

CHAPTER VI

EXECUTIVE SUMMARY

Results of audits conducted by us in 2010-11

We test checked the records of offices of various departmental offices relating to Entertainments tax, Luxury tax and Electricity duty in the State during the year 2010-11 and noticed short realisation of tax and other irregularities involving ₹ 36.60 crore in 111 cases. During the course of the year, the Department accepted underassessment and other irregularities of ₹ 68.72 crore in 65 cases, of which seven cases involving ₹ 21.79 lakh were pointed out during the year 2010-11 and the rest in earlier years. An amount of ₹ 2.23 crore was recovered in 49 cases during the year 2010-11.

What we have highlighted in this Chapter

A Performance Audit on “Working of Electricity Duty Department” revealed the following:

- The Department was saddled with huge arrears of electricity duty which stood at ₹ 743.60 crore. No arrears had been recovered in past 3 years.
- *M/s. Arunodaya Mills Ltd.*, Morbi did not pay duty for the period from June 2004 to September 2006 as contemplated in the rule. The Department had not referred the case to the Collector in time for recovery of its dues as arrears of land revenue. The Department also did not register their claim before auction of its property by IDBI Bank through public notice in time for recovery of their dues, resulting in non-recovery of revenue of ₹ 1.40 crore.
- Details of only consumers paying electricity duty more than ₹ 50,000/- were monitored by maintaining their data-base. The Department had not maintained a complete data base of the captive power plants/DG set units, in absence of which important details of energy generated, duty paid/exempted were not available.
- Department did not take effective action against those lift operators whose licence had expired during the period 2005-06 to 2009-10; 55 to 73 per cent were operating with expired licences. The Department had not carried out inspection of lift installations, the shortfall being as high as 80 per cent during the period 2005-06 to 2009-10, thereby jeopardising public safety.
- The Department had made the energy audit compulsory for eligible industrial and commercial consumers. Test check revealed that authorised energy auditors audited the units ranging between five to twenty two per cent during the period from 2005-06 to 2009-10 and gave their recommendations. However, we saw that there was no mechanism to ensure whether recommendations of energy auditors were complied with, defeating the objective of energy audit.
- *M/s. Essar Power Ltd.*, a licensee used to supply electricity to erstwhile Gujarat Electricity Board, stopped payment of tax on sale of electricity from November 1999 onwards. The licensee filed a petition in Gujarat High Court against the action initiated by the Department to recover their dues. The Court directed the Government in March 2007 to decide the case within two months from the date of order. The Government had yet not decided the case. This resulted in blocking up of revenue of ₹ 97.46 crore, including interest of ₹ 60.08 crore.

In T-20 cricket tournament organised by IPL, the Government has foregone entertainment tax of ₹ 1.38 crore.

In 650 cases of cable operators, there was non/short realisation of entertainment tax of ₹ 88.98 lakh including interest.

Proprietors of fourteen cinema houses availed irregular exemption of entertainment tax of ₹ 36.35 lakh.

Recommendations

Regarding levy and collection of Electricity Duty, Government may consider the following:

- maintain database of all CPPs/DG sets to ensure that duty by such units is paid correctly and in time
- make suitable amendment in the Act/Rules to the effect that there exist a strong deterrence to operation of lifts without valid license.
- set up a system to watch the compliance of recommendations of energy auditors by the auditee units.
- to take effective steps to recover arrears of revenue because the same are increasing from year to year.
- fix the amount on which penalty should be levied in case of non-payment of interest within a prescribed period; and
- create a separate internal audit wing with adequate manpower.

Regarding levy and collection of Entertainment Tax, Government may consider :

- levy of entertainment tax on the sale of tickets for IPL matches. Moreover, legislature's sanction is required to be obtained to cover such commercial activities under the net of entertainment tax.
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CHAPTER-VI OTHER TAX RECEIPTS

6.1 Impact of Audit Reports

6.1.1 Impact of Audit Reports - Revenue impact

During the last five years, in our Audit Reports we had pointed out non/short levy, non/short realisation, underassessment/loss of revenue, application of incorrect rate of tax, incorrect computation etc, with revenue implication of ₹ 77.63 crore in 20 paragraphs. Of these, the Department/ Government had accepted audit observations in 13 paragraphs involving ₹ 1.72 crore and had since recovered ₹ 0.99 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2005-06	6	51.73	4	0.71	4	0.42
2006-07	1	0.11	1	0.11	1	0.05
2007-08	4	0.87	3	0.15	3	0.05
2008-09	7	24.58	3	0.44	3	0.22
2009-10	2	0.34	2	0.31	2	0.25
Total	20	77.63	13	1.72	13	0.99

The above table indicates that recovery in accepted cases was moderate (57.56 per cent of the accepted money value).

The Government may take suitable measures for speedy recovery.

6.1.2 Impact of Audit Reports – Amendments in the Act/Rules/notifications/orders issued by Government at the instance of audit

It was earlier noticed in audit that the Entertainment tax Department had not prescribed any format for maintaining accounts of service charge. There was no mechanism for periodic verification of accounts of service charge submitted by cinema owners. Accepting the audit observation, the Department has issued a Circular in July 2011 in which detailed guidelines have been issued for maintenance and submission of accounts of service charge.

6.2 Results of audit

We test checked the records of offices of various Departmental officers relating to Entertainments tax, Luxury tax and Electricity duty in the State during the year 2010-11 and noticed short realisation of tax and other irregularities involving ₹ 36.60 crore in 111 cases, which fall under the following categories:

Sr. No.	Category	No. of cases	Amount (₹ in crore)
1	Working of Electricity Duty Department (A Performance Audit)	1	14.31
2	Non/short recovery of Entertainment Tax and interest from cinema houses/cable operators/video parlours	18	6.23
3	Non/short recovery of interest on belated payment of ET in cinema houses/cable operators	1	0.01
4	Irregular grant of exemption	3	0.42
5	Non/short recovery of security deposit	1	0.02
6	Non/recovery of ET on service charge	17	6.79
7	Non-recovery of ET on rental charges	1	0.01
8	Non-short recovery of inspection fee	11	0.61
9	Non/short levy of Luxury Tax	8	0.13
10	Retention of tax collected by hotel owners	4	0.16
11	Other irregularities	46	7.91
	Total	111	36.60

During the course of the year, the Department accepted underassessment and other irregularities of ₹ 68.72 crore in 65 cases, of which seven cases involving ₹ 21.79 lakh were pointed out in audit during the year 2010-11 and the rest in earlier years. An amount of ₹ 2.23 crore was recovered in 49 cases during the year 2010-11.

