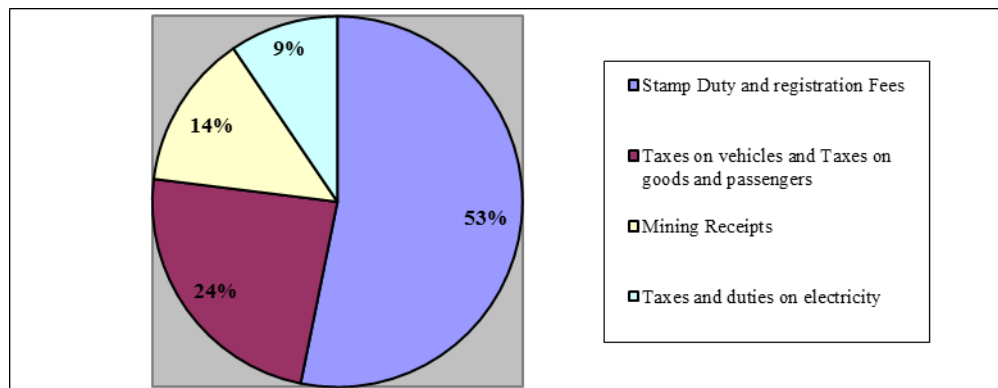


CHAPTER- VI Performance Audit of “Mechanism in the State for Collection of Arrears of Revenue”

6.1 Introduction

The system of collection of revenue payable to the State Government under the various heads is laid down in the relevant Acts and Rules framed thereunder. Any sum not paid within the stipulated time may be declared as arrear of land revenue by the concerned Department and the person responsible for payment is treated as a defaulter. The Departments where major portion of arrears existed were Commercial Tax Department (Sales Tax/ Value Added Tax), Energy and Petrochemicals Department (Taxes and duties on electricity), Industries and Mines Department (Mining receipts), Ports and Transport Department (Taxes on vehicles and taxes on goods and passengers) and Stamp and Registration Department (under Revenue Department). Of these, audit had analyzed the position of arrears of Commercial Tax Department during 2012-13 and the observations were included in the Audit Report (Revenue Sector) 2013. The report was discussed by the Public Accounts Committee (PAC) in September 2016. The arrears of the remaining four aforesaid Departments have been covered in this Audit Report. The distribution of the arrears as on 31 March 2017 in respect of the four Departments covered under audit is mentioned in the following pie chart:

Chart 01: Distribution of major arrears of revenue as on 31 March 2017



6.1.1 Role of Revenue Department Authorities in recovery of arrears declared as arrears of Land Revenue:

- **Organisational set-up:**

The administration of Land Revenue Department vests with the Additional Chief Secretary (Revenue). For the purpose of administration, the State is divided into 33 revenue districts. Each district is further divided into *talukas* and villages.

The District Collectors are overall in charge and responsible for the administration and collection of the revenue of their respective districts. For this purpose, they are assisted by the *Mamlatdars* and Executive Magistrates in

charge of the respective *talukas*. They also exercise supervision and control over *Talatis* who are entrusted with the work of collection of land revenue and other receipts including recovery of dues treated as arrears of land revenue at village level.

- **Procedure for recovery of dues as arrears of land revenue**

The Department (s) is authorized to issue demand notice to the defaulter (s) specifying the amount of dues and date within which the dues are required to be paid. In case of non- payment of the dues, Department is empowered to declare the dues as arrears of land revenue under the Gujarat Land Revenue Code (GLR Code) and send a requisition to the concerned District Collector mentioning the amount along with other necessary details. The Collector on receipt of such requisition shall initiate proceedings under the GLR Code. In case the defaulter has shifted his business or has shifted his residence to other district, the District Collector shall issue a Revenue Recovery Certificate (RRC) under the Revenue Recovery Act 1890 to that District Collector. The District Collector of the other district shall proceed to recover the sum as if it were an arrear of land revenue which had accrued in his own district. The District Collector is required¹ to review the progress of recovery made in the individual cases on monthly basis and ensure prompt recovery. In cases where the whereabouts of the defaulters are not known, the Police Department should be asked to undertake detailed investigation. The reconciliation of the RRCs issued between the District Collector and *Mamlatdar* offices (at *Taluka* level) is required to be done every three months.

6.2 Audit Objectives

The Performance Audit (PA) of “Mechanism in the State for Collection of Arrears of Revenue” was conducted with a view to ascertain the:

- adequacy of the procedures adopted in the maintenance of initial records/ registers of recovery of arrears;
- efficiency of revenue recovery machinery with reference to efforts made by the respective Departments for recovery under the corresponding Acts/ Rules;
- overall status/ position of adherence to procedural requirements, action taken for recovery under GLR Code/ Revenue Recovery Act in respect of pending arrears and further follow up and
- efficacy of internal control mechanism.

6.3 Scope and Methodology of Audit

The PA of arrears of Stamp Duty, Motor Vehicles Tax, Mining Receipts and Taxes and Duties on Electricity was conducted between November 2017 and May 2018 for the period from 2012-13 to 2016-17. Out of the total number of

¹ As per Revenue Department Circular dated 11 December 2001 and 25 February 2005.

33 districts, 11² districts were selected for detailed scrutiny on the basis of stratified simple random sampling in such a way that the sample selected covered all the four geographical regions viz. North, Central and South Gujarat and Saurashtra of the State.

