

OVERVIEW

This Report contains 31 paragraphs including four Performance Audits relating to non/short levy of taxes, duties, interest and penalty, etc., involving ₹ 399.64 crore. Some of the major findings are mentioned below:

I. General

- The total receipts of the State during the year 2010-11 were ₹ 1,05,855.87 crore, of which the revenue raised by the State Government was ₹ 83,240.19 crore and receipts from the Government of India were ₹ 22,615.68 crore. The revenue raised constituted 79 *per cent* of the total net receipts of the State. The receipts from the Government of India included ₹ 11,419.79 crore on account of the State's share of divisible Union taxes which registered an increase of 38.45 *per cent* over the previous year and ₹ 11,195.89 crore received as grants-in-aid.
(Paragraph 1.1.1)
- At the end of June 2011, 10,293 inspection report paragraphs involving ₹ 1,722.20 crore relating to 4,682 inspection reports issued upto 31 December 2010 remained outstanding.
(Paragraph 1.2.1)
- 680 tax records of dealers for the period 2002-03 and 2004-05 to 2010-11, pertaining to the Sales Tax Department were not made available to us during those years. Of these in respect of 455 cases, tax involved was ₹ 98.62 crore and in the remaining 225 cases the tax effect was not available in the Departmental records.
(Paragraph 1.2.3)
- During the period 2001-02 to 2009-10, the Department/Government accepted audit observations involving ₹ 3,451.40 crore, out of which an amount of ₹ 1,085.13 crore was recovered till 31 March 2011.
(Paragraph 1.2.6)
- Test check of the records of 1,216 units of Sales Tax, Stamp Duty and Registration Fees, Land Revenue, Motor Vehicles Tax, State Excise, Forest Receipts and other tax and non-tax receipts conducted during 2010-11 revealed under assessments/short levy/loss of revenue amounting to ₹ 909.52 crore in 6,655 cases. During the course of the year, the Departments accepted under-assessments, short levy, etc., of ₹ 274.44 crore in 2,372 cases of which 334 cases involving ₹ 93.09 lakh were pointed out in 2010-11 and rest in earlier years. Of these, the Departments recovered ₹ 261.79 crore during 2010-11.
(Paragraph 1.5.1)

II. VAT/Sales tax

A Performance Audit on “Cross verification of Declaration forms used in Inter-State Trade” revealed as under:

- We noticed that though the Department cancelled 20,542 Declaration forms during the period 2005-06 to 2009-10, these cancelled forms were not forwarded to the Record Section for cancellations and for notifying in the official Gazette, to prevent their misuse.
(Paragraph 2.2.8.4)

- We observed that the Department did not keep a sample of the colour, design and format of the forms prevailing in different States for comparison in order to identify the fake or forged Declaration forms.

(Paragraph 2.2.8.6)

- Internal audit of stationery branch, central repository wing and cross verification cell was not conducted.

(Paragraph 2.2.8.7)

- We noticed that inter-State sales valued at ₹ 354.20 lakh were allowed at the concessional rate on invalid 'C' forms furnished by the purchasing dealers which did not contain the details of registration number and date. Assessments were finalised belatedly either without Declaration forms or on the basis of duplicate forms. Branch transfers were allowed by the Assessing Officers on 'F' forms which did not indicate goods received by the transferee in nine cases and in three cases irregular acceptance of 'F' forms pertaining to more than one calendar month resulted in non levy of tax of ₹ 4.15 crore.

(Paragraphs 2.2.9.2, 2.2.9.3 and 2.2.9.4)

- Cross verification of transactions of goods sold/purchased and stocks transferred in and out of the State on 'C' and 'F' forms, respectively revealed issuance of fake forms, variation in nature of commodity, variation in name of the dealers etc., excess accountal/suppression of sales/purchase turnover involving potential tax revenue of ₹ 6.94 crore in respect of 516 Declaration forms.

(Paragraph 2.2.10)

Compliance Audit

- Non-verification of claim of 'set-off ' while accepting the return of one dealer resulted in excess grant of set-off of ₹ 12.94 lakh. At our instance the Department raised demand of ₹ 35.08 lakh inclusive of interest and penalty leviable.

