pay interest on the amount due @ 16% per annum from the date of purchase.

4.2.2 If it appears to the assessing authority that any quantity of sugar has been removed without any payment of tax as mentioned under sub-rule (1) above, a further sum by way of penalty as specified under sub sections (3-D) (b) of section 21 of the Act shall be levied by him and such amount shall be treated as part of tax for purpose of recovery under sub section (6) of section 21 of the Act.

4.2.3 Arrears shall carry interest at the rate of 16 percent per annum from the date following the date of closure of crushing till the amount is finally paid. (Rule 45 of A.P.S (RSP) Rules 1961).

4.2.4 If the tax under this Act together with interest, if any due thereon, is not paid by the occupier of a factory or owner of a khandasari unit within the prescribed time, it shall be recoverable from him as an arrears of land revenue. (Section 21 (6) of APS (RSP) Act,1961).

4.3. Before the close of each fortnight, the occupier of a factory or the owner of a khandasari unit shall submit to the Cane Commissioner a return in form 7 showing the total quantity of cane that entered the factory during the fortnight immediately proceeding and the amount of tax deposited by him into the local Government treasury on account of cane purchased in the factory, together with the treasury receipt showing that the amount of tax due has been duly credited into the local Govt. treasury. (Rule 46 of APS (RSP)Rules 1961).

4.4. The Cane Commissioner shall, on receipt of the return submitted to him under rule 46, check that the amount of the tax has been correctly calculated and that the amount due as provided in rule 45 has been credited into the local Government treasury (Rule 47 of APS (RSP) Rules 1961).

CHAPTER 5

PENALTIES

5.1. If any occupier of factory or khandasari unit contravenes the provision of

- a) Section 12 of A.P.S. (R.S.P.) Act 1961.
- b) Sub Section 1 of section 13 of APS (R.S.P.) Act 1961.
- c) Any rule made sub section 2 of section 13 of A.P.S.(R.S.P.) Act 1961
- d) Sub Section 1 of Section 16 of the Act.
- e) Sub- Section 2A, 4 & 5 of Section 19 of the Act.
- f) Sub Section 3 of Section 21 of the Act.
- g) He shall be punishable with fine which may extend to rupees five thousand and in the case of continuing contravention with a further fine not exceeding rupees one thousand for each day during which the contravention continues. (Sn.23 (1)).

5.2. Any person who contravenes the provisions of sub-section (2) or sub-section 2(A) of section 16 shall be punishable with fine which shall not be less than rupees one thousand and which shall not exceed rupees two thousand, and any person who contravene the provisions of sub-section (3) or sub-section (4) of section 20 shall be punishable with fine which may extend to Rupees two thousand. (Sn. 23 (2)).

5.3. Any person contravening any of the provisions of this Act or of any rule or order made under this Act for which no penalty is provided in sub-section (1) or sub-section (2) shall be punishable with fine which may extend to Rupees Five hundred (Sn. 23 (3)).

5.4. Levy of penalty not exceeding 100% of tax due is contemplated in sub-section 21 (3D) for contravention of section 21 (3.C).

5.5. The provision of the Act under which penalties cab be levied have been dealt with under “Penalties” in the foregoing paras. The various provisions for the violation of which penalties can be levied are given in the following paras.

(a) **Estimate of the Cane required by a factory and fixation of minimum Quantity of Cane to be crushed.**

1. The Cane Commissioner may, for the purpose of section 15 (declaration of factory zone), by order, require the occupier of any factory to furnish to him in the manner and on the date specified in the order an estimate of the quantity of cane required by the factory during any crushing season.

2. The Cane Commissioner shall examine every such estimate in consultation with the council concerned and shall publish the same with such modification if any, as he may make. He shall also make an order fixing in the prescribed manner the minimum quantity of cane to be crushed by the factory during the season. (Section. 12(1) & (2) of APS (RSP) Act 1961)

5.6. Register of cane growers & cane growers Co-operative Societies:

The occupier of a factory shall maintain in the prescribed form a register of all cane growers who sell cane to that factory. A copy of the entries made in the register shall be forwarded to the council and the cane Inspector, not later than the 30th September of each year.

The Government may take rules to provide for

- (a) The correction of entries made in the register and the addition of new entries if necessary.
- (b) The supply of copies of entries made in the register on payment of the prescribed fee. (Section 13 (1) & (2) of APS (RSP) Act 1961).