A Performance Audit on “**Working of Electricity Duty Department**” involving money value of ₹ 14.31 crore and a few illustrative cases involving ₹ 3.18 crore are contained in the following paragraphs.

6.3 Performance Audit on “Working of Electricity Duty Department”

Highlights

A Performance Audit on “Working of Electricity Duty Department” revealed the following:

- The Department was saddled with huge arrears of electricity duty which stood at ₹ 743.60 crore. No arrears had been recovered in the past three years.

(Paragraph 6.3.7)

- Non-finalisation of the case of M/s. Essar Power Ltd., a licensee, by the Government despite directions from the Court in March 2007 to decide the case within two months resulted in blocking up of revenue of ₹ 97.46 crore, including interest of ₹ 60.08 crore.

(Paragraph 6.3.7.1)

- *M/s. Arunodaya Mills Ltd.*, Morbi did not pay duty for the period from June 2004 to September 2006 as contemplated in the rule. The Department had not referred the case to the Collector in time for recovery of its dues as arrears of land revenue. The Department also did not register their claim before auction of its property by IDBI Bank through public notice for recovery of their dues. This resulted in blocking up of revenue of ₹ 1.40 crore.

(Paragraph 6.3.7.2)

- The Department had not maintained a complete data base of the captive power plants/DG set units, in absence of which important details of energy generated, duty paid/exempted were not available.

(Paragraph 6.3.8.1)

- The Department did not take effective action against those lift operators whose licence had expired during the period 2005-06 to 2009-10; 55 to 73 *per cent* were operating with expired licences. The Department had not carried out inspection of lift installations, the shortfall being as high as 88 *per cent* during the period 2005-06 to 2009-10, thereby jeopardising public safety.

(Paragraph 6.3.8.2, 6.3.8.3)

- The Department had made the energy audit compulsory for eligible industrial and commercial consumers. Our test check revealed that authorised energy auditors audited the units ranging between five to twenty two *per cent* during the period from 2005-06 to 2009-10 and gave their recommendations. There was no mechanism to ensure whether recommendations of energy auditors were complied with, defeating the objective of energy audit.

(Paragraph 6.3.8.4)

- There was no separate internal audit wing for ensuring correct levy and prompt realisation of electricity duty. The office of the Chief Electrical Inspector fell short of the required target of inspections fixed by the office itself.

(Paragraph 6.3.8.5)

- The Department failed to levy and recover interest of ₹ 20.06 crore and penalty of ₹ 44 lakh from GSFC units. In case of GACL, the Company did not pay interest of ₹ 11.22 crore but the Department did not initiate action for its recovery.

(Paragraph 6.3.9.5)

6.3.1 Introduction

The levy and collection of Electricity Duty by State Government on consumption of electrical energy by consumers is governed by the Bombay Electricity Duty Act, (BED Act) 1958 as applicable to and modified in Gujarat, and the Rules made thereunder. Under the BED Act, 1958 every licensee shall collect duty from consumers on the units of energy sold for consumption through electric power supply bills and pay it to State Government by the prescribed dates. Further, every person who consumes energy generated by him is also liable to pay duty. Fees for testing and inspection of installations connected to supply system are also levied and collected under the Indian Electricity Act, 1910 (IE Act) and the Indian Electricity Rules, 1956 (IE Rules). In Gujarat, major portion of electricity duty is levied, collected and paid to the State Government by three licensees viz. the *Gujarat Urja Vikas Nigam Ltd.* (GUVNL), the Torrent Power Ltd. (Ahmedabad) and Torrent Power Ltd. (Surat). Office of the Chief Electrical Inspector (CEI) and office of the Collector of Electricity Duty (Collector) are two independent offices headed by a single officer. The Collector (ED) is entrusted with the work relating to grant of exemption from payment of electricity duty to new industrial units and self generating units. He also issues certificates to consumers regarding chargeability of duty at reduced rate, deferment and refund of duty and also monitors collection and payment of duty by licensees and self generating units. Under the Act, he is the authority for adjudication of disputes. The CEI is entrusted with the work of checking of extra high voltage installations and overall supervision of work of assistant electrical inspectors and electrical inspectors.

6.3.2 Scope of audit

We test checked the of records of Collector (ED), Gandhinagar, Chief Electrical Inspector Gandhinagar, ten⁸⁰ out of eighteen Assistant Electrical Inspectors, 38⁸¹ out of 90 High Tension (HT) divisions of *Gujarat Urja Vikas Nigam Limited* and each HT billing centre of Torrent Power at Ahmedabad and Surat. We selected the units on the basis of revenue collection by the licensees. Audit was conducted for the period from 2005-06 to 2009-10 between December 2010 and April 2011.

6.3.3 Audit objectives

Review of the records was conducted with a view to:

- assess the effectiveness of levy and collection of electricity duty and fee,
- assess the procedure of refund/adjustment of duty;

⁸⁰ Bharuch, Gandhinagar, Godhra, Jamnagar, Junagadh, Mehsana, Nadiad, Rajkot, Valsad, Vadodara

⁸¹ Anand (2), Ankleshwar (2), Bavla, Bhuj, Bharuch (2), Bopal, Gandhinagar, Himmatnagar, Jamnagar (3), Kalol, Kadi, Mehemdabad, Morbi, Nadiad (2), Navsari (2), Rajpipla, Rajkot (3), Surat (4), Sabarmati, Talod, Valsad, Vapi (2), Vadodara (3)

- assess whether an adequate internal control mechanism exists to ensure proper realisation of duty, interest, penalty and fee,
- assess effectiveness of procedure of monitoring of exemption of electricity duty;
- ascertain whether statutory inspections of electrical installations were being carried out and fees for inspections were being collected in time.

6.3.3 .1 Audit criteria

Audit criteria considered were The Electricity Act, 2003, Indian Electricity Rules, 1956, Bombay Electricity Duty Act, 1958, Bombay Electricity Duty (Gujarat) Rules, 1986, The Gujarat Lift and Escalator Act, 2000; notifications/circulars/orders issued under the said Acts/Rules and judicial pronouncements.

