

## CHAPTER-IV

### REVENUE RECEIPTS

#### 4.1 Trend of revenue receipts

The tax and non-tax revenue raised by Government of Goa during the year 2008-09, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

*(Rupees in crore)*

	2004-05	2005-06	2006-07	2007-08	2008-09
I. Revenue raised by the State Government					
• Tax revenue	856.53	1,096.49	1,291.54	1,358.91	1693.55
• Non-tax revenue	729.26	761.16	917.62	1,042.82	1236.16
<b>Total</b>	<b>1,585.79</b>	<b>1,857.65</b>	<b>2,209.16</b>	<b>2,401.73</b>	<b>2,929.71</b>
II. Receipts from the Government of India					
• State's share of divisible Union taxes	162.07	244.70	312.11	393.72	415.44
• Grants-in-aid	72.16	66.52	88.49	148.45	183.12
<b>Total</b>	<b>234.23</b>	<b>311.22</b>	<b>400.60</b>	<b>542.17</b>	<b>598.56</b>
<b>III. Total receipts of the State</b>	<b>1,820.02</b>	<b>2,168.87</b>	<b>2,609.76</b>	<b>2,943.90</b>	<b>3,528.27</b>
<b>IV. Percentage of I to III</b>	<b>87</b>	<b>86</b>	<b>85</b>	<b>82</b>	<b>83</b>

The above table indicates that during the year 2008-09, the revenue raised by the State Government was 83 *per cent* of the total revenue receipts (Rs 3,528.27 crore) against 82 *per cent* in the preceding year. The balance 17 *per cent* of receipts during 2008-09 was from the Government of India.

**4.1.1** The following table presents the details of tax revenue raised during the period from 2004-05 to 2008-09:

*(Rupees in crore)*

Sr. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	• Sales tax/VAT	502.70	671.83	783.28	819.66	1072.15	(+) 30.80
	• Central sales tax	64.49	71.48	61.54	59.62	59.49	(-) 0.22
2.	State excise	55.34	55.35	57.23	75.94	88.70	(+) 16.80
3.	Stamps and registration fees	35.69	60.49	115.92	117.59	115.37	(-) 1.89
4.	Taxes on vehicles	58.78	63.84	74.56	81.96	90.15	(+) 9.99
5.	Taxes on goods and passengers	103.10	130.80	138.02	112.72	157.45	(+) 39.68
6.	Luxury tax	27.01	29.92	42.73	66.94	66.32	(-) 0.93
7.	Entertainment tax	2.48	5.18	5.09	11.17	19.65	(+) 75.92
8.	Other taxes and duties on commodities and services	1.79	2.52	6.94	6.12	14.88	(+) 143.14
9.	Land revenue	5.15	5.08	6.23	7.19	9.39	(+) 30.60
	<b>Total</b>	<b>856.53</b>	<b>1,096.49</b>	<b>1,291.54</b>	<b>1,358.91</b>	<b>1,693.55</b>	<b>(+) 24.63</b>

The following reasons for variations were reported by the concerned departments:

**Sales tax:** The increase was mainly due to more receipts under Value Added Tax (VAT) and State Sales Tax.

**State excise:** The increase was mainly due to more receipts under malt liquor and foreign liquors and spirits.

**Taxes on vehicles:** The increase was mainly due to more receipts under the State Motor Vehicles Taxation Acts.

**Taxes on goods and passengers:** The increase was mainly due to more receipts under tax on entry of goods into local areas and collection under Passenger Tax Act.

**4.1.2** The following table presents the details of the major non-tax revenue raised during the period 2004-05 to 2008-09:

*(Rupees in crore)*

Sr. No.	Head of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) or decrease (-) in 2008-09 over 2007-08
1.	Interest receipts	3.73	12.95	15.60	16.70	20.45	(+) 22.46
2.	Dairy development	0.20	0.20	0.35	0.64	0.69	(+) 7.81
3.	Forestry and wild life	2.08	1.91	1.99	2.49	2.89	(+) 16.06
4.	Non-ferrous mining and metallurgical industries	23.66	27.15	34.30	36.40	36.35	(-) 0.14
5.	Power	584.66	594.91	681.67	796.26	986.70	(+) 23.92
6.	Major and medium irrigation	3.49	10.32	2.93	3.56	8.51	(+) 139.04
7.	Medical and public health	8.82	12.67	9.06	8.33	8.30	(-) 0.36
8.	Public works	1.37	1.67	1.79	1.67	2.82	(+) 68.86
9.	Other Administrative services	10.26	5.52	62.68	22.16	37.46	(+) 69.04
10.	Water Supply and Sanitation	--	--	58.09	61.23	65.76	(+) 7.40
11.	Other non-tax receipts	90.99	93.86	49.16	93.38	66.23	(-) 29.07
<b>Total</b>		<b>729.26</b>	<b>761.16</b>	<b>917.62</b>	<b>1,042.82</b>	<b>1,236.16</b>	<b>(+) 18.54</b>

The following reasons for variations were reported by the concerned departments:

**Interest receipts:** The increase was mainly due to more receipts under interest realised on investment of cash balances.

**Power:** The increase was mainly due to more sale of power.

**Major and Medium irrigation:** The increase was due to more receipt under Salaulim and Anjunem Projects.

**Other Administrative Services:** The increase is mainly due to more receipts under other receipts.

#### 4.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
<b>Tax revenue</b>					
1.	Sales tax/VAT	1026.35	1131.64	(+) 105.29	(+) 10.26
2.	State excise	77.04	88.70	(+) 11.66	(+) 15.13
3.	Land revenue	3.84	9.39	(+) 5.55	(+) 144.53
4.	Stamps & registration fee	84.47	115.37	(+) 30.90	(+) 36.58
5.	Taxes on goods & passengers	110.01	157.45	(+) 47.44	(+) 43.12
6.	Taxes on vehicles	97.14	90.15	(-) 6.99	(-) 7.20
7.	Luxury tax	67.00	66.32	(-) 0.68	(-) 1.01
<b>Non-tax revenue</b>					
8.	Interest receipts	10.34	20.45	(+) 10.11	(+) 97.78
9.	Non-ferrous mining & metallurgical industries	40.00	36.35	(-) 3.65	(-) 9.13
10.	Power	929.60	986.70	(+) 57.10	(+) 6.14
11.	Other administrative services	8.12	37.46	(+) 29.34	(+) 361.33
12.	Water supply and sanitation	83.96	65.76	(-) 18.20	(-) 21.68
13.	Roads and bridges	6.71	9.90	(+) 3.19	(+) 47.54

The following reasons for variations were reported by the concerned departments:

**Transport Department:** The reason for decrease in passenger tax and taxes on vehicles was due to recession effect.

Reasons for variation is awaited from other Departments (September 2009).