(Paragraph 2.4.1)

- Irregular grant of exemption from payment of tax against form 'H' relating to , sales made in the course of export, resulted in underassessment of tax amounting to ₹ 49.78 lakh

(Paragraph 2.4.3.1 & 2.4.3.2)

- Incorrect grant of 'set-off ' under the provisions of Bombay Sales Tax Rules in assessments of three dealers resulted in underassessment of tax of ₹ 65.97 lakh.

(Paragraph 2.4.4.1 to 2.4.4.3)

III. Stamp duty and Registration fees

- Undervaluation of property in seven instruments registered in Mumbai/Thane registering offices resulted in short levy of stamp duty of ₹ 2.82 crore.

(Paragraph 3.3.1)

- Failure to adopt the value of movable assets in one instrument of conveyance resulted in undervaluation of property and consequent short levy of stamp duty of ₹ 1.04 crore.

(Paragraph 3.3.2)

- Misclassification of instrument led to short levy of stamp duty of ₹ 68.16 lakh.

(Paragraph 3.3.3)

IV. Land Revenue

A Performance Audit on “Sale/Allotment of land and levy and collection of conversion charges” revealed as under:

- Database of land available in the State was neither maintained at Government level nor in the Collectorates and thereby the Government did not keep track of cases relating to breach of conditions of allotment of land, cases where lease period have expired, change in use of land, and dereservations of land etc

(Paragraph 4.2.8)

- There were irregularities in allotment of land for housing purposes to public representatives/land allotted in violation of conditions regarding income limits/to applicants already owning properties in Mumbai.

(Paragraph 4.2.9)

- Land for educational purposes continued to be allotted in Mumbai on basis of Government Resolutions which were 18 to 35 years old, at throwaway prices thereby jeopardising the revenue interests of the Government, though educational activities are no longer only philanthropic in nature. One such case was where the R&FD cancelled the transfer of land to BMC, Mumbai and allotted the land (March 2008) to Arpan Foundation at a meagre amount of ₹ 0.90 lakh as against the market value of ₹ 6.53 crore (as per Ready Reckoner of 2008), for setting up a school on American school pattern.

(Paragraphs 4.2.10.1 and 4.2.10.2)

- Land was allotted in Nashik to Mumbai Education Trust (MET) on occupancy right basis for Medical and Engineering College of which one Shri Samir Bhujbal was a trustee for ₹ 9.08 lakh, as against market value of the land of ₹ 9.39 crore (as per Ready Reckoner of 2008), by dereserving land belonging to the State PWD and meant for mining purposes. Further, the entire land admeasuring 91,300 sq.mtr. allotted in November 2003/January 2009 was still lying unutilised as of July 2011.

(Paragraph 4.2.10.3)

- The Collector, Pune did not resume land of five acres allotted to Gyaneshwari Trust Pune, for running an English-Marathi medium school though the land whose market value was ₹ 11 crore in 2007, was not utilised for the said purpose since its allotment in November 2008

(Paragraph 4.2.10.4)

- Land allotted in Andheri, Mumbai on concessional lease rent basis for a period of 30 years to a public trust “Sindhudurg Shikshan Prasarak Mandal”, Kankavli, Sindhudurg for educational purposes/community centre, was misutilised for commercial banquet hall purposes. The Collector, Mumbai had no system in place to detect such violations for resumption of Government land.

(Paragraph 4.2.11)

- The Vasant Dada Patil Pratishthan undertook construction activity which was in violation of the terms and conditions under which land was allotted, but no action was taken by the Department to resume the land to the Government and also to recover the premium of ₹ 17.30 crore from the Pratishthan, though four years have elapsed after the breach of conditions came to the notice of the BMC, thereby conferring undue benefits to the allottee.

(Paragraph 4.2.12)

- Though several allottees in Pune/Nashik/Thane had not utilised lands allotted to them by the Government, for five to 54 years, since allotment, these lands were not resumed by the Government for breach of conditions. The cost of these lands allotted for residential/educational/recreational purposes aggregated to ₹ 93.46 crore as per current market value.

(Paragraph 4.2.13)

- The Government/BMC had irregularly granted redevelopment rights of land to Simplex Mills Mumbai and Jakhubhai Lalji Dal Mill Co. Ltd, instead of resuming the land, though the lease of their land had expired in 1983/1992 and had not been renewed.