6.3.4 Organisational set-up

The overall control on levy and collection of duty and fees rests with the Principal Secretary, Energy and Petrochemicals Department. Chief Electrical Inspector (CEI) and Collector, Electricity Duty Gandhinagar (CED) is the head of the Department working under the Pr. Secretary. Collector (ED) is assisted by assessment officer and administrative officer at headquarters level and eleven duty inspectors at field level. Duty Inspectors are responsible for ensuring correctness of levy and collection of duty at billing centres of licensees. These duty inspectors have also been assigned the work of checking of readings in meters of self generating units of electricity and collection of duty thereof.

Chief Electrical Inspector is assisted by four Dy. Chief Electrical Inspectors, 13 Electrical Inspectors and 34 Assistant Electrical Inspectors at district level for conducting inspection of electrical installations.

6.3.5 Acknowledgement

We acknowledge the co-operation of Collector of Electricity Duty, Chief Electrical Inspector, Energy and Petrochemical Department and Executive Engineers of operation and maintenance divisions of GUVNL in providing the necessary information and records for audit. An entry conference was held in February 2011 which was attended by Pr. Secretary, Energy and Petrochemical Department, Collector (ED) and Chief Electrical Inspector wherein the audit objectives and scope of audit were discussed. The exit conference was held in August 2011 which was attended by Pr. Secretary, Energy and Petrochemical Department, Collector (ED) and Chief Electrical Inspector. In the exit conference, observations made during the review were discussed. Department accepted the audit observations and assured of taking corrective measures.

6.3.6 Trend of revenue and financial performance

The budget estimates and actual realisation of taxes and duties on electricity during the last five years period ended 31st March 2010 were as under:-

(₹ in crore)

Year	Budget Estimate	Actual Realisation	Variation (excess + or shortfall -)	Percentage variation
2005-06	1800.00	1899.68	(+) 99.68	5.53
2006-07	1990.00	2062.33	(+) 72.33	3.63
2007-08	2080.00	2030.65	(-) 49.35	(-) 2.37
2008-09	2306.33	2344.21	(+) 37.88	1.64
2009-10	2587.00	2621.29	(+) 34.29	1.32

From the above, it is evident that there was marginal difference between budget estimate and actual realisation of electricity duty.

The electricity duty receipts as a share of the total State receipts is given below:

Electricity Duty Receipts in perspective

(₹ in crore)

Year	Total State Receipt (TSR)	Tax Revenue of the State (TR)	Total Electricity Duty Receipts	Total Electricity Duty as percentage of TSR	Total ED as percentage of TR
2005-06	25066.87	15698.11	1899.68	7.57	12.10
2006-07	31002.22	18464.63	2062.33	6.65	11.17
2007-08	35689.85	21885.57	2030.65	5.68	9.28
2008-09	38675.71	23557.03	2344.21	6.06	9.95
2009-10	41672.36	26740.23	2621.29	6.29	9.80

Electricity Duty on an average constitutes 10.5 per cent of the total receipts.

6.3.7 Position of arrears

The position of arrears of revenue at the end of five years ended 31st March 2010 as furnished by the Department was as under:

(₹ in crore)

Year	Opening Balance as on 1 st April	Addition during the year	Recovery affected during the year	Outstanding as on 31 st March
2005-06	421.86	99.39	43.58	477.67
2006-07	477.67	88.95	48.81	517.81
2007-08	517.81	133.62	NIL	651.43
2008-09	651.43	23.98	NIL	675.41
2009-10	675.41	68.19	NIL	743.60

The table above indicated that there was significant increase in arrears of revenue during the five years period.

Out of arrears of revenue of ₹ 743.60 crore,

- recovery of ₹ 683.26 crore was under litigation and the matter was pending with the High Court of Gujarat,
- recovery of ₹ 44.49 crore was pending with BIFR,
- recovery of ₹ 13.92 crore was pending in with Government since 1984-85 due to non-fixation of value of assets of Vadodara Municipal Corporation.
- recovery of ₹ 1.93 crore was pending certificate action under land revenue code.

The Department could not realise any amount of arrears during last three years i.e. from 2007-08 to 2009-10, though there was significant addition of arrears during this period. This indicated weak monitoring mechanism and inadequate action to realise arrears.

After we pointed out, the Department stated (August 2011) that out of the total arrears of ₹ 743.60 crore, ₹ 727.75 crore were under dispute. The matter was pending with Gujarat High Court. However, in case of Essar Steel Ltd., ₹ 539.24 crore was outstanding towards electricity duty along with interest and penalty. The High Court in its oral order had stated that Essar Steel Ltd. would pay ₹ 50 crore in two instalments by 30th April 2010. Thereafter, it would pay ₹ 15 crore every month. As per High Court's directives, it has paid ₹ 275 crore during April 2010 to July 2011. ₹ 13.92 crore was due from Vadodara Municipal Corporation (VMC) and was under dispute between VMC and GEB. The Principal Secretary stated (August 2011) that now the VMC had agreed to pay the principal amount of outstanding dues. However, proof of payment was not made available to audit.

6.3.7.1 Blocking of Government revenue due to inordinate delay in decision

As per the erstwhile Gujarat Tax on Sale of Electricity Act, 1958 (repealed with effect from 1st April 2002), tax on sale of electricity was leviable up to March 2002. This tax was administered by CED. The term sale as defined in the Act means sale of electricity made by the licensee within the State to the consumer for cash or deferred payment or other valuable consideration. The definition of licensee was amended in May 1999 and generating companies were also included in the definition.

During test check of records of Collector ED, Gandhinagar, we noticed that M/s. Essar Power Ltd., started their plant in the year 1995 and supplied electricity to erstwhile Gujarat Electricity Board (GEB) and M/s. Essar Steel Ltd, its sister concern. Essar Steel Ltd also had its own generating plant and

GEB connection. M/s. Essar Power Ltd did not pay sales tax up to 11 May 1999. It started (May 1999) payment of sales tax after generating units were covered under the definition of licensee. The unit, however, stopped payment of sales tax from November 1999 onwards. The Department initiated action for recovery of dues as arrears of land revenue. Against the action of the Department, the unit filed a case in Gujarat High Court (SCA No. 2838/2003). The court ordered Government in May 2003 to take fresh decision on the representation of Petitioner Company after giving reasonable opportunity of hearing to the petitioner. The Department in January 2006 reviewed the case and reiterated that the company was liable to pay tax on sale of electricity. Aggrieved by the decision of the Government, the company again approached High Court in January 2006. The court in its oral orders of March 2007 cancelled the Government orders of January 2006 and again directed the Government to take fresh decision within two months from the date of order keeping in view the case of M/s. Gujarat Industries Power Ltd. (GIPL).