Audit universe: The total number of cases pending for recovery in the State as on 31 March 2017 was 1,56,880³. Out of these 89,583 cases were on account of Stamp Duty and Registration Fees, 60,597 cases relating to Taxes on Vehicles, 6,696 cases of mining receipts and four cases of Taxes and Duties on Electricity.

Cases numbering 93,922 (59.86 per cent of total cases) involving revenue of ₹ 415.25 crore pertained to the districts selected for the PA. Of these 4,058 cases (4.32 per cent of the total cases) were selected for detailed check. Audit found system and compliance deficiencies in realisation of arrears in 2,517 cases (62.03 per cent of the total cases checked) involving ₹ 253.65 crore.

Entry and Exit Conference(s)

An entry conference was held at the level of Additional Chief Secretary, Revenue Department, Government of Gujarat (GoG) and Revenue Inspection Commissioner (RIC), Superintendent of Stamps (SS), Commissioner of Geology and Mining (CGM), Officer on Special Duty (Motor Vehicles Tax) and Collector of Electricity Duty on 23 February 2018. During the entry conference audit objectives, scope and methodology were explained. Exit Conference was held on 13 December 2018. The replies received during the exit conference and at the level of Department/ Head of Department during the course of audit have been included at the relevant paragraphs of the Report.

6.4 Audit Criteria

The Audit criteria was drawn from :

- The Revenue Recovery Act 1890; The Gujarat Land Revenue Code 1879, and
- The Gujarat Land Revenue Rules, 1972.

² Ahmedabad, Banaskantha, Devbhumi Dwarka, Kutch-Bhuj, Panchmahal, Porbandar, Rajkot, Sabarkantha, Surat, Vadodara and Valsad.

³ Except for Commercial Tax Department and does not include cases where the arrear was shown to have been as a result of statutory audit observation.

In addition to these, criteria were drawn from the following Acts and Rules and the guidelines/ instructions issued by the respective Departments: -

Sl. No.	Stamp Duty	Motor Vehicles Tax	Mining Receipts	Electricity Duty
1	The Indian Stamp Act, 1899	The Motor Vehicles (MV) Act, 1988	The Mines and Minerals (Development and Regulation) [MMDR] Act, 1957 and Amendment Act (MMDRA Act), 2015	The Gujarat Electricity Duty (GED) Act, 1958
2	The Gujarat Stamp (GS) Act, 1958	The Central Motor Vehicles (CMV) Rules, 1989	The Mineral Concession Rules (MCR), 1960	The Gujarat Tax on Sale of Electricity (GTSE) Act, 1985 (repealed with effect from 01 April 2002)
3	The Gujarat Stamp Rules, 1978	The Gujarat Motor Vehicles Tax (GMVT) Act, 1958	The Gujarat Minor Mineral Concession Rules (GMMCR), 2010 and Amendment Rules (GMMCAR), 2015	The Bombay Electricity Duty (Gujarat) [BEDG] Rules, 1986
4	The Gujarat Stamp (Determination of Market Value of the Property) Rules, 1984 (Market Value Rules)	The Gujarat Motor Vehicles (GMV) Rules, 1989		
5		The Gujarat Motor Vehicles (Taxation of Passengers) Act, 1958		

6.5 Position of arrears of revenue

As per the information obtained from the concerned State Departments out of the total arrears of ₹ 1,162.91 crore, ₹ 792.40 crore was pending for more than five years as on 31 March 2017 as detailed in the table below:

Table 01: Comparison of Arrears with Revenue Receipts

(₹ in crore)

Sl. No.	Head of revenue	Receipts for the year 2016-17	Total amount outstanding as on 31 st March 2017	Amount outstanding for more than five years as on 31 st March 2017	Percentage of cumulative arrears to the revenue of the year	Percentage of amount outstanding for more than five years compared to the total outstanding
1	Stamp Duty and Registration Fees	5,782.93	607.85	484.69	10.51	79.74
2	Taxes on vehicles and taxes on Goods and Passengers	3,279.35	291.11	118.03	8.88	40.54
3	Mining Receipts	1,498.28	155.28	85.52	10.36	55.07
4	Taxes and Duties on electricity	5,833.10	108.67	104.16	1.86	95.85
	Total	16,393.66	1,162.91	792.40	7.09	68.14

Source: Finance Accounts of the State (for 'receipts for the year 2016-17') Mining receipts pertain to Commissioner of Geology and Mining as obtained from office of the AG (A&E), Gujarat and Information of arrears furnished by the Departments.

6.6 Audit findings

There were shortcomings in maintenance of initial records/ registers, failure to follow up the recovery process under the respective Acts, utilisation of existing resources properly as well as inadequate action for recovery as arrears of land revenue and follow up action. These are discussed Department wise in the following paragraphs.

6.6.1 Stamp Duty and Registration Fees

Stamp duty and registration fees are payable at the time of execution of an instrument at the rates prescribed under the Gujarat Stamp Act, 1958. In case the registering authority (RA) opines that registered instrument was undervalued for levy of stamp duty and registration fees, it (RA) shall ask the executant to pay the deficient amount of the stamp duty within a fixed period failing which it can be recovered as arrears of land revenue.