#### 4.1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2006-07, 2007-08 and 2008-09 along with the relevant all India average percentage for 2006-07 are as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Sales tax/VAT	2006-07	844.82	3.68	0.44	0.82
		2007-08	879.28	4.63	0.53	
		2008-09	1131.64	5.82	0.51	
2.	Taxes on vehicles	2006-07	74.56	0.99	1.33	2.47
		2007-08	81.96	1.30	1.59	
		2008-09	90.15	1.75	1.94	
3.	State excise	2006-07	57.23	2.89	5.05	3.30
		2007-08	75.94	3.76	4.95	
		2008-09	88.70	5.85	6.60	
4.	Stamp duty and registration fees	2006-07	115.92	2.17	1.87	2.33
		2007-08	117.59	3.34	2.84	
		2008-09	115.37	3.51	3.04	

Thus, the percentage of expenditure on collection in respect of sales tax/VAT, taxes on vehicles was lower than the all India average percentage while in case of state excise and stamps and registration fees, it was higher except during 2006-07 in respect of stamp and registration fees.

#### **4.1.5 Analysis of arrears of revenue**

The arrears of revenue as on 31 March 2009 in respect of some principal heads of revenue amounted to Rs 396.18 crore of which Rs 102.67 crore were outstanding for more than three years as detailed below.

*(Rupees in crore)*

Head of revenue	Amount of arrears as on 31 March 2009	Arrears more than three years old	Remarks
<b>Finance Department</b>			
Commercial tax	174.67	75.17	Out of Rs 174.67 crore, cases worth Rs 16.40 crore only were referred to RRC.
Excise	0.66	0.11	Out of Rs 0.66 crore, only Rs 0.06 crore in respect of 1 case were referred to RRC.
<b>Transport</b>			
Taxes on vehicles	7.59	3.81	No cases were referred to RRC.
<b>Public Works Department</b>			
Chief Engineer			--
• Rent of building/shops	0.34	0.19	
• Water charges, meter rent and sewerage charges	15.68	6.37	Out of Rs 15.68 crore, only Rs 4.73 crore in respect of 1,916 cases were referred to RRC.
<b>Power</b>			
Chief Electrical Engineer Energy charges	149.27	Not available	Out of Rs 149.27 crore, only Rs 40.92 crore in respect of 5,114 cases were referred to RRC.
<b>Water Resources Department</b>			
Chief Engineer			
• Water tax	1.02	0.74	Out of Rs 1.02 crore only Rs 0.03 crore in respect of 147 cases were referred to RRC.
• Water charges	38.55	11.50	--
• Rent on building/shops	2.08	0.90	Out of Rs 2.08 crore only Rs 0.01 crore in respect of 3 cases were referred to RRC.
• Hire charges of machinery	0.35	0.35	--
<b>Agriculture Department</b>			
Hire charges of agriculture machinery, paddy field arrears etc.	3.15	2.99	Out of Rs 3.15 crore only Rs 0.16 crore in respect of 4 cases were referred to RRC.
<b>River Navigation Department</b>			
Ferry toll collection	0.56	0.50	Out of Rs 0.56 crore only Rs 0.07 crore in respect of 5 cases were referred to RRC.
<b>Printing and Stationery</b>			
Supply of stationery	1.74	--	--
<b>Tourism Department</b>			
Lease rent	0.52	0.04	Out of Rs 0.52 crore only Rs 0.04 crore in respect of 10 cases were referred to RRC.
<b>Total</b>	<b>396.18</b>	<b>102.67</b>	

#### **4.1.6 Arrears in assessments**

There were no arrears in sales tax assessments at the end of 2008-09 as informed by the Commercial Taxes Department.

#### 4.1.7 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2008-09, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2009 are as mentioned below:

Opening balance	No. of appeals filed during 2008-09	Total	No. of appeals disposed of during the year	Balance as on 31 March 2009	Percentage of cases disposed of to total number of cases
821	137	958	128	830	13

Thus the percentage of appeal cases disposed of is only 13 *per cent* when compared to the total pending appeal cases as on 31 March 2009.

#### 4.1.8 Frauds and evasions

The Commissionerate of Commercial Taxes reported that there were no cases of frauds and evasions detected by the Commercial Taxes Department during the year.

The number of cases booked for the year 2008-09, cases finalised and additional tax raised during the year as reported by the Commissionerate of Excise are as follows :

(Rupees in crore)

	Number of cases	Additional demand raised (Rs)
A. (i) Cases pending as on 1 April 2008	147	-
(ii) Cases detected during the year 2008-09	249	0.04
B. Cases in which investigations/assessments were completed during the year	378	0.04
C. Cases pending as on 31 March 2009	18	-

#### 4.1.9 Internal audit

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives; the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the departments and offices in the State is the responsibility of the internal inspection cell (IIC) under the administrative control of Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit and number of offices audited during the year 2008-09 are as mentioned below:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 Offices & 4 Check posts	7 Offices & 3 Check posts	1 Check post	Due to shortage of manpower
Registration	11	--	11	Shortage of time

The details of observations made by internal audit and their clearance upto the end of 2008-09 are as follows:

*(Rupees in lakh)*

Department	Observations relating to the year	Observations pending settlement/made during the year		Observations settled during 2008-09		Observations pending at the end of 2008-09	
		Number	Amount	Number	Amount	Number	Amount
Registration	Upto 2007-08	24	--	--	--	--	--
	2008-09	--	--	10	--	14	--
	<b>Total</b>	<b>24</b>	<b>--</b>	<b>10</b>	<b>--</b>	<b>14</b>	<b>--</b>
Excise	Upto 2007-08	1	1.5	--	--	1	1.5
	2008-09	--	--	--	--	--	--
	<b>Total</b>	<b>1</b>	<b>1.5</b>	<b>--</b>	<b>--</b>	<b>1</b>	<b>1.5</b>

The Commissionerate of Commercial Taxes have stated that no internal audits were conducted by the department. No observations were pending in respect of Transport Department.

#### **4.1.10 Results of audit**

Test check of the records of sales tax, VAT, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2008-09 revealed underassessment/short levy/loss of revenue amounting to Rs 10.98 crore in 164 cases. The department accepted underassessment/short assessment of Rs 20.30 lakh in 26 cases pointed out in earlier years and short assessment of Rs six lakh in seven cases pointed out during the year and recovered Rs 26.30 lakh as of June 2009 in 33 cases. No replies have been received in respect of the remaining cases.

This chapter contains a review of "Receipts of Transport Department", and four paragraphs involving an amount of Rs 92.92 crore.

#### **4.1.11 Outstanding inspection reports and audit observations**

The Accountant General, Goa conducts periodical inspections of various offices of Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices with a copy to next higher authority. The Government of Goa issued (January 1992) instructions to the executive for response within one month to the IRs issued by

Accountant General, Goa after ensuring action in compliance with the prescribed Acts, rules and procedures. A yearly report is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of audit observations by the Government.