5.7. Regulation of supply and purchase of cane in factory zone

Where an area has been declared as the factory zone for a factory, the occupier of such factory shall purchase such quantity of cane grown in that area and offered for sale to the factory as may be determined by the Cane Commissioner in accordance with the provisions of the schedule to the Act. (Section.16 (1) of APS (RSP) Act 1961).

5.8. (i) The price of the cane remaining unpaid on the expiration of the period specified in sub-section (2) of section 19 of the Act (within fourteen days from the date of delivery) shall carry interest at fifteen percent per annum from the date of delivery of cane and it shall be recovered as an arrear of Land revenue.

(ii) Where the occupier of a factory or the owner of a khandasari unit or any other person competent in that behalf enter into an agreement with a bank under which the bank agrees to give advance to him on the security of the sugar produced or to be produced in the factory or khandasari unit the said occupier, owner or other person, as the case may be shall provide in such agreement that such percentage which shall not be less than fifty percent of the total amount of advance as may be prescribed shall be set apart and be available only for payment to cane growers or other co-operative societies on account of the quantity of sugarcane purchased or to be purchased for the factory or khandasari unit during current crushing season from these cane growers or from or through those societies and interest thereon and such societies commission in respect thereof.

(iii) Every such occupier, owner or other person as aforesaid shall send a copy of every such agreement to the Collector and cane commissioner within a week from the date on which it is entered into. (Section .19(2-A),(4) & (5) of APS (RSP) Act 1961).

CHAPTER 6**RECORDS TO BE MAINTAINED AND AUDIT CHECKS TO BE EXERCISED.**

6.1 Assistant Cane Commissioner, who is in-charge of a region maintains a register in form 7, which is called the purchase tax ledger. He is the assessing authority of purchase Tax from the purchasers of the sugar cane under his jurisdiction. Apart from the purchase tax ledger other records or particulars to be checked in audit are as follows:-

- (a) Month-wise particulars of sugarcane crushed by the sugar factories.
- (b) The year-wise details of incentives paid to ryots and details of its adjustments, if any, carried out in the books of assessing authority while making payments to Government towards purchase tax.
- (c) Year-wise details of amount of purchase tax paid by the factories.
- (d) Penalties levied and the relevant files.
- (e) Challans file.

6.2. In audit, it is to be seen that purchase tax is properly assessed, levied, collected and credited to Govt. account, Files maintained for each sugar factory/ khandasari unit have to be called for and checked with a view to see whether any violation of the act for which penalties are leviable, have been noticed by Department and penalties as prescribed in the Act have actually been levied, collected and credited to Govt. account.

It should specifically be examined whether in cases of removal of sugar without payment of purchase tax due in contravention of subsection (3-C) of section 21 penalty equivalent to 100 per cent of tax due had been levied as contemplated in subsection (3 D) *ibid*.

CHAPTER 7**DUTIES AND POWERS OF INSPECTORS**

7.1 To have a general working of the department the duties and powers of the Inspector of sugarcane who is generally the assessing officer of purchase tax, are given below:-

1. Every inspector may within the local limits of his jurisdiction with such assistance as may be necessary, enter any factory, khandasari unit or any purchasing centre for the purpose of..
 - a. Examine the weigh bridge, check weighments.
 - b. Examine the Registers and Records relating to purchase and crushing of cane, payment of cane price and purchase tax and production of sugar.
 - c. Call for any information relating to purchase and crushing of cane, payment of cane price and purchase tax and production of sugar.
 - d. Instruct to maintain and furnish information pertaining to sugarcane acreage, dates of planting, ratooning and manuring of cane fields and to conduct pre-harvest maturity survey.
 - e. Issue instructions regarding the equitable purchase of cane.
 - f. Inspect roads and other amenities provided at the factory premises and purchasing centres.
 - g. Call for any other information necessary to effectively implement the provisions of the sugarcane Act and Rules.
2. Every inspector shall have the power to stop, seize any vehicle carrying cane in and outside the factory zone without a valid harvesting permit and to divert the same to the factory for which the zone has been declared.
3. Every Inspector is a Licensing Inspector for the purpose of implementation of Andhra Pradesh Khandasari Sugar Manufacturers Licencing Order, 1966.
4. An Inspector who is declared by the Licencing Authority (District Collector concerned) shall be the Licensing Inspector for the purpose of the implementation of the Andhra Pradesh Jaggery Manufacturer's Licensing Order, 1975.
5. The Sugarcane Inspector shall be the Licensing Inspector for the purpose of checking licences and for implementation of the provisions of the order for manufacture of sugar from sugarcane within his jurisdiction.