In case, the executant is not satisfied with the determination order of the RA, it shall send the cases to the Deputy Collector (Stamp Duty Valuation Organisation or Deputy Collector (*Prant* Officer)⁴ for determination of the correct market value of the instrument. Any person aggrieved by the determination order passed by Deputy Collector (SDVO)/ Deputy Collector (*Prant* Officer) can file an appeal before the Chief Controlling Revenue Authority (CCRA) i.e. Additional Superintendent of Stamp. Recovery of arrears of stamp duty, penalty, interest and other related sums as arrears of land

⁴ Delegated power for valuation of stamp duty in accordance with Notification dated 22 June 2011.

revenue is regulated under Section 46 of the Gujarat Stamp Act, 1958 which stipulates that sums remaining unpaid under the Act may be recovered by the Collector by distress sale of the movable/ immovable property of the person from whom the same are due.

6.6.1.1 Analysis of age wise pendency of arrears

As per the information received from the Department on 30 June 2018, the total amount of arrears pending for recovery as on 31 March 2017 was ₹ 607.85 crore. These include ₹ 123.16 crore in respect of valuation cases decided by the DCs (SDVO) and ₹ 484.69 crore in respect of audit observations raised between 2007-08 and 2016-17. However, the district wise amount of arrears as on 31 March 2017 was ₹ 112.80 crore only involving 89,583 cases. Further, the Department furnished (November 2018) age-wise pendency of arrears of the districts except four districts (Gandhinagar, Kheda, Mahisagar and Navsari) wherein the arrears aggregated to ₹ 110.98 crore.

The age-wise pendency of these arrears of revenue as on 31 March 2017 was as under:

Table 02: Age wise pendency of arrears

(₹ in crore)

Up to 5 years		5 - 10 years		10 - 15 years		15 - 20 years		Total	
Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
54,432	63.42	17,608	39.04	1,015	1.90	11,785	6.62	84,840	110.98

(Source: Information furnished by the office of SS)

Thus, it can be seen from the table above that majority of the arrears (57.15 per cent) were up to five years old.

6.6.1.2 Analysis of the data of the selected districts

As per the information furnished (November 2018) by the Department in respect of 15⁵ DC (SDVO) offices located in 11 districts covered in audit, the arrears amounting to ₹ 85.77 crore were pending for collection in 52,569 cases.

The overall age wise analysis of pendency of arrears in these offices is given in the table below:

Table 03: Age wise pendency of arrears for the selected offices

(₹ in crore)

Up to 5 years		5 - 10 years		10 - 15 years		15 - 20 years		Total	
Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
36,894	53.82	3,788	24.35	102	0.98	11,785	6.62	52,569	85.77

The district wise pendency is shown in **Annexure-C**.

⁵ Ahmedabad I and II, Banaskantha, Devbhumi Dwarka, Kutch-Bhuj, Panchmahal, Porbandar, Rajkot I and II, Sabarkantha, Surat I and II, Vadodara I and II and Valsad.

Out of the above arrears, recovery of ₹ 7.49 crore in 56⁶ cases had been stayed by the High Court of Gujarat/ other judicial authorities while in 49⁷ cases involving dues of ₹ 1.13 crore recovery proceedings were held up due to rectification/ review of application by appellate authority. No specific reason was furnished for the remaining amount of arrears. As would be seen from the above table; 11,887 cases involving arrears of ₹ 7.60 crore were pending for more than 10 years. The chances of recovery of such old arrears get diminished with the passage of time. Hence, the Government may consider taking adequate measures for timely realisation of the demands raised.

On this being pointed out, the Superintendent of Stamp stated (November 2018) that an amount of ₹ 13.13 crore had been recovered in 6,497⁸ cases. In 659 cases encumbrance entries had been made in the records of rights whereas in 10,604 cases process for making encumbrance entries had been initiated. Further, in 2,521 cases notices under GLR Code had been issued.

Out of 52,569 cases involving short realisation of SD&RF amounting to ₹ 85.77 crore in the selected districts, audit checked 410 cases (0.78 per cent of the total cases) and found irregularities in 407 cases (99.27 per cent of the checked cases) having a revenue impact of ₹ 20.74 crore. There were irregularities in collection of arrears, maintenance of initial records, and non-follow of the provisions of the GLR code as discussed in the following paragraphs:

6.6.1.3 Declaring of arrears as arrears of land revenue

Audit checked 380 individual files in 12⁹ offices and found that in 245 instruments registered between June 1984 and August 2011, orders determining market value were issued between August 1998 and January 2017 by the jurisdictional DC (SDVO). In these 245 cases (64.47 per cent of the total cases) deficit duty of ₹ 10.53 crore was required to be recovered. However, the dues were not paid within the time stipulated in the valuation orders. Hence, these cases were required to be referred to the jurisdictional *Mamlatdar*/ Recovery *Mamlatdar* for issuance of demand notices under Section 152 of the GLR code for recovery of these dues. However, audit noticed that no demand notice was issued under the GLR Code in these cases. Consequently, dues of ₹ 10.53 crore remained unrealised (August 2018). Of these, 178 cases were more than two years old. No time limit was made in the Gujarat Stamp Act for declaring the arrears as arrears of land revenue.

⁶ Ahmedabad I (Cases-04, ₹ 0.9 crore), Ahmedabad II (Cases-08, ₹ 0.72 crore), Rajkot I (Cases-17, ₹ 0.66 crore), Surat I (Cases-23, ₹ 4.56 crore), Sabarkantha (Cases-04, ₹ 0.65 crore); Information furnished by Surat-II was not clear.