However, the Government has not decided the matter even after lapse of four years of High Court orders. The GIPL has already paid sales tax up to the date of abolition of Act. Inordinate delay on the part of the Government to decide the issue resulted in blocking of Government revenue of ₹ 97.46 crore (₹ 37.38 crore sales tax + ₹ 60.08 crore interest). One meeting was called in September 2010, but no decision was taken.

After we pointed out, the Department stated (August 2011) that as per orders of the High Court, they called the party for hearing and process of written submission is under progress.

6.3.7.2 Deay in claiming Government dues

Under Section 8(1) of the BED Act, 1958, any sum due on account of electricity duty, if not paid at the time and in the manner prescribed shall be deemed to be in arrears, and thereupon such interest which the State Government may by general or special orders fix shall be payable on such sum; and the sum together with any interest thereon, shall be recoverable either through a civil court or as an arrears of land revenue. Under Rule 9(3) (a) of BED Gujarat Rules, 1986, persons generating electricity are required to pay duty within ten days after expiry of the month to which duty relates. They are also required to submit quarterly returns in form 'D' to the Collector as well as to Inspector of electricity duty on or before the 10th day of next month following the quarter to which the return relates. There was no system in place in the Department to refer to public notices in respect of defaulter properties and create a charge on immovable properties in revenue records.

During test check of records of Collector ED, Gandhinagar, it was noticed that M/s. Arunodaya Mills Ltd., Morbi did not pay duty for the period from June 2004 to September 2006 as contemplated in the rule. The Department referred

(April 2007) the case to Collector, Rajkot for recovery of its dues as arrears of land revenue under Section 8 of BED Act, 1958. There was also charge of IDBI Bank Ltd. on the property of the above mill. In order to realise their dues, the bank issued public notice on 24 January 2007 in *Gujarat Samachar* and in *Economic Times* on 25 January 2007 for auction of the properties on “as is where is basis”. However the Department did not take cognizance of the public notice. Had the Department registered their claim at the time or before auction of the property, the Government dues would have been realised by now. Department was not vigilant enough to recover their dues. It did not pursue the case with due diligence. As a result, the question of whether the liability to make payment of electricity duty and interest rests with the purchaser (M/s. Shanti Export Pvt. Ltd.) or the original owner (M/s. Arunodaya Mills Ltd.) remained uncertain. The buyer had also mentioned this fact when Government demanded its dues from the buyer. The buyer had argued that in terms of sale deed, the property bought by them was free from all encumbrances. The buyer was bargaining with Government to waive the interest. Had the Department initiated action in time, the Government revenue of ₹ 1.40 crore (Electricity duty ₹ 1.14 crore + interest ₹ 0.26 crore) would have been realised by now.

After we pointed out, the Department agreed (August 2011) with the audit observations. Further they agreed that there is no system in the Department to refer to press clipping etc.

The reply of the Department is not acceptable because the staff working in office as well as in field (E.D. Inspector) ought to remain vigilant and take cognizance of those public notices, wherein substantial government revenue is involved.

6.3.8 System Deficiencies

6.3.8.1 Partial maintenance of database of captive power plant/DG set units with CED

Under Rule 9 of the Bombay Electricity Duty (Gujarat) Rules 1986, every person other than licensee who intends to generate or intends to continue generation of energy for his own use and every person other than licensee who generates energy and supplies the same to any other person free of charge shall make an application in form "C" for registration to CED. Every person, to whom the registration number is assigned under the sub rule 1 of the rule *ibid*, shall pay the ED payable in respect of the calendar month within ten days after the expiry of the said month in the Government treasury. He is also required to forward proof of payment to CED and the concerned inspector indicating therein the registration number assigned to him. Further, he is also required to submit quarterly return in form "D" to the CED and the concerned inspector on or before the 10th day of next month following the quarter to which the return relates. The technical approval of CPP/DG set is granted by CEI.

Cross-examination of records of both offices viz. CEI and CED revealed that during the period 2005-06 to 2009-10, although the office of CEI accorded approval to layout plans of 1129 CPPs/DG sets, the office of CED, had information of only 187 units of CPPs/DG sets operators. For the remaining units, office of CED did not have any database. Further, the number of approved CPPs/DG sets upto 31st March 2005 was not available with the office of CEI. The records of the consumers having DG set/CPP was also not maintained at field level offices.

In absence of database:

- (a) the Department did not have details of energy generated by these units and duty paid directly in treasury by such units,
- (b) the Department was not aware of date of expiry of exemption from payment of duty and the date from which the units would start payment of duty, and
- (c) the Department could not enforce penal action against units which did not pay electricity duty.

After we pointed out, the Department stated (August 2011) that the units for which database has been maintained, constitute substantial share of ED receipts. The process of upgradation of software for maintaining database is in progress. However, nature of software and what specific need it caters to, was not made available to audit.

Reply of the Department is not acceptable because we noticed that as per the records of CED the electricity duty received from self generation unit was

₹ 384.40 crore for the year 2009-10, whereas the total electricity duty received from operators whose database had been maintained by the Department was ₹ 282.08 crore only. This shows that the correctness of revenue of more than ₹ 100.32 crore was not scrutinised in the year 2009-10. Similarly revenue of ₹ 139.44 crore was not scrutinised for the year 2008-09. Apart from this, there was no system in place to ensure whether all units which were liable to pay electricity duty had paid duty or not. Also, whether the details of all self generating units were available with CEI office which accords technical sanction, non-maintenance of complete database in order to monitor proper payment of electricity duty was not justified.

6.3.8.2 Non-renewal of licence of lifts

Under Rule 8 of Gujarat Lifts and Escalators Rules, 2001, every licence for operating a lift or an escalator shall be renewable every three years. The owner has to make an application in prescribed form together with licence and challan for the prescribed fee. An application to this effect should be made by the owner to the Chief Electrical inspector before 30 days of expiry of licence. If the holder of licence fails to renew the licence in the said manner and before the date of expiry, the license shall become void and fresh licence has to be obtained. The Department did not set up any mechanism to watch the operation of lifts without valid licence. Further as per Chief Electrical Inspector Office Order No. 395 inspection of 40 lifts was planned per month in Ahmedabad, Vadodara, Surat and Rajkot. In other cities, all lifts at periodical interval were required to be inspected.