The time schedule prescribed by the Government has seldom been adhered to, with the result that 90 IRs issued upto the end of December 2008, containing 274 audit observations involving Rs 30.20 crore were to be settled at the end of June 2009, as indicated below, alongwith the corresponding figures for preceding two years.

	June 2007	June 2008	June 2009
Number of outstanding IRs	106	69	90
Number of outstanding Audit observations	360	184	274
Amount involved (Rs in crore)	12.25	28.30	30.20

Out of 90 IRs pending settlement, even first replies have not been received (June 2009) for 34 IRs containing 173 observations. Pendency of these reports was reported to the Government (August 2009). The department-wise details of IRs and audit observations outstanding as on 30 June 2009 and the amount involved are indicated below:

(Rupees in crore)

Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
Revenue	Land tax	6	11	1.19
	Stamp duty & registration fee	16	27	8.24
Finance	State excise	27	55	1.38
	Entertainment tax	6	15	6.71
	Motor vehicles tax	8	29	1.12
	Sales tax/VAT	27	137	11.56
<b>Total</b>		<b>90</b>	<b>274</b>	<b>30.20</b>

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

#### **4.1.12 Response of the departments to draft audit paragraphs**

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the Accountant General to Secretaries of the concerned departments through demi-official letters. All departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Six paragraphs and one review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2009 were forwarded to the concerned Secretaries during

March-June 2009. Their replies were due latest by the end of July-August 2009.

Replies to five draft paragraphs have been received and considered while finalising the Report (September 2009). The remaining cases have been included in this Report without the reply of the Government.

#### **4.1.13 Follow up on Audit Reports**

According to the instruction issued by the Goa Legislature Secretariat in July 2004, administrative departments are required to furnish explanatory memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. EMs were not received as of August 2009 in respect of nine paragraphs from the administrative departments, as shown below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay (months)
Public health	2006-07	August 2008	October 2008	1	10
Public Works Department	2006-07	August 2008	October 2008	1	10
Finance	2007-08	March 2009	July 2009	5	1
Transport	2007-08	March 2009	July 2009	1	1
Revenue	2007-08	March 2009	July 2009	1	1

#### **4.1.14 Compliance with the earlier Audit Reports**

In the Audit Reports 2003-04 to 2007-08, 199 cases of non-assessments, non/short levy of taxes etc., were included involving Rs 64.84 crore. Of these, as of June 2009, the departments concerned have accepted eight cases involving Rs 22.29 crore and recovered Rs 56.34 lakh in four cases. Audit Report wise details of cases accepted and amounts recovered are as under:

*(Rupees in lakh)*

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2003-04	1	2.17	1	2.17	1	1.18
2004-05	1	111.96	-	-	-	-
2005-06	5	469.30	3	55.16	3	55.16
2006-07	8	3,391.63	3	37.69	-	-
2007-08	184	2,509.11	1	2,134.00	-	-
<b>Total</b>	<b>199</b>	<b>6,484.17</b>	<b>8</b>	<b>2,229.02</b>	<b>4</b>	<b>56.34</b>

#### **4.1.15 Audit Committee Meetings**

During the year 2008-09, four audit committee meetings were held in which 102 paragraphs were discussed. Of these, 66 paragraphs were settled.

## TRANSPORT DEPARTMENT

### 4.2 Receipts of Transport Department

#### *Highlights*

- Non-assessment of imported mineral ore and non-invitation of tenders/non-outsourcing of collection of cess, resulted in a loss of revenue of Rs 45.54 crore.

*(Paragraph 4.2.8)*

- Non-implementation of GRIWC Act on revision (May 2008) of rates on mineral ore where royalty was paid to Goa Government, resulted in revenue loss of Rs 45.83 crore during 2008-09.

*(Paragraph 4.2.9)*

- Delay in implementing notification on enhanced rates to companies/institutions/corporations etc., resulted in non-recovery of Rs 25.69 lakh.

*(Paragraphs 4.2.11 and 4.2.12)*

#### 4.2.1 Introduction

The Goa Motor Vehicles Tax Act (GMVTA), 1974 and the Goa Motor Vehicles Rules (GMVR), 1975 regulate the levy and collection of taxes on Motor Vehicles in Goa. The Goa, Daman and Diu Motor Vehicles (Taxation on Passengers and Goods) (GDD (TPG)), Act, 1974 governs levy and collection of passenger tax. The goods tax on goods carriage was abolished with effect from 1 April 1998. The Central Motor Vehicles Act (CMVA), 1988 and Rules, 1989 govern the levy and collection of fees towards licence, registration, fitness certificate and matters regarding the issue of Trade Certificate to dealers of Motor Vehicles, National Permits to Goods Carriages, permits for Contract/Stage Carriages/ Tourist Taxis etc., and compounding of offences under CMVA/CMVR. The Goa Rural Improvement Welfare Cess (GRIWC), Act 2000 enforced GRIWC Rules 2006 from 1 February 2006 which govern the collection of cess on carriers transporting mineral ore. The number of vehicles registered as of March 2009 was 6,72,664.

#### 4.2.2 Organizational Set-up

At State level, the transport department functions under the over-all charge of the Secretary (Transport). The Director of Transport administers and monitors the registration/levy and collection of taxes/fees/penalties/fines on vehicles with the assistance of 11 Assistant Directors of Transports (ADTs), of which two ADTs look after the administrative/enforcement functions at Head Office, two ADTs (Panaji and Margao) function as enforcement officers and seven\* ADTs as registering and tax collection officers at taluka level, for the Regional Transport Offices (RTOs). There is a State Transport Authority (STA) and seven Regional Transport Authorities (RTA) at the Registering talukas for

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\* Bicholim, Mapusa, Margao, Panaji, Ponda, Quepem and Vasco

issue of interstate/All India Permits (STA) and permits within the State (RTA). The Department has 15 gazetted and 253 non-gazetted staff against a sanctioned strength of 15 and 270 respectively as of March 2009.

There are four<sup>3</sup> check posts in Goa to detect entry of vehicles from other States plying without payment of tax and enforce penal provision as per CMVA, GMVTA, GDD (TPG).

### **4.2.3 Trend of Revenue**

The department has not laid down any regulations by way of codal provisions/instructions for preparation of budget estimates, either by submission by subordinate offices or assessment by Head office. The latter computes the ensuing year's budget estimates by adding a minimum percentage to the previous year's estimates.