⁷ Rajkot I (Cases- 45, ₹ 0.48 crore), Sabarkantha (Cases-04, ₹ 0.65 crore).

⁸ Including 1,680 cases where amount recovered was not intimated.

⁹ Ahmedabad II, Banaskantha, Gandhinagar (was covered in pilot study but not in sample selected), Kutch-Bhuj, Panchmahal, Rajkot I, Sabarkantha, Surat I and II, Vadodara I and II and Valsad.

6.6.1.4 Demand notices issued but remained undelivered

Circular¹⁰ dated 10 May 2011 (instruction at Sl. No. 7) issued by the Superintendent of Stamps stipulated that if valuation orders required to be served under Section 32 (A) (3) of the GS Act are not acknowledged or served, these are required to be served through respective Village *Talatis*. Audit found that the services of *Talatis* were not made use of in acknowledging the valuation orders served on the defaulters as discussed in the following paragraph.

In eight offices¹¹ Audit noticed in 88 cases¹² (instruments involving deficit duty of ₹ 2.49 crore) being 45.36 *per cent* of 194 cases test checked that the notices were returned due to incomplete address, defaulters not residing at the addresses, demise of defaulters, etc. But the Department continued to issue notices repeatedly at the same addresses instead of taking help of the concerned village *Talatis* to locate the addresses/ whereabouts of defaulters and get details of movable/ immovable properties to effect recovery under the GLR Code. Thus, failure of the Departmental authorities to use the service of the *Talatis* for realisation of Government dues of ₹ 2.49 crore despite the departmental instructions resulted in non-realisation of the revenue to that extent.

On this being pointed out, the Superintendent of Stamps stated (November 2018) that notices remaining undelivered would be served through village *Talatis* and in cases where city survey number/ ward number are ascertainable, encumbrance entries had been made in the records of rights.

6.6.1.5. Demands received but encumbrance entries were not made in the village records

As per Section 153 of the GLR Code arrears of revenue can be recovered by forfeiture of the occupancy (Properties) or alienate holding in respect of the arrears due.

In four offices¹³ out of 165 cases test checked, in 37 cases (being 22.42 *per cent* of the instruments registered between June 1990 and December 2011) where valuation orders were issued between February 2000 and February 2016, deficit duty of ₹ 1.60 crore was required to be recovered. Since the persons did not turn-up for payment of deficit duty, requisitions were sent¹⁴ to the concerned *Mamlatdar*/ Village *Talatis* for making encumbrance entries in the immovable properties of the defaulters. Thereafter, no further follow up action had been taken. On cross verification from Revenue Department records website¹⁵, it was noticed that no corresponding encumbrance entries were made in the village records. Of these, in two cases involving dues of ₹ 19.46 lakh, as per petitions (May 2003) before official liquidator of the Gujarat High Court the defaulter had gone under liquidation.

¹⁰ No. Stamp/Legal/261/2008/2820 dated 10 May 2011

¹¹ Ahmedabad I, Kutch-Bhuj, Panchmahal, Rajkot I and II, Surat II and Vadodara I and II.

¹² Registered between July 1984 and September 2010 and valuation orders issued between August 2009 and March 2017.

¹³ Ahmedabad II, Panchmahal, Rajkot I and Sabarkantha.

¹⁴ Between September 2012 and July 2016.

¹⁵ <https://anyror.gujarat.gov.in>.

Making of encumbrance entries in village records against the property is an essential step to safeguard the Government revenue. The Department may pursue the matter with the concerned Revenue Authority, for directing the *Mamlatdar* and the Village *Talatis* to make encumbrance entries in the immovable properties of the defaulters so as to safeguard the financial interests of the Government.

6.6.1.6 Non-attachment of properties to effect recovery

Sections 154 and 155 of GLR Code provide that if the defaulter fails to deposit the dues within the stipulated time limit specified in the demand notice, a warrant is to be issued to attach his movable/ immovable property.

In seven offices¹⁶ audit observed that out of 210 cases test checked in 37 cases (i.e. 17.62 *per cent* of the test checked cases registered between October 1991 and February 2016) deficit duty of ₹ 1.20 crore was recoverable. Accordingly, copies of the orders were sent to the concerned *Mamlatdars* for making encumbrance entries in village records of the immovable properties. The *Mamlatdars* made¹⁷ the encumbrance entries but no further action for sale of the immovable properties (through auction) had been initiated. Non-initiation of steps as per provisions of the GLR Code resulted in non-recovery of dues of ₹ 1.20 crore.

On this being pointed out, the Superintendent of Stamps stated (November 2018) that necessary action would be initiated.

6.6.1.7 Assignment of valuation cases to *Prant* Officers

The *Prant* officer is a coordination officer of *Taluka* and exercises control on affairs of other offices of the State Government. In order to expedite the disposal of valuation cases pending up to 31 March 2008 and effect recovery in the valuation cases involving duty of ₹ one lakh and above, the SS vide its Circular¹⁸ dated 28 June 2011 instructed the DCs (SDVO) to transfer such cases to the jurisdictional *Prant* Officers.