(Paragraph 4.2.14)

- Huge tracts of land comprising 532.78 hectares granted to the Maharashtra Industries Development Corporation (MIDC) in various districts were lying idle since four to 22 years from their allotment. Similarly, 446.86 hectares of land granted to other five State Corporations were lying unutilised for various periods ranging from five to 36 years, in absence of a periodic review of utilisation of land

(Paragraph 4.2.15)

- Ownership of land originally allotted to Malti Vasant Heart Trust (Nitu Mandke and family) for a hospital at Andheri, Mumbai was changed by agreements with the Reliance Dhirubhai Ambani Group of Industries, a corporate Group, without prior approval of the Government. The Trust was liable to pay unearned income of ₹ 174.88 crore, which was not recovered by the Government in absence of an

independent mechanism to enquire timely, about changes in ownerships of original allotments of land.

We also noticed 18 cases of changes in ownership of land in Mumbai, where the Department had not recovered unearned income of ₹ 37.94 crore.

(Paragraph 4.2.16)

- Unjustified reduction of ready reckoner rates of two villages alone in Thane District, resulted in loss of revenue of ₹ 63.57 crore.

(Paragraph 4.2.17)

- Non-renewal of lease agreements and delay in fixation of lease rent on part of the Government resulted in non-realisation of lease rent of ₹ 17.60 crore.

(Paragraph 4.2.18)

- Non-mentioning of mandatory conditions of time frame to commence activities, in contraventions of Rules resulted in non-resumption of land and undue benefits to the allottee on land allotted in Mumbai Suburban, for a dental college to Manjara Educational Trust

(Paragraph 4.2.19)

- Non-consideration of market value resulted in short recovery of occupancy price of ₹ 2.04 crore, in one case of a co-operative housing society in Mumbai and in two cases in Pune for land allotted for educational purposes

(Paragraph 4.2.20)

- Non-finalisation of annual lease rent on land allotted to the Piramals (HUF) at Worli, Mumbai, resulted in non-recovery of revenue of ₹ 3.75 crore.

(Paragraph 4.2.23)

- Irregular sale, non-taking physical possession of surplus lands and absence of monitoring mechanism was noticed in respect of surplus land falling under the Urban Land Ceiling and Regulation Act.

(Paragraphs 4.2.25.1 to 4.2.25.3)

- Though there was breach of conditions, land allotted to President, Nagpur Zilla Congress Committee was not resumed by Nagpur Improvement Trust after cancellation of the allotment in April 2005.

(Paragraph 4.2.26)

Compliance Audit

“Development of Hill Station at Lavasa, Pune”

- Hill-station type areas in Pune District were identified without any expert study or survey and Lavasa Corporation Ltd, the project proponent (developer) was selected without any transparency. The project was driven by private interests rather than public interest.

The State Government's policy decision in November 1996 to develop townships in hill-station type areas with participation of the private sector, was implemented without wide publicity/inviting Expressions of Interest, resulting in only one project namely the Lavasa, being sanctioned in June 2001 in Pune district. Though the policy is now more than a decade old no other hill stations have been developed with private participation in other parts of the State resulting in skewed rather than balanced development in the State.

(Paragraph 4.3.7)

- Grant of Special Planning Authority (SPA) status to Lavasa Corporation Ltd. (LCL), the project developer was the very first of its kind without a precedent in the State and instead of closely monitoring all aspects of the project implementation Government abdicated monitoring of the project resulting in extension of undue favours/benefits to the developer.

(Paragraph 4.3.9)

- The Special Planning Authority (SPA) approved plans and layouts of Lavasa Corporation(LCL) which were not in conformity with the Maharashtra Regional Town Planning Act, 1966 (MRTP Act, 1966) and Development Control Regulations by permitting an increase of 67.33 ha in the layout of the area to 681.27 ha. for construction activities which was also inclusive of the non-submergent land admeasuring 12.368 ha. taken on lease from MKVDC; falling within a distance of 500 mtr from the HFL(high flood level) of Warasgaon Lake and dam for irrigation project constructed on Mose river. The Director of Town Planning, Pune also did not monitor these irregular modifications though he was a member of the Committee, thereby facilitating crucial changes in violation of the rules and procedures prescribed for ecological safety.

(Paragraph 4.3.10)

- The State Government gave environmental clearance to the project without referring the project to the GoI, by stipulating that, no development was to be made in area beyond a height of 1,000 mtrs and above since development beyond 1,000 mtrs required clearance from the Ministry of Environment and Forests (MoEF). The developer exceeded these limits and non-compliance of Environment (Protection) Act, 1986/non-monitoring of the works by the Environment Department resulted in stoppage of work (October 2008, June 2009 and November 2010).