The variations between budget estimates and actual along with percentage growth in revenue during 2004-2009 were as under:

<b>Year</b>	<b>Budget estimates (Rs in crore)</b>	<b>Actual collection (Rs in crore)</b>	<b>Excess (+)/ Shortfall (-)</b>	<b>Percentage variation</b>	<b>Percentage growth over previous year</b>
2004-05	64.47	65.57	(+) 1.10	1.71	15.73*
2005-06	70.92	71.15	(+) 0.23	0.32	8.51
2006-07	80.47	83.19	(+) 2.72	3.38	16.92*
2007-08	94.41	90.46	(-) 3.95	4.18	8.74
2008-09	107.00	99.95	(-) 7.05	6.59	10.49

### **4.2.4 Audit Objectives**

The Performance Audit seeks to determine

- efficiency and effectiveness of administration of CMVA, GMVTA, GDD (TPG) and GRIW Cess;
- the effectiveness of the enforcement mechanism, i.e. administration of penal provision of law; and
- adequacy of internal control mechanism and internal audit system.

### **4.2.5 Scope of audit and methodology**

The Performance Audit covers the period from 2004-05 to 2008-09. The records maintained at the office of the Directorate of Transport and four,<sup>©</sup> out of seven Regional Transport Offices (State Transport Authority and four Regional Transport Authorities) were test checked, as these four RTOs have substantial business activity. The audit objectives were discussed in the entry

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<sup>3</sup> Dhargal, Dodamarg, Mollem and Pollem

\* The increase in percentage growth in 2004-05 & 2006-07 was due to increase in road tax/new registrations as compared to previous year.

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conference with the Secretary (Transport) and senior officers of the department held on 9 January 2009. The exit conference was held in May 2009 with the Secretary (Transport) to discuss the audit findings.

The audit methodology comprises of discussion with department officials, collection of data through examination of records and its analysis.

#### **4.2.6 Audit Criteria**

The audit criteria used for conducting the performance audit were:

- Acts/rules/directives relating to CMVA, GMVA, GDD (TPG) Act and GRIWC Act for timely levy and collection of revenue.
- State Government policies/notifications.
- Adequacy of internal control mechanism.

#### **4.2.7 Audit Findings**

Audit findings are grouped under compliance issues and system issues, internal controls in the department, which are brought out below.

#### **Compliance Issues**

#### **4.2.8 Loss of revenue due to non-invitation of tenders for collection of cess on imported ore – The Goa Rural Improvement Welfare Cess (GRIWC)**

Government of Goa notified (16 October 2000), the GRIWC Act 2000, to provide additional resources for improvement of infrastructure and health, with a view to provide for the welfare of the people residing in rural areas affected by the use of plastics, dumping of garbage and spillage of materials. GRIWC Rules, 2006 in force from 1 February 2006 were amended by Government w.e.f. 16 October 2008. Rule 3 of GRIWC Rules 2006 ibid states that the cess payable under the Act shall be assessed and collected, in the case of materials/items extracted or generated within the State, at the point of its extraction/generation/starting, as the case may be, for transportation. In any other case, the cess shall be assessed and collected at the entry point in the State or such other point as may be notified by the Government.

An interim arrangement for collection of cess by departmental staff was approved by Chief Minister only on 27 February 2006, the date from which the implementation actually started at the check posts.

The following are the figures of collection reported by department and booked by Directorate of Accounts in respect of Iron Ore, Coke/Coal.

(Amount in rupees)

Year	Departmental receipts	Finance Accounts figures
2005-06	Nil	Nil
2006-07	4,38,35,386	2,44,52,837
2007-08	3,41,15,523	3,41,45,623
2008-09	9,66,42,440	11,77,59,454
<b>Total</b>	<b>17,45,93,349</b>	<b>17,63,57,914</b>

Note: Difference of Rs 17.65 lakh not reconciled by the Department.

Government constituted a committee (March 2006) which recommended that collection of cess to be outsourced by inviting tenders. Based on the information furnished by the Director of Transport, that approximately 120 lakh metric tones iron ore/coke/coal are imported to the state through road, rail and ship, the committee fixed on upset price of rupees six crore (@ Rs five per metric tone). The rate was further revised to Rs 50 per metric tone in May 2008. Despite the Committee's recommendations, the department did not resort to tendering. The collection was carried out through the departmental machinery.

Audit scrutiny revealed that the actual cess collected by the department was far less than the upset price fixed by the Committee.

Year	Quantity of mineral as per Advisory Committee statistics (in M.Ts)	Cess levied (in rupees)	Rate of cess leviable per M.T (in rupees)	Quantity of ore based on cess collected by the State (Col. (3) ÷ (4)) (in M.Ts)	Short levy* (in rupees)
(1)	(2)	(3)	(4)	(5)	(6)
2006-07	120,00,000	4,38,35,386	5	87,67,077	1,61,64,614
2007-08	120,00,000	3,41,15,523	5	68,23,105	2,58,84,477
April 2008 to May 2008	20,00,000	58,99,003	5	11,79,798	41,00,997
June 2008 to March 2009	100,00,000	9,07,43,437	50	18,14,869	40,92,56,563
<b>TOTAL</b>		<b>17,45,93,349</b>			<b>45,54,06,651</b>

Had the department outsourced the levy and collection of the cess, the upset price of rupees six crore would have accrued to the Government. The departmental machinery was able to collect a total of Rs 17.46 crore only. Thus, the Government incurred a loss of Rs 45.54 crore due to the inaction of the department. Audit also observed that systems to record the quantity of ore entering the state was deficient. The department was unable to certify the amount of ore transported into the state. This has been commented further in the audit at para-4.2.16.2. Reply from the Government/department is awaited (August 2009).

\* Rs six crore per annum minus cess levied (2006-07 to May 2008)  
Rs 60 crore per annum minus cess levied from June 2008 to March 2009.

### 4.2.9 Non-assessment and non-collection of cess on ore extracted in Goa

As per the Schedule-I appended to the GRIWC Act 2000, the levy and collection of cess was Rs two per M.T on Iron/manganese/bauxite ores where royalty is paid to the Government. The GRIWC Rules notified (January 2006) and effective from 1 February 2006, that the cess payable under the Act shall be assessed and collected at entry points as may be specified and notified by the Government from time to time. Government vide notification dated 13 May 2008, enhanced the rates for ore, where royalty is paid to Government from Rs two to Rs 20 per M.T. An amendment to Rules notified (October 2008) stipulated that cess payable under the Act would be assessed/collected in case of material extracted or generated within the State at the point of its extraction/generation/starting, as case may be, for transportation. Despite the latter amendment, GRIW Cess was not levied/collected in respect of iron/manganese/bauxite ores.

Based on the statistics obtained from the Directorate of Mines, the loss of revenue due to delay in notifying the assessment and collection points from May 2008 to October 2008, resulted in a loss of Rs 8.79<sup>Σ</sup> crore for five months from June<sup>♦</sup> 2008 to October 2008.

Further, non-implementation of GRIW Cess even after notifying the Rules in October 2008 on quantities generated in Goa, resulted in a loss of Rs 37.04<sup>∇</sup> crore for five months from November 2008 to March 2009. Thus while a delay in notifying the assessment and collection points caused a loss of revenue to the State, this was further exacerbated by non-collection of revenue. Reply from the Government/department is awaited (August 2009).