Out of 15 offices; nine¹⁹ DCs (SDVO), assigned 55,666 cases to 36 jurisdictional *Prant* Officers. Of these, the *Prant* Officers issued valuation orders in respect of 29,063 cases (52.21 *per cent*) during 2012-13 to 2016-17 as detailed in the following table:

¹⁶ Ahmedabad II, Banaskantha, Gandhinagar (Covered in pilot study), Kutch-Bhuj, Sabarkantha, Rajkot I and II.

¹⁷ Between October 2012 and May 2017.

¹⁸ No. Stamp/Legal//188/2010/3668 dated 28 June 2011.

¹⁹ Ahmedabad-II, Banaskantha, Devbhumi Dwarka, Panchmahal, Rajkot-II, Sabarkantha, Surat-II, Vadodara-II and Valsad.

Table 04: Assignment of valuation cases to the Prant Officers

Office of DC (SDVO)	No. of jurisdictional Prant Officers to whom assigned	Total number of cases transferred to Prant Officer	Cases finalised by the Prant Officer as on 31 March/ October 2017/ 31 March 2018	Cases pending for finalisation by Prant Officer	Percentage of disposal against the assignment
Ahmedabad II	06	403	307	96	76.18
Banaskantha	07	7,460	7,454	06	99.92
Devbhumi Dwarka (as on 31 March 2018)	03	7,036	15	7,021	0.21
Panchmahal (as on 31 October 2017)	01	1482	177	1,305	11.94
Sabarkantha	04	2,837	2,608	229	91.93
Surat II	05	7,739	4,500	3,239	58.15
Rajkot II	04	17,057	8,677	8,380	50.87
Vadodara II	04	7,964	3,114	4,850	39.10
Valsad	02	3,688	2,211	1,477	59.95
Total	36	55,666	29,063	26,603	52.21

The disposal of cases assigned to Prant Officers ranged between 0.21 per cent (Devbhumi Dwarka) and 99.92 per cent (Banaskantha).

DC (SDVO), Ahmedabad-I did not furnish details of cases assigned whereas in case of DC (SDVO), Porbandar there was no pendency of cases to be transferred to the Prant officers.

Remaining four²⁰ offices had not assigned any case to the jurisdictional Prant Officers. In these offices there were 28,778 (Kutch- Bhuj: 2,370, Rajkot I: 2,790, Surat I: 4,420, Vadodara I: 19,198) cases pending for orders as on 31 March 2017. These included 790²¹ cases involving stamp duty of ₹ one lakh and above.

DC (SDVO), Vadodara-I intimated (March 2018) that since there was only one Prant Officer in his area, no case was assigned to him considering the work load. Other three offices did not offer any reason for non-transfer of cases to the jurisdictional Prant officer.

On this being pointed out, the Superintendent of Stamps stated (November 2018) that Prant Officers of DC (SDVO), Ahmedabad II and Rajkot II had been instructed to finalise the cases at the earliest. In case of DC (SDVO), Surat II only 297 cases were pending for finalisation with Prant Officer, Mandvi at the end of September 2018. In case of DC (SDVO), Valsad; out of 778 cases pending with the Prant Officer, 390 cases had been taken back by the DC (SDVO) whereas remaining 388 would be finalised by the Prant Officer by December 2018.

²⁰ Kutch- Bhuj, Rajkot I, Surat I, Vadodara I.

²¹ Kutch Bhuj (07 cases), Rajkot I (78 cases), Surat I (293 cases) and Vadodara I (412).

6.6.1.8 Recovery of revenue in cases finalised by Chief Controlling Revenue Authority (CCRA)

Audit noticed (August 2017) from the test check of records of DC (SDVO), Valsad that in six cases out of 15 cases the CCRA had ordered (between May 2016 and March 2017) to effect recovery of deficit duty of ₹ 4.92 crore. Audit scrutiny indicated that the amount was not deposited by the parties despite lapse of 150 days to 451 days, as on 31 July 2017, after issuance of the relevant orders by the CCRA. Thus, no action was found initiated by the Department (August 2017) as per provisions of the Section 46 of GS Act and Section 150 of the GLR Code/ Revenue Recovery Act. After this was pointed out, the Department issued notices under provisions of the GLR Code in October 2018 at the instance of audit.

6.6.2 Motor Vehicles Tax

Motor Vehicles Tax in respect of non-transport vehicles and some specific transport vehicles²² is levied in the form of lump sum tax as one-time tax (OTT) to be paid at the time of registration, whereas tax on other transport vehicles is levied on monthly/ half-yearly/ annual basis in advance at the rates specified under GMVT Act. Apart from this, fees for fitness certificate, permit, licence etc. are also levied. Thus, in case of transport vehicles (where tax is to be paid on monthly/ half-yearly/ annual basis) where the owners do not turn up for payment of motor vehicles tax, arrears of tax accumulate. In such cases the Department is required to issue demand notices and initiate recovery proceedings under the Revenue Recovery Act/ Gujarat Land Revenue Code, wherever required in case the dues are not paid within the time stipulated for their payment in the demand notices issued. Audit scrutiny revealed systemic/ compliance deficiencies and absence of provisions resulting in heavy pendency of arrears, mismatch in figures of arrears within the Department, shortcoming in VAHAN-IV software etc. These are discussed in the following paragraphs.