During the test check of the records of Chief Electrical Inspector, Gandhinagar, it was noticed that there were more than nineteen thousand lifts in the State. Every year, one third licensees should apply for renewal of licences. However, we noticed from the records during the period covered by audit that substantial number of licences had expired but they failed to renew the same. The percentage of such lift operators increased from 55 per cent to 73 per cent as per details given in the table below:

Year	No. of lift with licence expired	No. of application received for renewal	No. of lift operating without licence	Percentage of lifts operating without licence
2005-06	2977	1352	1625	55
2006-07	3505	1202	2303	66
2007-08	4323	1268	3055	71
2008-09	5137	1551	3586	70
2009-10	5878	1586	4292	73

The responsibility to renew the licence rests with the lift owner and only 6959 operators applied for renewal of licence during the period 2005-06 to 2009-10.

Further, Department did not evolve any mechanism to impress upon the lift operators to get their licence renewed. Department also did not take any effective action against operators who operated their lift without valid licence. Further, the inspection report also did not have any column about renewal of lift inspected. This showed that renewal of licence of lift was not monitored at any level.

After we pointed out, the Department stated (August 2011) that number of lifts had increased manifold during last five years and many lifts were operating without valid licence. Though the provisions provide for closing down of lifts without licence, such steps were not taken for the benefit of public at large. The Department agreed with the audit observations.

6.3.8.3 Non-inspection of installations jeopardised public safety

As per Rule 46 of the IE Rules, where an installation is connected to supply system of supplier, every such installation shall be periodically inspected and tested at an interval not exceeding five years either by an inspector or by the supplier. Fees at prescribed rates depending upon the connection load at the supply system are to be recovered. There is no monetary penal provision or levy of interest on late/non-payment of inspection fees.

During test check of records of Chief Electrical Inspector, it was noticed that out of 61.03 lakh electrical installations required to be inspected, only 7.58 lakh installations were inspected by the Department during the period from 2005-06 to

2009-10, leaving 53.45 lakh installations uninspected as detailed in the table below:

Year	Inspection Due	Inspection Done	Inspection not done	Percentage of non inspection
2005-06	1167296	152758	1014538	87
2006-07	1169627	141151	1028476	88
2007-08	1237829	144404	1093425	88
2008-09	1237849	145696	1092153	88
2009-10	1290728	174625	1116103	86
Total	6103329	758634	5344695	88

Further the Department did not have any annual inspection programme but all high tension installation were required to be inspected annually. Thus failure to inspect installations jeopardised public safety to a great extent.

After we pointed out, the Department agreed (August 2011) with the audit observation and stated that Government has been requested to explore possibility of outsourcing the work of inspection of installations.

6.3.8.4 Non-achievement of objective of energy audit

Energy and Petrochemicals Department in its order dated 5th October 1999 [Gujarat Use of Electrical Energy (Regulation) Order, 1999] made energy audit compulsory for eligible consumers (i.e. industrial consumers having contract demand of 200 KVA or more and commercial consumers having demand of 75 KVA and above). The first audit shall be conducted within one year from the commencement of these orders/date of a person's becoming a consumer. Thereafter, it shall be conducted after every three years.

Commissioner of Electricity, Gujarat State had authorised certain persons with specific qualifications and prescribed equipments who would be eligible to conduct energy audit. The energy audit report in its findings provides existing Energy Profile of the unit with percentage share of the major equipments/ processes, utilities etc. This also

provides measures to be taken to improve energy efficiency and reduce losses in all the areas. The report is required to be submitted to Collector of Electricity Duty, Gujarat State who shall give directions to the consumers for elimination of inefficient use of electricity. These directions should be carried out by the consumers within six months from date of receipt of such directions. The order dated 5th October 1999 is silent about steps to be taken by the Department in case energy audit is not conducted by eligible consumers or recommendations of energy auditors not followed. The table below gives details of energy audits conducted during 2005-06 to 2009-10:

Year	No. of consumers falling under energy audit (industrial + commercial)	No. of consumers whose energy audit was done (industrial + commercial)	Percentage of unit audited	No. of units of energy saved as per administrative report (in million)
2005-06	7263	406	6	165.2
2006-07	7523	352	5	154
2007-08	7812	366	5	34.70
2008-09	8120	466	6	124.67
2009-10	8430	1829	22	277.25

The above table indicates that during first four years i.e. 2005-06 to 2008-09, only five to six *per cent* of the eligible units were covered under energy audit. This increased to 22 *per cent* in the year 2009-10. This showed that the coverage under energy audit by Department was very dismal. Further the number of energy auditors appointed by Department was only *twenty* as on 31st March 2010. Department may consider appointment of more auditors to increase the coverage under energy audit.

Scrutiny of the records of the office of Chief Electrical Inspector, Gandhinagar revealed that no follow up action was taken on the energy auditor's report

submitted to the office. There was no mechanism to ensure whether the recommendations of energy auditors were followed by auditee units or not. Hence, there was no actual saving of energy due to energy audits. Despite this, the Department reports showed the units of energy saved in its administrative reports based on the recommendations of the auditor's reports. For the period 2005-06 to 2009-10, Department had shown that 755.82 million units of energy were saved, which was not correct.

After this was pointed out, the Department confirmed that the figure shown in administrative reports as units of energy saved were not actually saved but was potential saving of energy, provided the auditee unit follows the recommendations of the energy auditor.

After we pointed out, the Department stated (August 2011) that though energy audit is mandatory, it is not compulsory to implement the recommendations. More than 6000 units were audited, but results have not been consolidated to arrive at the amount of energy conserved as a result of energy audit

6.3.8.5 Internal audit

An independent and effective internal audit under the direct control of the head of the Department is essential for ensuring compliance of the provisions of the Act/Rules and the Government instructions regarding assessment of duties/fees, raising of demands, collection and accounting of duties/fees and for overall functioning of the system.

During test check of the records, we observed that no mechanism of internal audit existed for the office of the CED. In case of office of the CEI some mechanism of internal audit existed which looked after both administrative as well as aspect relating to inspection fee. However, there was neither a formal head nor dedicated staff

for this purpose. Further, it also fell short of the required target fixed by the office itself as shown in the table below:

Year	Total no. of offices	No. of offices required to be inspected	No. of Offices actually inspected	Shortfall in inspection
2005-06	47	5	5	NIL
2006-07	47	5	1	4
2007-08	47	6	1	5
2008-09	47	7	3	4
2009-10	47	5	4	1

This shows that internal audit was not being viewed as an effective tool of internal control by the Department. Considering the fact that electricity duty is the second largest contributor to State exchequer, an independent and effective internal audit for ensuring correct levy and prompt realisation of electricity duty was required.