### 4.2.10 Short levy of tax due to non-inclusion of customs duty in the cost of vehicle in respect of imported vehicles

As per schedule of taxation appended to the Goa Motor Vehicles Tax Act, 1974, as amended from time to time, the rate of one time tax for private vehicles was five *per cent* of the cost of the vehicle for vehicles costing upto Rs six lakh and six *per cent* of the cost of the vehicle for vehicles costing more than Rs six lakh w.e.f. 24 August 2004. With effect from 7 May 2008, the rates were enhanced by prescribing graded rates from seven to 15 *per cent* based on the cost of the vehicle for the category of company/corporation/institution etc.

<sup>Σ</sup> Ore generated in Goa from June to October 2008 = 43,93,959 M.Ts @ Rs 20 per M.T = Rs 8.79 crore.

<sup>♦</sup> Directorate of Mines has only month wise figures.

<sup>∇</sup> Ore generated in Goa from November 2008 to March 2009 = 1,85,17,520 M.Ts @ Rs 20 per M.T = Rs 37.04 crore.

Scrutiny of records relating to registration of three<sup>o</sup> imported vehicles registered at ADT (S), Margao, revealed that while levying tax on these vehicles, the customs duty paid was not included in the cost of the vehicle and the enhanced rates were not applied though two vehicles were purchased by a partner/firm in the capacity of director and the third vehicle was construction/earth moving machinery, thus indicating that it also pertained to commercial enterprise, though registered in individual name, while arriving at the cost of the vehicle for the purpose of levy of tax. This resulted in short levy of tax to the extent of Rs 39.03 lakh. The department stated (June 2009) that the cases would be reviewed and any short collection of taxes would be recovered.

**4.2.11 Short levy of motor vehicle tax on Companies/Corporations/ Institutions etc. due to delay in implementation of revised rates**

The Goa Motor Vehicles Tax (Amendment) Act, 2008 which came into force with effect from 7 May 2008, notified enhanced rates of motor vehicle tax on motor vehicles belonging to company/corporation/institution etc., in respect of goods vehicle (annual tax) and non transport vehicles (one time tax).

Test check of records of three RTOs, revealed that in respect of registrations after 7 May 2008, there was a short levy of Rs 1.87 lakh (2008-09) on 19 cases, due to non implementation of the said notification, and in non inclusion of entry tax in the cost of vehicle, for the levy of motor vehicle tax on non-transport vehicles. The department accepted the observation and stated (May 2009) that demand notices for recovery would be sent.

**4.2.12 Short levy of motor vehicle tax on goods vehicles carrying mineral ore**

According to the rules in force since 2005-06, the levy and collection of motor vehicle tax in respect of goods vehicles (GVs) is effected on annual basis in advance, i.e. in March of the preceding financial year.

Government notified in May 2003, that goods vehicles carrying mineral ore (GVMO) would be levied an additional 20 *per cent* of the rates prescribed for GV's other than those carrying mineral ore. In May 2008, Government amended the MV Act, 1974, to provide for separate rates of tax in respect of motor vehicles belonging to individuals, and enhanced rates on motor vehicles belonging to companies/corporations/institutions etc. respectively, both in respect of GV's and non-transport MV's.

*(Amount in rupees)*

Sr. No.	Vehicle No.	Invoice amount	Customs duty	Entry Tax	Total cost of the vehicle	Tax leviable @ 15% w.e.f. 7.5.2008	Tax levied	Short levied
1	GA-08-F-2211	58,18,571	68,75,369	6,03,325	1,32,97,265	19,94,590	3,69,559	16,25,031
2	GA-08-F-2311	60,09,135	70,99,852	6,23,080	1,37,32,067	20,59,810	3,81,592	16,78,218
3	GA-08-E-6520	63,00,000	1,43,684	1,26,000	65,69,684	9,85,453	3,85,919	5,99,534
							<b>TOTAL</b>	<b>39,02,783</b>

Audit scrutiny of records of three<sup>▲</sup> RTOs, revealed that in respect of 385 GVMO (Tippers/Dumpers), belonging to mining companies, though the motor vehicle tax as per pre-revised rates had been paid in March 2008, no demand was raised for the difference on account of the enhanced rates applicable for 2008-09. This resulted in a short levy of Rs 23.82 lakh on 385 GVMO. On this being pointed out, an amount of Rs 7.42 lakh in 236 cases has been recovered. In remaining 149 cases, the department stated (June 2009) that the recovery was in process.

## System Issues

### 4.2.13 Non-preparation of Departmental Manual/Non-availability of statutory returns

The department does not have any departmental manual setting out the functions and responsibilities of staff of all categories in accordance with the provisions of Acts/Rules and instructions issued by Government/department, which could act as a key document for prospective planning, reference and internal control. Also, circulars and executive instructions issued from time to time were not serialized or centralized. Also there were no returns prescribed for STA/RTA/RTOs to watch revenue collection in respect of permits issued, arrears collection, periodical quantum of permits issued particularly against fixed quota. The department stated (June 2009) that instructions would be issued to all concerned.

### 4.2.14 Evasion of motor vehicle tax due to lacuna in GMVT Act (Amendment), 2008

Clauses IIA/3A were introduced in the GMVT Act (Amendment) 2008, prescribing enhanced rates of MV tax, motor vehicles belonging to company/corporation/Institution etc. The category 'etc.' was left unspecified.

Tipper trucks used for carrying mineral ores of mining companies were registered in RTO, Bicholim in individual names. These tippers were hired out to mineral ore companies. The failure by the Government to specify such vehicles as in the category of "deemed company/institution/corporation", resulted in leakage of revenue of Rs 13.95<sup>▼</sup> lakh on 620 tippers.

In response to the audit objection, ADT, Bicholim stated (May 2009) that the registered owners of the goods vehicles had declared in their applications that they would be carrying general goods and therefore the additional 20 *per cent* in respect of vehicles carrying mineral ore was not applicable. The fact however remains that the tippers are used<sup>▲</sup> for carrying ore in mining companies. Reply from the Government/department is awaited (August 2009).

<sup>▲</sup> Bicholim, Margao and Panaji

<sup>▼</sup> GVMO tax = 11,250 – 9,000 = 2250 x 620 = Rs 13.95 lakh

<sup>\*</sup> Example: Motor vehicle No. GA-04-T-1046 dated 17-10-2008

#### **4.2.15 Evasion of tax due to ineffective monitoring of motor vehicles at entry points**

North Goa has two check posts, viz. at Dodamarg and Dhargal-Pernem. The latter lies about 20 kms away from the Maharashtra-Goa border and beyond Pernem's industrial area. It handles the bulk of motor vehicles entering Goa through North via Dodamarg check post. Audit noted at Dhargal that motor vehicles can enter Goa through another seven<sup>€</sup> diversion routes, by passing the check posts and evading payment of tax. Besides, the Keri-Sanquelim check post was functional only for two months (February/March 2006). Reasons for its closure were not furnished.