6.6.2.1 Declaring the uncollected amount as arrears of land revenue

There was no time limit prescribed in the Motor Vehicles Tax Act/ Rules for declaring the arrears as arrears of land revenue. Audit found that ₹ 209.08 crore was outstanding in 60,597 cases as on 31 March 2017. The recovery of arrears ranged from 1.82 *per cent* to 11.06 *per cent* as discussed in the following table:

²² Goods vehicles registered with Laden Weight up to 7500 Kg.

Table 05: Year wise pendency of arrears

(₹ in crore)

Year	Opening Balance of Arrears		Arrears added during the year		Total		Arrears collected during the year		Cumulative arrears at the end of the year		Percentage of recovery of arrears compared to Total arrears (9/7*100)
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	
1	2	3	4	5	6	7	8	9	10	11	12
2012-13	62,392	105.79	10,969	7.45	73,361	113.24	22,406	2.70	50,955	110.54	2.38
2013-14	50,955	110.54	11,178	5.96	62,133	116.50	3,466	2.12	58,667	114.38	1.82
2014-15	58,667	114.38	7,110	112.26	65,777	226.64	6,115	25.07	59,662	201.57	11.06
2015-16	59,662	201.57	4,514	4.62	64,176	206.19	4,798	22.57	59,378	183.62	10.95
2016-17	59,378	183.62	5,624	44.36	65,002	227.98	4,405	18.90	60,597	209.08 ²³	8.29

(Source: Information furnished by the CoT)

The information regarding the age-wise pendency of arrears of revenue for the period from 2012-13 to 2016-17 and stages of pendency was not furnished. However, out of 11 selected districts, seven²⁴ districts furnished the age-wise information. Analysis of the information revealed as under:

Table 06: Age wise pendency of arrears in respect of seven RTO/ ARTOs

(₹ in crore)

Period	Cases	Amount
Cases outstanding for more than 15 years	571	3.09
Cases outstanding between 10 and 15 years	977	2.74
Cases outstanding between five to 10 years	1,145	4.90
Cases outstanding up to five years	13,469	20.15

(Source: Information furnished by the RTO/ ARTOs)

Thus, it would be seen from the above that 1,548 cases have been outstanding for more than 10 years. The RTO/ ARTO wise details are provided in the **Annexure-D**.

RTO, Vadodara attributed non-recovery of ₹ 14.10 lakhs (out of total dues of ₹ 4.10 crore) in eight cases to stay granted by the High Court of Gujarat while ₹ 2.40 crore (in 379 cases) being more than 15 years old was shown as likely to be written off. The RTO, Surat attributed the arrears (₹ 9.10 crore) to defaulters not residing on the addresses available on record, demise of defaulters, non-availability of the details of the immovable properties of defaulters etc. As

²³ Excluding arrears of ₹ 15.93 crore (Gujarat Road Transport Corporation) and ₹ 4.36 crore (Ahmedabad Municipal Transport Service) to be collected directly by the CoT.

²⁴ Kutch-Bhuj, Panchmahal, Porbandar, Rajkot, Surat, Vadodara and Valsad.

a matter of fact, had timely action been taken, the vehicles could have been confiscated for ensuring payment of dues.

Monthly meetings of RTO/ ARTOs were being held by CoT wherein repeated instructions for expediting recovery process by improving enforcement activities were given. However, the overall arrears had increased from 2012-13 to 2016-17.

The Commissioner of Transport (CoT) had declared only ₹ 25.48 crore as arrears of land revenue in 6,128 cases. Thus, there is a need for fixing a time limit for declaring the cases as arrears of land revenue so that recovery is effected otherwise with the passage of time the life period of the vehicle expires, and it cannot ply on road. Consequently, the confiscation and auction of such vehicle would not yield in any significant recovery of arrears.

It is suggested that a provision for fixing a time limit for declaring the arrears as arrears of land revenue may be incorporated in the Act.

6.6.2.2 Analysis of Revenue Recovery Certificates (RRCs) issued

The RRC proceedings initiated under the GLR Code are administered by the Revenue Department. The Revenue Department posts its staff (*Mamlatdars*) to concerned RTO for processing such cases. The Departmental authorities (dealing with motor vehicles taxes etc.), have not been delegated the powers to recover the arrears as arrears of land revenue or issuing RRCs under the Revenue Recovery Act.

Out of the 11 RTO/ ARTOs test checked, audit noticed that only in four RTOs²⁵ 118 RRCs involving ₹ 73.17 lakh between 2012-13 and 2016-17 were issued. Out of these four RTOs, RRCs were issued by the Recovery *Mamlatdars* posted by the Revenue Department in two²⁶ RTOs while in the remaining two²⁷ RTOs; the Deputy Collectors posted as RTOs issued the RRCs. Out of these, the RTOs (Surat and Banaskantha) furnished the records. These two RTOs had issued 64 RRCs involving outstanding dues of ₹ 42.87 lakh (Surat: 47 cases- ₹ 9.05 lakh, Banaskantha: 17 cases- ₹ 33.82 lakh).

Analysis of the details of 64 RRC cases produced to Audit revealed the following:

- The two defaulters (out of 17), of RTO, Banaskantha, involving dues of ₹ 5.70 lakh had sold (May 2013) their vehicles on the basis of 'agreement to sale' but the Registration Certificates (RC) were not updated in VAHAN-IV. Consequently, the notices for recovery of dues under GLR Code were continued to be issued on the address of original defaulters since June 2016. The Department had not taken any action for updating the data of the RC despite the fact that in case of change of ownership of the vehicle,

²⁵ Ahmedabad, Banaskantha, Surat, Vadodara.