After we pointed out, the Department agreed (August 2011) with the audit observations. They stated that due to shortage of staff, there is no dedicated staff for internal audit. However, the possibility of increasing manpower for this purpose shall be explored.

6.3.8.6 Exemption to new industrial undertakings

According to Section 3 (2) (vii) of BED Act, 1958, a new industrial undertaking is entitled for exemption from payment of electricity duty for a period of five years from the date of production. The purpose of exemption is to boost industrial growth in the State. In the procedure prescribed, it has been stated that CED may make such enquiries as he deems necessary before grant of exemption. This makes it almost necessary for the Department to perform some sort of physical site verification.

During the course of the review, we noticed that the Department allowed exemption to 5740 new industrial undertakings during the period 2005-06 to 2009-10. Our test check of 506 cases revealed that office of Collector of Electricity Duty called for all documents i.e. first sale bill, process of manufacture, nature of goods manufactured, audit

report, copy of registration obtained from Commissioner of Industries in respect of small scale industries, list of machineries installed, certificate of civil engineer regarding capital investment, etc. before allowing exemption to eligible units. Out of 506 cases checked, we observed that in 56 cases applications were rejected for want of proper documentary evidence. From the above, it was evident that though the Department was taking adequate safeguard by calling for relevant documents before allowing exemption to new industrial undertaking but there was no system for site verification. No site verification report was found on record.

After we pointed out, the Department agreed (August 2011) with the audit observation, and stated that due to shortage of electrical inspectors, they were unable to undertake site verification of the undertakings. However, they agreed to look into the matter.

6.3.9 Compliance deficiencies

6.3.9.1 Non-levy of duty due to incorrect grant of exemption

Under Section 3 (2) (ia) electricity consumed on connections of notified area for other than public purpose is not eligible for exemption from payment of duty.

During test check of records of Ankleshwar Industrial division of GUVNL, we noticed that no duty was charged on four H. T. connections released in the name of “Notified Area Officer, GIDC, Ankleshwar”. The exemption was granted by the division office of GUVNL on the basis of

Collector ED’s letter of November 2008 wherein it was mentioned that duty was not to be charged on electricity consumed by notified area Ankleshwar for supply of water to public. Since the water from these connections was also supplied to industries and not exclusively to public, exemption from payment of duty was not admissible. This resulted in incorrect exemption of electricity duty of ₹ 69.75 lakh.

6.3.9.2 Non-levy of electricity duty on consumption of electricity for residential purpose

According to Section 13(a) of BED Act, 1958, no duty is leviable on electricity consumed by the Government of India or sold to the Government of India for their consumption. Rule 10 of the Bombay Electricity Duty (Gujarat) Rules 1986 further provides that where meter for indicating consumption of electrical energy for different purpose is not provided, the levy of duty should reckoned as if electricity is consumed for single purpose for which higher rate of duty is leviable and duty shall be charged for entire electricity consumed for combined purpose.

During test check of records, we noticed that in three divisions⁸² of GUVNL, Central Reserve Police Force (CRPF), Air Force, Army and Border Security Force (BSF) were provided H. T. connections at Gandhinagar, Jamnagar and Bhuj. Apart from the electricity consumed for operational, maintenance and construction work, the energy was also consumed in residential quarters of the officials of para-military and armed forces etc. The

energy consumed in the residential quarters was not assessed to duty on the ground that the electricity was consumed by G.O.I. No separate meter was installed in the quarters of the officials as such the actual loss could not be quantified by us.

⁸² Bhuj, Gandhinagar and Jamnagar

After we pointed out, the Department accepted (August 2011) the audit observations in cases of exemption granted to GIDC, Ankleshwar and CRPF/Army/BSF. They have also initiated action for recovery.

6.3.9.3 Short levy of duty due to application of incorrect rate

As per Section 3(1)(a) of the BED Act, duty shall be levied and paid to the State Government on consumption of electricity at the rates specified in schedule I of the Act. The rate of duty varies with reference to use of electricity i.e. residential, educational, industrial, commercial and others etc.

During test check of records of five divisions of GUVNL⁸³, it was noticed in six cases that electricity duty was not levied with reference to use of electricity. This resulted in short levy of duty to the extent of ₹ 66.46 lakh.

After we pointed out, the Department agreed (August 2011) with the audit observations. In one case, principal amount of ED of ₹ 4.74 lakh has been recovered. In other cases, action for recovery has been initiated.

6.3.9.4 Short levy of duty and interest

As per Section 8(1) of BED Act, 1958 if any sum due on account of electricity duty is not paid at the time and in the manner prescribed it shall be deemed to be in arrear and the sum together with interest at the rate of 24 *per cent* up to 31st March 2002 and at the rate of 18 *per cent* thereafter shall be recoverable either through civil court or as arrears of land revenue.

6.3.9.4.1 With a view to mitigate financial hardship of M/s. Mafatlal Industries Ltd, Industries and Mines Department vide resolution dated 15th March 2003 granted deferment of electricity duty and tax on sale of electricity. The scheme provided that:

(a) The unit was allowed deferment of electricity duty and tax on sale of electricity for a period of five years from 23.5.2000 to 22.5.2005.

(b) The unit was not required to pay any interest during the above deferment period.

(c) The deferred amount of electricity duty and tax on sale of electricity shall be paid in next five years in sixty equal instalments along with simple interest at the rate of 12 *per cent* from June 2005 onwards.

During test check of records of Navsari Division of GUVNL, it was noticed that the unit neither paid interest nor principal up to eleven months after moratorium period. The unit started payment of interest from May 2006 onwards. The entire deferred amount of ₹ 9.73 crore is outstanding till date. The unit did not make payment at the time and in the manner prescribed and

⁸³ Ahmedbad, Gandhinagar, Kadi, Vadodara (2).

therefore interest at the normal rate i.e. 18 *per cent* was leviable instead of concessional rate of 12 *per cent*. Further, Department had neither approached civil court nor land revenue authorities to recover the deferred amount along with interest. This has resulted in non-recovery of ₹ 12.95 crore (₹ 9.73 crore principal and interest of ₹ 2.82 crore).

6.3.9.4.2 Similarly, Industry and Mines Department vide their resolution of 23rd October 2003 granted deferment of payment of electricity duty to two subsidiary companies of M/s. Arvind Mills Ltd. for a period of five years or up to the monetary limit of ₹ 54.60 crore, whichever is earlier. The deferment was granted with a view to enable companies to overcome the loss. The scheme provided that:

- (a) no interest was leviable during the period of deferment,
- (b) interest at the rate of 12 *per cent* was leviable during the period of repayment, and
- (c) repayment of amount deferred should be made in five equal annual instalments along with interest.