(Paragraph 4.3.11)

- The Maharashtra Krishna Valley Development Corporation Ltd. (MKVDC) irregularly leased land in its possession admeasuring 141.15 ha. (128.78 ha. of submergent area and 12.368 ha. of non-submergent area) in Mulshi Taluka to LCL in August 2002 at a nominal lease rent of ₹ 2.75 lakh per annum, which they had acquired for irrigation purposes.

Permission given to LCL for construction of *bandharas* on Mose river valley was not only irregular but has adversely reduced water availability to Pune City and adjoining areas at the cost of public interest.

(Paragraphs 4.3.12.1 and 4.3.12.2)

- LCL leased the land to private parties on long-term basis for 999 years of which the Government had no knowledge. An inquiry as to whether LCL purchased tribal land without prior permission is being conducted by the Collector, Pune.

(Paragraphs 4.3.13 and 4.3.14)

- Lavasa Project being purely a commercial venture designed to reap rich dividends for itself from the appreciation of land prices, and the proposed activities of the project catering to the elite, we are of the opinion that the grant of exemptions and concessions from payment of stamp duty and registration fees and *nazrana* fees are unwarranted and devoid of subservience of any public interest. The concessions availed were ₹ 4.36 crore towards stamp duty and registration fees and ₹ 3.71 crore on account of *nazrana* fees.

(Paragraph 4.3.16)

- Breach of provisions of the Bombay Tenancy and Agricultural Land Act 1948 and Maharashtra Agriculture Land (Ceiling on Holdings) Act, 1961, in 120 purchase transactions of *watan* and ceiling lands by LCL, which were in the knowledge of the Collector, Pune, resulted in irregular acquisition of land and non-realisation of *nazarana* fees amounting to ₹ 36.43 crore.

(Paragraphs 4.3.17.1 and 4.3.17.2)

V. Taxes on Motor Vehicles

A Performance Audit on “Computerisation in the Motor Vehicle Department” revealed as under:

- VAHAN was implemented in 40 out of 46 RTO offices, since its inception in December 2006. Non-creation of State Register for Driving Licence and non-capturing of legacy data, the ultimate objective of creation of a State register and national database for registered vehicles/driving license was not fully achieved. Enforcement Module for prosecution cases was also not operationalised.

(Paragraph 5.2.6 and 5.2.12)

- Instead of allotting registration numbers to vehicles serially the RTO officials skipped the serials through manual intervention. This resulted

in non-recovery of fees applicable to reservation of jumping numbers having possible revenue loss of ₹ 30.97 lakh.

(Paragraph 5.2.7.1)

- Incorrect categorisation of vehicles owned by companies as of individuals and imported vehicles as domestic, resulted in possible short levy of tax of ₹ 57.93 lakh.

(Paragraph 5.2.7.2)

- Delay in allotting registration numbers, though Departmental procedures were completed, resulted in allotment of numbers as per applicant's choice, without recovery of fees applicable for choice numbers involving possible revenue loss of ₹ 8.66 crore involving 39,611 vehicles.

(Paragraph 5.2.7.6)

- Sixteen vehicles were registered twice under Regional Transport Office (RTO), Pune as well as Dy. RTO, Pimpri-Chinchwad, since interconnectivity between the offices was not established.

(Paragraph 5.2.8.4)

- Issue of unauthenticated 'bogus' smart cards in respect of 65,171 Vehicle Registration Certificates and 3,34,806 driving licences in all the nine test checked offices defeated the objectives to issue secure smart card based licences and registration certificates.

(Paragraph 5.2.9.1 and 5.2.15.1)

- Lacunae in the Vahan system enabling the user to make use of the option to alter the component of interest amount resulted in possible non-levy of interest of ₹ 50.90 lakh.

(Paragraph 5.2.9.3)

- Despite contracting out on build-own-operate-transfer (BOOT) basis for issue of 'Smart Cards' for registrations/licences, we saw that only 8 *per cent* and 14 *per cent* smart card based registration certificates and driving licences respectively, were issued within the time frame for such services.