²⁶ Ahmedabad, Banaskantha.

²⁷ Surat, Vadodara.

the onus of payment of arrears lies with the buyer as per the provisions of Section 50 of MV Act.

- RTO, Surat had not maintained any register for RRC cases. However as per the statement produced to audit, it had issued 47 RRCs between May 2016 and July 2016. During audit scrutiny, it was found that files of these 47 cases were not maintained, the RRC notices were bunched together in 23 cases involving ₹ 5.35 lakh. While the remaining 24 RRCs with dues of ₹ 3.70 lakh were not found on record produced to audit. It indicates that the Department had not maintained the records properly.

In all these 64 cases details of any further action taken, apart from issuance of notices under Sections 152 relating to ‘demand as arrears of land revenue’/ Section 157 relating to ‘arrest and detention of defaulter’/ Section 189 relating to ‘summon persons’ and Section 200 relating to ‘enter upon any lands or premises’ of the GLR Code between March 2014 and July 2017, were not on record.

Thus, non-posting of the revenue authorities in the respective RTO/ ARTOs and absence of delegation of powers for taking action for recovering the arrears as arrears of land revenue, resulted in non-recovery of the arrears in the MVT Department.

The Government/ Revenue Department may consider posting of Recovery Mamlatdar/ Deputy Mamlatdar in each RTO/ ARTOs or delegate the necessary powers under GLR Code to the Departmental authorities.

6.6.2.3 VAHAN-IV

With a view to automate all Vehicle Registration related activities, Ministry of Road Transport and Highways (MoRTH), Government of India entrusted the National Informatics Centre (NIC) with the task of standardizing and deploying VAHAN software for Vehicle Registration and of compiling the data with respect to Vehicle Registration of all the States in State Register and National Register. The VAHAN software was conceptualized to capture the functionalities as mandated by Motor Vehicles Act, 1988 as well as State Motor Vehicles Rules with customization in the core product to suit the requirements of States/ UTs.

The latest version (i.e. VAHAN-IV) was implemented across the State in a phased manner (between February and July 2017) by replacing VAHAN-I/ II which were local server based software.

6.6.2.3.1 Deficiencies in migration of data from VAHAN-I/ II to VAHAN-IV

The ‘Tax Defaulter List’ module of VAHAN-IV provides for tax defaulter report ‘date wise’ as well as ‘registration no. wise’. VAHAN-IV provides age-wise pendency of defaulters on a particular date, but it does not provide the facility for extracting list of defaulters for any preceding period. As a result, the

software does not facilitate control measures for analysing pendency of arrears year/ period wise and their collection.

Audit noticed discrepancies in registration, tax defaulters' data generated by the system, as discussed below:

- As per the manual data furnished by the CoT, there were 60,597 cases of arrears as on 31 March 2017 out of which 59,378 cases (97.99 per cent) were pending as on 31 March 2016 (Table 05). While the number of defaulters as per report generated from VAHAN-IV software by Audit between March and August 2018; was 40,503, only 8,697 cases (21.47 per cent) were older than one year.
- Audit generated data of tax defaulters from VAHAN-IV in respect of 11 taxation authorities covered in the PA. On scrutiny of the data, it was revealed that out of 40,503 tax defaulters, in 192 cases there were invalid²⁸ entries in the Registration modules of transport and non-transport vehicles falling under the jurisdiction of eight²⁹ taxation authorities. The registration numbers in respect of these were depicted as pure numeric or with roman letters despite provisions (Section 39 of the MV Act) that each registration number should contain State Code (GJ), two digits representing RTO/ district and the serial number of the vehicle. The tax dues in these cases amounted to ₹ 2.53 crore for the period between March 2011 and March 2019. In the absence of the registration number, it was difficult for the RTOs to identify these vehicles and initiate necessary recovery proceedings.
- Four RRC cases involving dues of ₹ one lakh and above (aggregating to ₹ 8.87 lakh) pertaining to RTO, Banaskantha as discussed earlier, were not reflected in the list of outstanding defaulters as per VAHAN-IV data.

After pointing out the wide variation in the percentage of defaulters older than one year, the CoT stated that the data of VAHAN-I/ II was migrated (between February and July 2017) into VAHAN-IV by NIC. The data migrated into VAHAN-IV was not validated with the departmental records to ensure correctness of the data migrated.

The Department may consider reconciliation of VAHAN-IV data with the manual data of old outstanding arrears and ensure correctness of the entries made in the software and validate its entries.

6.6.2.4 Action not taken for recovery of dues on outstanding dues not covered under RRCs

As per Section 12 of the GMVT Act 1958 defaulters are required to be served a notice for payment of the outstanding dues. However, it was noticed in six³⁰

²⁸ Numeric digits, XX 11002147 etc.

²⁹ Ahmedabad, Banaskantha, Kutch-Bhuj, Panchmahal, Porbandar, Sabarkantha, Vadodara and Valsad.

³⁰ There were no defaulters with dues more than ₹ one lakh pending for more than one year in RTO/ ARTO- Devbhumi Dwarka, Kutch-Bhuj, Rajkot, Surat, Vadodara.