During test check of records of the Collector ED, it was noticed that both companies availed deferment of ₹ 51.52 crore. Companies commenced repayment of principal amount in time but did not pay interest as stipulated in the scheme. As against interest of ₹ 11.48 crore (at the rate of 12 *per cent*) payable under the scheme, companies paid only ₹ 1.05 crore. Thus ₹ 10.43 crore was paid less towards interest during the period of repayment.

After this was pointed out to the Department in September 2010, the Department stated (August 2011) that in the case of *M/s Mafatlal Industries Ltd.*, action for recovery has been initiated. It is paying the amount in instalments due to poor financial condition. In case of *M/s Arvind Mills Ltd.* and *M/s Arvind Products Ltd.*, the matter is *sub judice*.

Reply of the Department is not acceptable in view of the fact that the Department has not raised demand for interest at higher rate i.e. 18 *per cent* per annum instead of 12 *per cent per annum*.

6.3.9.5 Non-levy of penalty and non-initiation of action for recovery

According to Section 8(3) of BED Act, 1958, if any sum due on account of electricity duty is paid by the consumer but the interest thereon is not paid by such consumer within six months from the date of such payment, such consumer shall also be liable to pay penalty (not exceeding 12 per cent per annum) on such sum as the State Government may by general or special order fix. The entire sum together with interest and penalty shall be recovered either through the civil court or as arrears of land revenue. The Government did not fix the sum on which penalty was leviable.

During test check of records of the Collector ED, Gandhinagar, we noticed that Gujarat Industries Power Company Ltd, Vadodara (the licensee) was co-generating electricity for its own use and for other participating companies. The participating

companies were (1) M/s. Gujarat State Fertilizer Company Ltd. (Main) (GSFC) (2) GSFC-Kharach (3) GSFC-Polymer (4) GSFC, Sikka and (5) M/s. Gujarat Alkalies and Chemicals, Vadodara (GACL). These companies paid duty under schedule-II instead of schedule-I and were therefore asked to pay differential duty of ₹ 48.81 crore along with interest of ₹ 31.27 crore for the period from June 2000 to June 2006. The companies paid duty between September 2006 and March 2008 but did not pay interest accrued on duty amount. In case of GSFC units, the company did not pay interest of ₹ 20.06 crore. The Department levied penalty on GSFC units amounting to ₹ 2.00 crore till July 2008 instead of ₹ 2.44 crore. This resulted in non-levy of penalty of ₹ 44 lakh.

In case of GACL, the company did not pay interest of ₹ 11.22 crore. The Department did not take any action for recovery.

After we pointed out, the Department agreed (August 2011) with the audit observations and initiated action for recovery of dues.

6.3.10 Achievements of the Department

Energy Audit

India is an energy deficient country and is not in a position to meet the energy demand of the entire country. Any step towards saving energy is a welcome step. The Energy and Petrochemicals Department, in Government of Gujarat has made energy audit compulsory for industrial and commercial undertakings in order to save energy. Although the Department has a long way to go in order to make the idea of energy audit an effective tool in saving energy and achieve the desired objective, it is nevertheless a right step in the right direction. However, the very objective of energy audit to save energy could not be achieved so far due to lack of follow up action on the reports of the energy auditor.

6.3.11 Summary of recommendations

Government may consider taking action on the following recommendation:

- maintain database of all CPPs/DG sets to ensure that duty by such units is paid correctly and in time,
- make suitable amendment in the Act/Rules to the effect that there exist a strong deterrence to operation of lifts without valid license,
- set up a system to watch the compliance of recommendations of energy auditors by the auditee unit,
- take effective steps to recover arrears of revenue because the same are increasing from year to year,
- fix the amount on which penalty should be levied in case of non-payment of interest within a prescribed period, and
- create a separate internal audit wing with adequate manpower.

ENTERTAINMENT TAX

6.4 Non-levy of entertainment tax on cricket matches organised by IPL

As per Section 3 of the Gujarat Entertainments Tax Act, 1977, tax is leviable on every payment for admission to an entertainment. However, under Section 3A, exemption from payment of tax has been granted in respect of any payment for admission to entertainments specified in the Schedule III of the Act which includes inter alia all kinds of sports excluding the sports or rides provided in the water park and holiday

During test check of records of the Collector (ET), Ahmedabad for the year 2009-10, it was seen from the available records that the Indian Premier League (IPL) had organised a T-20 cricket tournament in the year 2010. Four matches of the above tournament were allotted

to Ahmedabad city. These matches were played at Sardar Patel Stadium, Motera, Ahmedabad during March and April 2010. Gujarat Cricket Association (GCA) through its franchise Rajasthan Royals sold the entry tickets for above matches.

The IPL matches are purely commercial in nature and the franchise owners of the cricket teams comprising business tycoons and film stars spent crores of rupees to buy the teams and players from all cricket playing nations of the world richest cricket tournament. The IPL was conceptualised as an entertainment spectacle and also pitched as the ultimate destination of TV entertainment. It was thus obvious, that main objective of IPL was to provide entertainment and hence merited levy of ED on sale of tickets. We would like to draw the attention of the Government to the fact that at least two States in the recent past have brought proceeds of IPL under the ambit of entertainment tax. The State of Maharashtra in 2010 and Tamilnadu in 2011 have brought IPL matches under entertainment tax.

Looking to the tax levy scenario of the above mentioned two states, the Government of Gujarat may also consider for levy of entertainments tax on tickets of IPL matches, which is more commercial in nature than sports. Based on the seating capacity and rates of entry tickets of four matches held at Sardar Patel Stadium, Motera, Ahmedabad and keeping in view the fact that all the four matches were attended by spectators beyond full capacity of the stadium, the amount of entertainments tax forgone during 2010-11 works out to ₹ 1.38 crore (Rate of ET: 20 per cent x Gross amount of tickets sold: ₹ 6.93 crore⁸⁴).

After we pointed this out in November 2011, the Commissioner of Entertainments Tax, Gujarat State, Gandhinagar did not accept the audit observation. He stated that under Section 3(A) of the Act, all types of sports

⁸⁴ Based on the estimation of income of IPL organiser furnished by Commissioner of Entertainment Tax, Gujarat State, Gandhinagar. It has been assumed that the amount of ticket includes tax.

excluding the sports or rides provided in the water park and holiday resorts are exempted from payment of entertainments tax.