Audit scrutiny of composite tax in pursuance of Reciprocal Agreements also revealed that Karnataka and Maharashtra goods vehicles entering Goa travel 30 to 80 kms before paying the composite tax which is to be paid only at RTO (N), Panaji. Chances of tax evasion are possible. There is a requirement for the department to attempt to plug these loopholes. Reply from the Government/department is awaited (August 2009).

#### **4.2.16 Non maintenance of basic records**

##### ***4.2.16.1 National Permit Scheme: Basic information for determination of arrears of composite tax not maintained***

As per the provisions of the Central Motor Vehicles Rules, 1989, the intending National Permit (NP) holder is required to pay to the home state (where the motor vehicle is registered), the prescribed authorization fee along with the bank drafts in respect of composite tax payable to the States in which permission to operate is granted. The rules also stipulate that the registering State shall furnish full details of motor vehicle, permit number/period of authorization through quarterly returns. Audit observed that the basic information was neither given by the concerned States, nor was it called for, either through quarterly returns or at the time of receipt of demand drafts (DDs) of composite tax from other States. The State Transport Authority, Goa maintained record of only the authorizations granted in Goa to motor vehicles to ply in other states and no record of permits granted by other states for their motor vehicles to operate in Goa. Further, the register of receipt of DDs maintained at Directorate of Transport/Head office, revealed that the office maintained a common register to record receipt and remittance of all DDs, without indicating particulars of each DD amount, date and scheme, etc. Due to non maintenance of record of permits granted by other states, the composite tax due from other States in respect of NPs was not verifiable in audit. ADT (Enf)/North, Panaji replied (June 2009) only with reference to NPs issued by Goa state and not by other states.

##### ***4.2.16.2 System not prescribed for maintenance of proper records for collection of Goa Rural Improvement Welfare Cess (GRIWC)***

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Weighment slip of mining company available with registration records.

<sup>€</sup> Devso, Kiranpani, Parcem, Patradevi, Sansuli, Satardev and Terekhol

The implementation of the GRIWC Act, 2000, commenced with effect from 1 February 2006, on publication of corresponding rules. Most of the Iron/Manganese/Bauxite Ores brought into Goa by road, enters the State through Mollem check post which is under the control of ADT, South (Enforcement), Arlem. Audit scrutiny of records at the Mollem checkpost, revealed that 'daily cash collection' of cess commenced from 20 June 2008 and receipt of demand drafts (DDs) from 17 September 2008. As per the procedure followed, the person engaged in transporting the ore produces a copy of challan showing the quantity (Metric Tonnes) and amount payable. The challan is stamped at the check post with ADT, South (Enforcement) facsimile signature, one copy of the challan and the DD deposited by carrier of ore at SBI, Panaji, forwarded to ADT, South (Enforcement), Arlem for onward transmission to Directorate of Transport/Head Office. Most of the challan copies for the period from 17 September 2008 to 29 January 2009, totaling Rs 4.88 crore were not available at the check post. Copies of weighment slips were also not kept on record, at all. The register where the DDs/challans/quantities were being recorded, did not show in most of the cases the date/number/bank of DD, nor the quantities of ore to which the DD related. Such details were not also maintained at the Directorate/ADT (Enforcement), Arlem.

Thus verification of the correctness of cess levied as per the quantities transported and rates in force, was not conducted nor was it verifiable in the absence of details.

**4.2.16.3 Composite tax on countersignature permits: manual tax ledgers not posted/computerized ledger not provided – quantum of arrears vehicle wise not determined/incorrect accounting of receipts**

Transport vehicles pay the taxes (motor vehicle/passenger/goods composite tax) annually/periodically. At RTO (S), Margao, the registrations are to be made at one place (A) and the posting of tax registers is done, four kms from the office of registration (B). The posting is done when the applicant/owner of vehicle reports at (B). This resulted in the tax payments of new registrations not being recorded at all in the tax registers. A test check showed that out of 3,140 registrations as on 3 February 2009, 657 registrations in the series GA-08-U, had not been reflected in the tax registers, as the postings were being carried out only if the applicant/owner of vehicle reported for posting at (B). RTO (N), Panaji, which receives all the tax payments in respect of countersignatures on goods vehicles of all Goa bound goods carriages in pursuance of reciprocal agreements with Karnataka and Maharashtra had also not posted the initial tax payments pertaining to permits issued by STA for the year 2008-09. Out of 236 countersignature permits issued between 3 April 2008 and 16 February 2009 by STA/Goa, the Regional Transport Authority (North), Panaji had not maintained tax ledgers for 220 countersignatures on which composite tax of Rs 11 lakh per annum @ Rs 5,000 per goods vehicle was recoverable. In respect of prior permits, tax payments<sup>♦</sup> of initial year had

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<sup>♦</sup> Tax payment (February 2009) in respect of countersignature permit No.2132 issued by STA on 31 March 2008, was recorded only (February 2009) for the second year from March 2009 to February 2010 only.

not also been found recorded. The computer software did not also provide for an 'automatic' record of the motor vehicle tax payment in the form of a computerized ledger. ADT (S), Margao stated (May 2009) that non-availability of records at Arlem, after registration at Margao is being looked into and outcome would be communicated. Reply from the Government/Department is awaited (August 2009).

**(ii) Incorrect accounting of receipts**

At ADT (S), Margao, the total amount collected under manual receipts<sup>∇</sup> issued at ADT, South (Enforcement), Arlem in respect of taxes, fines and fees, as well the revenue collection of the two check posts at Pollem and Mollem under ADT, South (Enforcement), Arlem was not incorporated in the daily summary reports of cash collection sent to the DDO (ADT (S), Margao). Thus, these amounts were not reflected in the main cash book of ADT (S), Margao.

The cash collection in respect of taxes, fees, forms, etc. at the Regional Transport Offices<sup>∇</sup> is handled by the staff of Mapusa Urban Co-operative Bank to which the job of collection of revenue receipts was outsourced with effect from February/March 2005 (RTO, Panaji/Margao). At the Directorate of Transport (Head office) and two other RTOs test checked, the department's cashier operate the computerized collection system for collection of permit fees by STA/RTA, fines levied on offences by prosecution/enforcement cell and motor vehicle taxes/fees at registering offices.

Test check of receipt numbers 1202 to 1372 issued by ADT (Enf), Arlem during the period from 3 March 2008 to 11 March 2008, revealed that 29 receipt numbers were missing. ADT (S), Margao stated (May 2009) that the missing serial numbers were due to cancellation of faulty receipts and that the software was not programmed to reflect the same, adding that as soon as computer functioning is rectified, the manual receipts are fed into the computer. Thus, non recording of manual receipts into the computer, there is a risk of manual receipts going unaccounted.

