

Reimbursement of Central Sales Tax (CST) to EOU/STP/EHTP units

Chapter 1: Introduction

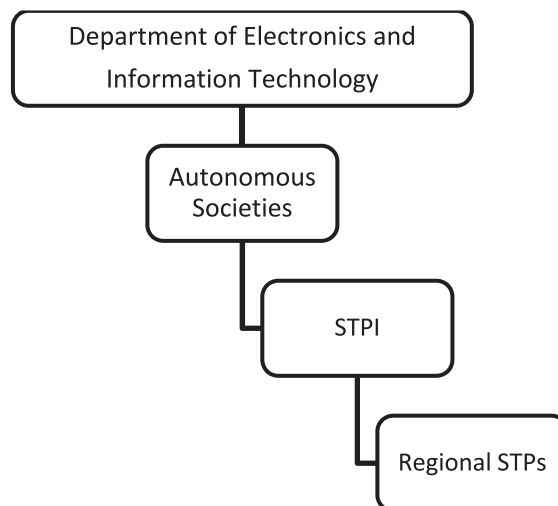
1.1 STPIs was registered as an Autonomous Society under the Societies Registration Act 1860, established under DeitY, Ministry of Communications and Information Technology, Government of India on 5th June 1991 with an objective to implement STP/ EHTP Scheme, set-up and manage infrastructure facilities and provide technology services.

1.2 According to paragraph 6.11 (c)(i) of FTP (2004-09 and 2009-14), EOU/STP/EHTP units are entitled for reimbursement CST paid by them on purchases made from DTA for production of goods/services. The supplies from DTA to EOU/STP/EHTP units must be utilised by the units for production of goods/services export (except permissible sales in DTA). According to the procedure laid down in HBP, vol I, the unit is required to present its claim for reimbursement of CST to jurisdictional Directors, STPI for supplies made to STP/EHTP and jurisdictional DC–SEZ for supplies made to EOU.

1.3 Reimbursement of CST to EOU/STP/EHTP units is made as per the procedure contained in Appendix – 14-I-I of HBP by the designated officers of DeitY and DoC (jurisdictional DC-SEZ in case of EOU units).

1.4

Chart 4: Organogram of DeitY



1.5 Approval of the officer designated by DeitY and the Inter Ministerial Standing Committee (IMSC) is required for units to be set up under STP/EHTP schemes.

1.6 Objectives of DeitY, inter alia, are to promote e-industry for delivery of e-services and manufacturing in electronic hardware and IT-ITes industry by setting up STPI centres in Tier II and Tier III locations and performance review of

STP/EHTP schemes as per its RFD 2012-13. One of the mandatory success indicators in its RFD is to ensure compliance to financial accountability framework.

1.7 While dealing with the claims for reimbursement of CST, the designated officer of STP/EHTP verifies that the purchases are essential for production of goods/services by the units. STPI Headquarter submits the consolidated list of beneficiaries centre-wise with amount of CST claims to Programme Division of DeitY for release of funds from the budget allocated for the purpose of reimbursement of CST by STPI centre. The Programme Division of DeitY further processes the demands for approval of Secretary and concurrence of Integrated Finance Division of DeitY.

Audit Objectives

1.8 The objectives of the performance Audit of reimbursement of CST are to seek an assurance on the following:

- a. Effectiveness of Internal controls procedures and internal audit system for management of the scheme;
- b. Compliance with the extant provisions to guard against loss of revenue or any irregular and erroneous refund of CST;
- c. Reimbursement only to eligible applicants;
- d. Outcome assessment of the scheme;

Audit scope & coverage

1.9 We examined, the eligibility, criteria, procedure for claiming refund of CST as laid down in the FTP 2004-09 and 2009-14 and the internal controls procedures and internal audit system of the department and field formations to monitor the scheme as per DeitY's own RFD, strategy and outcome reporting. Cases of refund of CST to EOU/STP/EHTP, made during 2007-08 and 2010-11 were audited in the headquarters and field offices of DeitY and DoC located all over the country, during March 2012 to June 2012.

Audit Methodology

1.10 The audit was managed as per the C&AG's Audit Quality Management Framework, 2009 employing professional Auditing Standards, 2nd Edition, 2002 and Performance Auditing Guidelines, 2004.

Audit sample

1.11 Audit scrutinised the cases of refund of CST in a sampled population of the field offices DC-SEZs and STPs in seven SEZs²¹ and six STPs²² out of eight SEZs and 10 STPs located all over the country. In these seven SEZs reimbursement of CST involving an amount of ₹ 992 crore were made in 15,406 cases during 2007-08 to 2010-11 out of which 6,068 cases involving ₹ 687 crore were scrutinised.

²¹ Cochin, Chennai, Kandla, Mumbai, Noida, Kolkata and Vishakhapatnam

²² Mumbai, Bangaluru, Gandhinagar, Noida, Bhubneswar and Kolkata

Similarly, in the six STPs, 443 claims involving refund of ₹ 57 crore were made, out of those cases 246 cases involving ₹ 34 crore were selected for audit scrutiny. Sample for the performance audit was selected based on the volume of transactions in the field formations of DeitY and DoC using stratified random sampling with strata as tabulated below:

Table 4: Stratified Sample

| Category | Cases selected for audit |
|-------------------------------|--------------------------|
| Claims of ₹ 50 lakh and above | 100 per cent |
| Claims below ₹ 50 lakh. | 50 per cent |