The Government may consider levy of entertainments tax on the sale of tickets for IPL matches by suitable amendment to the Act.

6.5 Non/short levy of entertainment tax and interest from cable operators

Section 6-B of Gujarat Entertainments Tax Act, 1977, provides that tax is leviable for exhibition of programmes with the aid of antenna or cable television. The Gujarat Entertainments Tax (Exhibition by means of cable television and antenna) Rules, 1993 provides that each operator has to register with the Department and file quarterly return in advance accompanied by copies of challan for payment of tax. The Department is required to assess the return before commencement of the succeeding quarter and raise the demands for non/short payment of tax. For non- payment of tax within the prescribed time, the Act provides for levy of interest at the rate of 18 *per cent* per annum from April 2007 onwards and at the rate of 24 *per cent* prior to April 2007

During test check of records of six Collector offices⁸⁵ and six Mamlatdar offices⁸⁶ between July 2009 and November 2010 for the period 2003-04 to 2009-10, we noticed that out of 650 cable operators, 645 cable operators did not pay tax. Other five operators had paid tax belatedly. Thus, failure on the part of the departmental officials to keep proper watch over timely assessment and

collection of entertainments tax resulted in non-realisation of entertainments tax of ₹ 88.98 lakh including interest of ₹ 12.34 lakh.

After this was pointed out to the Department in August, September and October 2010, and February and March 2011, the Department accepted (August 2011) the audit observations of ₹ 88.98 lakh in 650 cases. Out of total amount of ₹ 88.98 lakh, ₹ 25.57 lakh has been recovered and ₹ 63.41 lakh is outstanding (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁸⁵ Ahmedabad, Bhuj, Gandhinagar, Navsari, Rajkot and Vadodara.

⁸⁶ Bharuch, Bhuj, Gandhidham, Gondal, Karjan and Surat.

6.6 Incorrect exemption of entertainment tax

Government vide notification dated 9 February 2004, granted exemption from payment of entertainments tax to the extent of ₹ three and ₹ four per ticket to the proprietors of air conditioned/air cooled cinema and non-air conditioned/non-air cooled cinema house respectively subject to condition that the tax has been paid in time and in the manner prescribed in the Rule. The Department further clarified in circular dated 20 February 2004 that the proprietor of cinema house not paying tax within prescribed time limit was not eligible for exemption of tax on the amount of service charge. This benefit of exemption was also not extended to the multiplex cinemas as they are 100 per cent tax free and hence they were not entitled to collect any service charge.

During test check of records of four Collector offices⁸⁷ and six Mamlatdar offices⁸⁸ between October 2009 and June 2010 for the period 2002-03 to 2009-10, we noticed that out of total 14 cases, in nine cases, proprietors of cinema houses had availed benefit of exemption of tax on the amount collected popularly known as service charge, though they had not paid tax within

prescribed time limit and the delay ranged from one day to seven months. In five cases, multiplex cinemas, though not eligible for availing the exemption of tax on the amount collected as service charge, irregularly availed this exemption (tax leviable was to be deducted from the exemption limit available to the multiplexes). This resulted in irregular availment of exemption of entertainments tax of ₹ 36.35 lakh.

This was brought to the notice of the Department in August, September and October 2010. The Department accepted (August 2011) audit observations of ₹ 11.83 lakh in eight cases. Particulars of recovery have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁸⁷ Gandhinagar, Mehsana, Rajkot and Vadodara

⁸⁸ Anand (City and Rural), Kadi, Mehsana, Vijapur and Visnagar

6.7 Non/short levy of entertainment tax and interest from cinema owners/video parlours

Gujarat Entertainments Tax Act, 1977, and Rules made thereunder provide that entertainment tax shall be paid by the proprietor of a cinema house weekly within 14 days of the end of the week and by the proprietor of video parlour in advance every month by 15th day of the month preceeding the month to which the tax relates. For non- payment of tax within the prescribed time, Section 10(2) of the Act provides for levy of interest at the rate of 24 *per cent* per annum upto March 2007 and at the rate of 18 *per cent* thereafter.

During test check of records of three Collector offices⁸⁹ and Mamlatdar office, Dhoraji between March 2010 and October 2010 for the period 2007-08 to 2009-10, we noticed that out of seven cinema owners/ video parlours, in three cases, tax was not levied. In one case, tax was levied at incorrect rates. In one case, tax was paid belatedly. In other two cases, tax was not recovered

from closed theatres. This resulted in non-realisation of entertainments tax of ₹ 20.65 lakh including interest of ₹ 1.27 lakh.

After this was pointed out to the Department in September and October 2010 and February 2011, the Department accepted (August 2011) audit observations of ₹ 20.65 lakh in seven cases. In five cases, the Department recovered an amount of ₹ 15.10 lakh. In other cases, particulars of recovery have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁸⁹ Ahmedabad, Surat and Vadodara.

LUXURY TAX

6.8 Non/short levy of luxury tax, interest and penalty

Gujarat Tax on Luxuries (Hotels and Lodging Houses) Act, 1977 provides for levy of tax on luxury provided in a hotel in respect of a room under the occupation of a person at the specified rates on the basis of 50 *per cent* occupancy as per the average declared tariff. If the proprietor fails to pay the tax in time, interest at the rate of two *per cent* per month or part thereof for the period of delay is recoverable.

During test check of records of six Collector offices⁹⁰ and four Assistant Collector/Deputy Collector offices⁹¹ between September 2009 and June 2010 for the period 2003-04 to 2009-10, we noticed that out of 20 hotel/resort owners, in eighteen cases, luxury tax was not levied or short levied. In one case, luxury tax collected

by resort owner was retained by him. In one case, tax was paid belatedly. Thus, failure on the part of the departmental officials to keep proper watch over timely assessment and collection of luxury tax resulted in non/short levy of luxury tax of ₹ 32.85 lakh including interest/penalty of ₹ 6.52 lakh.

After this was pointed out to the Department in September, October and November 2010 and March 2011, the Department accepted (August 2011) the audit observations. Out of total amount of ₹ 32.85 lakh, an amount of ₹ 22.18 lakh has been recovered. In remaining cases, details of recovery have not been received (October 2011).

The matter was reported to the Government in June 2011, their reply has not been received (October 2011).

⁹⁰ Ahmedabad, Bhuj, Navsari, Palanpur, Surat and Vadodara.

⁹¹ Dahod, Porbandar, Rajula and Veraval.