#### **4.2.17 Arrears of revenue**

As per the provision of the Goa, Daman and Diu Motor Vehicles Tax (Amendment) Act, 2004, the tax shall be paid in advance for a year, by every registered owner of the vehicle in respect of transport vehicles. In case of private vehicles the tax is paid on one time basis at the time of registration of the vehicle.

Under six RTOs<sup>β</sup> there was arrears of revenue to the tune of Rs 6.87 crore (March 2008). Of the total arrears of Rs 6.87 crore above, an amount of Rs 3.14 crore pertained to the period prior to 2004-05.

Audit scrutiny revealed that though the Goa, Daman and Diu Motor Vehicles Tax Rules, 1974 provides for recovery of tax as arrears of land revenue, none

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<sup>∇</sup> Manual receipts dated 12 March 2008, totaling Rs 1.36 lakh, issued at ADT (S), Arlem.

<sup>∇</sup> RTO (N), Panaji and RTO (S), Arlem-Margao.

<sup>β</sup> RTO, Mapusa did not furnish the figures of arrears of revenue.

of the RTOs referred any of the cases to Revenue Recovery Court. A test check of RTO (S), Margao indicated that in 17 cases, tax payments were made for a year during the period 2006-07 to 2008-09, but the dues of Rs 0.45 lakh pertaining to earlier year/s were not recovered in each case. Reply from the Government/department is awaited (August 2009).

#### **4.2.18 Reconciliation**

As per Rule 9 of the General Financial Rules, 2005, it is the responsibility of the department to ensure that all sums due to Government are realised and duly credited to Government. No records were maintained by the RTOs and the head office showing the reconciliation of levy and collection of taxes, fines, fees and cess, with the remittances to Government treasury, both in respect of computerized receipts as well as manual receipts issued on break down of computerized system. Test check of Directorate of Transport records in respect of GRIW Cess, showed a short credit of Rs 0.50 lakh relating to DDs produced by one<sup>0</sup> carrier under one challan recorded by accounts section in their register and the challan acknowledged by Government Treasury.

The receipts/issues/balance of motor vehicle receipt books and 60 types of forms supplied unnumbered in bulk by Directorate of Transport/Head office, to ADT (S), Margao during 2004-09, which in turn issued them to Mapusa Urban Bank for collection of revenue, were not reconciled and the correctness of the stock was not attested by the head office. Reply from the Government/department is awaited (August 2009).

#### **4.2.19 Inadequate mechanism for compounding of offences by enforcement and recovery of related penal amounts**

It was seen in audit that the offences booked by Enforcement (North and South) as per checking report of enforcement (North and South), were pending for compounding for over 10 years. No reconciliation was effected between offences<sup>Σ</sup> compounded by Enforcement (North and South) and revenue realized in respect of these cases, to ascertain correctness of collection/remittance and maintain office wise clearance of cases. The department stated (May 2009) that reconciliation is impracticable as the software remains to be upgraded.

#### **4.2.20 Internal controls and Internal audit**

Internal audit is defined as control of all controls to assess whether various prescribed systems were functioning reasonably well in the organization. The department's internal inspection wing constituted and manned with independent accounts staff with effect from October 1996, conducted revenue internal audits in respect of RTOs, on quarterly basis during 2004-09 for verification of collection and remittance of revenue receipts to Government Treasury. The correctness of levy of taxes was not verified and Inspection

<sup>0</sup> M/s Deccan Mining Syndicate Pvt. Ltd., Bellary – Rs 102.13 lakh (Directorate of Transport A/cs register) less Rs 101.63 lakh (Challan stamped by the Treasury) = 0.50 lakh.

<sup>Σ</sup> e.g. Manual receipts dated 12 March 2008, totaling Rs 1.36 lakh, issued at ADT (S), Arlem.

Reports for the period 2004-08<sup>∞</sup> had not been prepared. Periodicity/guidelines for conducting audit had not also been set up. The correctness of levy of taxes and receipts/demand drafts of All India Tourist Taxis/Buses and fees in cash in respect of taxi stands handled by STA/RTA were not verified. The department stated (May 2009) that correctness of levy of taxes was not verified due to shortage of staff. Thus, minimum checks required were not carried out.

#### **4.2.21 Conclusion**

The review revealed that the department does not have a proper system to implement the various notifications issued by Government, nor any department manual for the guidance of subordinate staff. Government did not monitor the implementation of reciprocal agreements, assessment/collection/remittance of cess on mineral ore and the deficient growth in revenue. Internal audit was ineffective as it failed to address the major issues of levy of taxes and realization/computation of arrears.

#### **4.2.22 Recommendations**

- ❖ Returns should be prescribed for State/Regional Transport Authorities (STA/RTAs) and Registering/Taxation offices (RTOs) to co-relate receipt of composite taxes and fees at RTOs with the issue of permits by STA/RTAs. These returns should also be made available to enforcement wings (North and South), to ensure prompt detection of unauthorized vehicles from other States plying in Goa.
- ❖ Installation of weigh bridges/monitoring of loading of carriers of Iron/Manganese/Bauxite ores whether entering Goa by land/rail/sea or in respect of royalty paid ore, auction of the job work of collection of the Goa Rural Improvement Welfare Cess, may be considered, so as to evolve a proper mechanism for the assessment and collection and cess.
- ❖ Revised rates of taxes/fees/fines notified by Government should be computerized with reference to effective date of implementation, to avoid loss of revenue due to delay in implementation.
- ❖ To avoid evasion on payment of taxes by motor vehicles entering in Goa, through nine unauthorized entry points in North Goa, Government may consider setting up of monitoring units and check posts at important entry points including shifting the Dhargal-Pernem check post to the Goa-Maharashtra border, as it lies 20 kms inside Goa from the entry point.

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<sup>∞</sup> Issue of Inspection Reports commenced w.e.f. 3 February 2009.

## FINANCE DEPARTMENT

### 4.3 Non/short levy of penalty

**Failure of the Department to levy penalty as per provisions of the Act, resulted in non-realisation of revenue of Rs 15.14 lakh.**

Under Section 18 of the Goa Tax on Entry of Goods (GTEG) Act, 2000, every registered dealer shall send every month to the Assessing Authority (AA), a statement containing details of the value of scheduled goods dealt during the month and tax payable and shall pay in advance the full amount of tax payable by him on the basis of goods brought by him during the preceding month into the local area within 30 days after the close of the preceding month to which such tax relates. If default is committed in payment of tax, the dealer shall pay by way of penalty a sum equal to two *per cent* of the tax payable for every such month. No penalty shall be imposed unless the dealer affected has had a reasonable opportunity of showing cause against such imposition.