(Paragraph 5.2.10.1 and 5.2.16.2)

- Our analysis of 32,73,980 licence records on Sarathi system in Mumbai Region revealed that 5,378 persons bearing same name, father/husband's name and DOB have been issued 10,756 licences and 28 persons have been issued 92 licences. In six offices in the Nagpur Region 764 licenses were issued to 382 persons.

(Paragraph 5.2.14.1)

- Absence of guidelines in respect of job and responsibility for various stages of work flow and weak enforcement of safeguards in the system exposed the system to the risk of unauthorised access. At RTO, Andheri 79,464 unauthenticated driving licences were issued and 70 *per cent* of licenses issued in nine offices of Mumbai Region were with approvals of clerical staff instead of the RTOs concerned. Due to the deficient controls, absence of supervision checks and non-

operationalisation of MIS system available in Sarathi, resulted in the issue of unauthenticated licences.

(Paragraphs 5.2.15.3 and 5.2.15.4)

VI State Excise

A Performance Audit on “Levy and Collection of State Excise Duty, Fees, Fines, etc.” revealed as under:

- In comparison to other bigger States like Andhra Pradesh, Tamil Nadu and Karnataka, the State’s excise revenue collection were the lowest despite highest population. The per capita realisation of revenue from State excise duty was the lowest in the State though liquor consumption was highest when compared with these States, wherein Corporations had been established for regulating and canalising the supply of liquor.

(Paragraph 6.2.7)

- Internal Audit Control was inadequate and also ineffective as there were short falls in inspections, non-submission of returns and huge pendency in clearance of observations made by the Divisional Deputy Commissioners.

(Paragraph 6.2.8)

- There was shortage of staff in Class II and Class III positions coupled with unequal deployment of staff, depending upon the type of licence and turnover. For instance, in Seagram Ltd., Nashik, which had three licences for manufacture of rectified spirit and the unit's revenue contribution was ₹ 329 crore, it had nine excise officials posted while United Breweries Ltd Unit I at Nashik district with similar licences and comparable revenue contribution of ₹ 358 crore had just two officials and partial supervision by a Dy. Commissioner.

(Paragraph 6.2.9)

- The efficacy of functioning of flying Squads for State Excise related offences was adversely impacted with 72.77 *per cent* of cases registered against unidentified offenders. In 10 districts the confiscated goods valued at ₹ 27.35 crore were not auctioned off and in remaining 19 districts only an amount ₹ 52.11 lakh was realised from auction of confiscated goods valued at ₹ 71.28 crore.

(Paragraph 6.2.10)

- The Department had not adjudicated finally on offences relating to MRP violations on sale of country liquor resulting in loss of excise duty.

(Paragraph 6.2.11.1)

- In the case of Meher Distilleries Ltd. the lackadaisical attitude of the Government/Excise Department in stretching the issue of recovery for

almost eight years even after the High Court had decided the issue in favour of revenue, resulted in non-recovery of even the minimum revenue of ₹ 29.10 crore.

(Paragraph 6.2.12)

- Non-raising of demands for recovering differential amount of supervision charges of excise staff posted at 23 units, arising due to revision in pay had resulted in non-realisation of ₹ 1.46 crore for the period January 2006 to December 2009.

(Paragraph 6.2.13)

- Granting exemption in excise duty to wine manufacturers with the objective of popularising wine amongst consumers, did not serve its purpose in absence of any Departmental control on fixation of manufacturing cost/MRP of wine.

(Paragraph 6.2.14)

- Incorrect allowance of losses on beer bottles on removal from warehouses resulted in loss of revenue of ₹ 59.36 lakh for the period January 2008 to March 2011.

(Paragraph 6.2.15)

- The ban on issue of licences for retail trade of IMFL and CL (FL-II and CL-III), since 1973-74 though the State's population had doubled was unjustified as licences for sale of liquor to bars, clubs and beer shoppes were liberally granted to increase consumption of liquor. Further, 387 defunct licences were not put to use due to disputes etc. These policy issues affected Government revenue from excise duty in comparison to other large States.

(Paragraph 6.2.20)

VII. Other tax receipts

- Non/short recovery of entertainment duty from 445 cable operators resulted in non-realisation of ₹ 1.76 crore.

(Paragraph 7.3.1)

- Non-recovery of inspection fees from 134 consumers amounted to ₹ 30.26 lakh.

(Paragraph 7.6)