Further after the final assessment by the AA, the dealer shall pay the balance tax, if any, within 30 days from the date of service of notice of demand, failing which penalty as provided in Section 19(2) of the GTEG Act is leviable.

Scrutiny of assessments made between March 2004 and June 2007 for the years 2000-01 to 2005-06, revealed that in two cases the Commercial Tax Officer levied a penalty of Rs 2,000 only against Rs 12.96 lakh leviable for non payment of tax and non filing of returns under Section 18 of GTEG Act. However, no reasons were recorded for reduction in levy of penalty. Further, the department did not levy the penalty under Section 19 of GTEG Act, for delay in payment of tax after assessment amounting to Rs 2.18 lakh.

The Department (August 2009) stated that penalties were recovered under section 14(5) of GTEG Act and a dealer cannot be penalized under multiple sections for the same offence and hence no other penalty is leviable in these cases. The fact, however, remains that the penalties under section 14(5), 18(2) and 19(2) are for different types of offences.

### 4.4 Non-levy of penalty

**Non-levy of penalty of Rs 3.09 lakh.**

As per Section 3 of Goa Tax on Entry of Goods (GTEG) Act 2000, tax shall be levied and collected at the rates notified on entry of specified goods into a local area for consumption, use or sale therein. Further as per Section 18 of the Act, every registered dealer shall send every month to the Assessing Authority (AA) a statement containing details of the value of scheduled goods dealt during the month and shall pay in advance the full amount of tax payable by him on the basis of goods brought by him during the preceding month into the local area within 30 days after the close of the preceding month to which such tax relates. If default is committed in payment of tax, the dealer shall pay by way of penalty a sum equal to two *per cent* of the tax payable for every such month under Section 18(2) of the GTEG Act.

Scrutiny of assessment records of a dealer at Margao ward revealed that the AA did not pay entry tax of Rs 8.55 lakh and Rs 7.68 lakh on the entry of machinery into the State worth Rs 8.17 crore during 2001-02 and 2002-03, which attracted penalty of Rs 3.09 lakh. The AA while finalising the assessment in September 2004 and December 2004 also failed to raise the demands resulting in non levy of entry tax of Rs 16.23 lakh and penalty of Rs 3.09 lakh.

The department (March 2009) stated that the entry tax was not paid because of technical difficulties and the capital goods were accounted in books of accounts during 2002-03 and the dealer has sold the same during 2002-03 and if the entry tax was to be paid, it would be refundable against sales tax payment. Further the Government (July 2009) stated that as per GTEG, no tax shall be levied and collected from a dealer who brings or causes to be brought into local area any goods, in respect of which tax has been paid or has become payable. The fact, however, remains that the issue involved is non payment of Entry Tax in time which attracted penalty and not just refund of entry tax on the sale of machinery.

#### **4.5 Irregular allowance of exemption**

**Incorrect classification of a trader as manufacturer resulted in irregular allowance of exemption of Rs 53.84 lakh.**

The goods manufactured by Small Scale Industrial (SSI) units were exempted from sales tax for 15 years from the date of first sale within the State of Goa of the goods manufactured with the implementation of Value Added Tax (VAT) from 1 April 2005. Government of Goa introduced Goa Value Added Tax Deferment-cum-Net Present Value Compulsory Payment scheme, 2005. The benefit of this scheme was available for balance unexpired exemption period from 1 April 2005. Under this scheme eligible SSI units were given two options. First option was to charge applicable rate of tax on sale of manufactured goods under Goa VAT Act and Central Sales Tax Act (CST) and pay to Government 25 *per cent* of the tax payable and retain balance amount of 75 *per cent*. Second option was to exercise option only for local tax under Goa VAT Act and continue to claim exemption from central sales tax

under CST Act, 1956. To avail benefits under the scheme, the SSI unit has to be registered with the Directorate of Industries, Government of Goa.

Scrutiny of assessment files (November 2008) for the years 2005-06 and 2006-07 of Mahalaxmi Industries, Vasco revealed that the dealer was not a manufacturer but merely a trader of marble tiles. The marble tiles were purchased from other States and sold in Goa as it is or with minor resizing by cutting in some cases. Thus the dealer's activity cannot be categorized as "manufacture". Further in the instant case the dealer was given SSI status by the Directorate of Industries for manufacture of aluminum grills, repair of equipments and cutting and polishing of natural stones, whereas the dealer was engaged in trading of marble tiles. Since the exemption and benefits were available only to the manufacturer for items as given in SSI certificate, the exemptions claimed by the dealer under Goa Sales Tax Act amounting to Rs 27.25 lakh for the years 2003-04 and 2004-05 and benefits availed under value added tax deferment scheme amounting to Rs 26.59 lakh for the years 2005-06 and 2006-07, as a SSI manufacturer, were irregular.

The Department (May 2009) stated that the definition of manufacture in Goa Sales Tax Act, 1964 allows processing as manufacture. The fact, however, remains that the conversion of marble blocks into marble slabs/tiles is not manufacture as no new product emerges and the SSI certificate did not cover this activity.

## REVENUE DEPARTMENT

### 4.6 Non-levy of conversion fees

#### **Failure of the Department to notify the coastal villages under Goa Land Revenue Code resulted in short levy of conversion fees.**

As per section 32(6) of Goa Land Revenue Code (Code) when the land is permitted to be used for a non-agricultural purpose a fee at the prescribed rate is to be recovered from the holder of the land, such fee for any construction in coastal villages falling within 500 meters from High Tide Line (HTL) is Rs 50 per sq.mtr. and beyond 500 meters from HTL it is Rs 25 per sq. mtr. As notified (March 2001) under Goa Sales Tax Act, 1964, villages including Arpora, Assagao, Benaolim, Betalbatim, Colva, Majorda, Varca, and Velim were declared as coastal villages. However no villages were declared as coastal villages under the Land Revenue Code.

Scrutiny of the records (June and July 2008) at Sub-Division offices at Mapusa and Margao revealed that the Department was levying conversion fees @ Rs 25 in respect of four coastal villages\* only and in remaining coastal villages the fees were recovered at the rate of Rs 10 per sq. mtr.

The inaction on the part of the Revenue Department to notify the coastal villages has resulted in short levy of the conversion fee of Rs 4.09 lakh during

\* Anjuna, Calangute, Candolim and Reis Magos.

2003-04 to 2007-08. While the Goa Sales Tax Act has plugged the lacunae, there has been a lapse by the revenue department to notify the coastal villages.

The Department stated that as per the Code the conversion fee leviable in respect of personal housing was Rs 10 per sq. mtr. and no villages were notified as coastal. The fact, however, remains that the failure of the Department to notify the coastal villages, in spite of enabling provision, continued in short levy of government revenue.

The matter was reported to the Government (April 2009). Their reply is awaited (September 2009).