RTO/ ARTOs that out of 398 cases in 361 cases (involving tax of more than ₹ one lakh which were outstanding for more than one year) notices were not issued despite the fact that a module for this purpose exists in VAHAN-IV as detailed below:

Table 07: Details of Non RRCs cases pending for necessary action

(₹ in crore)

Sl. No.	District Office	No. of defaulters	Period of default ³¹	Amount of dues	Action taken by the taxation authorities
1	Sabarkantha	151	April 2011 to March 2019 ³²	2.16	Demand notices not issued
2	Ahmedabad	62	April 2012 to January 2018	0.95	Demand notices were issued at the instance of audit
3	Porbandar	71	April 2013 to March 2019	0.91	Demand notices not issued
4	Banaskantha	34	April 2011 to March 2018	0.48	Demand notices not issued
5	Valsad	24	April 2011 to March 2019	0.29	Demand notices not issued
6	Panchmahal	19	April 2013 to March 2018	0.22	Demand notices were issued at the instance of audit
	Total	361		5.01	

Thus, despite issue of instructions by the CoT from time to time, the RTO/ ARTOs did not act as per the instructions. As such the demand notices were not issued timely in the above cases and follow up of instructions was also not monitored by the CoT. This indicates flaws in the internal control mechanism of the Department.

The Department may consider establishing a mechanism for timely issue of demand notices/ RRCs (wherever tax is not paid) under Section 12 of the Gujarat Motor Vehicles Tax Act.

6.6.2.5 Recovery of tax from the owners of auctioned vehicles

Ports and Transport Department vide its Notification³³ (under Section 12 B of the GMVT Act) dated 30 March 2007 authorised the Assistant Inspectors of Motor Vehicles and above to seize and detain vehicle (s) of defaulters of tax and other dues until such dues and charges for the custody and maintenance of vehicle (s) is paid. It was further provided under the Section that if the tax due is not paid within a period of three months from the date on which such vehicles has been seized or detained, such vehicle shall be liable to be sold by auction by the taxation authority. It was also provided that if the amount of tax dues was not fully recovered even after auction of such vehicles, the taxation authority

³¹ VAHAN-IV generates statement of defaulters from the month of first default to date of generation of statement. Precise month/ quarter/ year of default falling in between the two dates cannot be ascertained.

³² Since payment for 2018-19 becomes due on 01 April 2018.

³³ No. PT/2007/28/MVD/102007/685/KH.

may seize or detain such other vehicle or vehicles owned or possessed or controlled by such person and sell such vehicle or vehicles by auction.

Audit called for the details of action taken by the RTOs/ ARTOs of 11 districts regarding attachment of vehicles of tax defaulters. Of these, RTO Rajkot informed that 20 vehicles of tax defaulters involving tax dues of ₹ 1.07 crore were auctioned (November 2016) for ₹ 8.15 lakh. No further action such as identifying the other vehicles owned/ controlled by such tax defaulters or other course of action for recovery of remaining tax and other dues was initiated by the taxation authority. This resulted in non-recovery of tax and other dues of ₹ 98.81 lakh. The remaining 10 RTOs/ARTOs replied that no proceedings were initiated for confiscating the vehicles.

The Government may consider streamlining the process of enforcing the provisions of the Act regarding confiscating and auctioning the vehicles and other properties of the defaulters for realisation of the tax dues.

6.6.3 Mining Receipts

The mining receipts mainly consist of royalty, dead rent, surface rent etc. Their assessment and collection are regulated under the Central and State Act/ Rules and notifications issued thereunder. The royalty is to be paid in advance while the dead rent and surface rent are payable annually. Audit noticed that lessees defaulted in payment of dead rent and surface rent. Besides, there were unpaid amounts of royalty on illegal extraction/ transportation of minerals. These formed a part of arrears and can be recovered as arrears of land revenue. For this purpose, the District Geologist/ Assistant Geologist send requisition to the concerned District Collector for initiation of proceedings to recover the arrears as arrears of land revenue.

The Revenue Department vide its Circular dated 11 December 2001 read with Circular dated 25 February 2005 had directed the District Collector to enter the details of RRCs in the prescribed format and initiate recovery proceedings by issuing demand notices to the defaulters. The competent authority is required to review the progress of recovery made in the individual cases on monthly basis and ensure prompt recovery. In cases where the whereabouts of the defaulters are not known, the Police Department should be asked to undertake detailed investigation. The reconciliation of the RRCs issued between the District Collector and *Mamlatdar* offices is required to be done every three months.

6.6.3.1 Status of arrears of mining receipt

The Department has maintained the Demand and Collection Register at the district level. The status of arrears along with their age wise pendency as on March 2017 as furnished by Commissioner of Geology and Mining (CGM) (November 2018) was as under:

Table 08: Age wise pendency of arrears

(₹ in crore)		
Age (years)	cases	Amount
Up to 5 Years	2,859	86.19
5-10 years	1,853	27.85
10-15 years	623	21.26
Above 15 years	1,361	19.35
Total	6,696	154.65

(Source: Information furnished above by the CGM was at variance with the information furnished and mentioned in Para no 6.5 (₹ 155.28 crore) by ₹ 63 lakh.)

Of these, proceeding under the GLR Code was initiated in 1,058 cases involving ₹ 55.98 crore in the selected 11 districts.

From the above, it can be seen that 29.63 *per cent* of the arrears were more than 10 years old (1,984 cases involving arrears of ₹ 40.61 crore). Out of the total pending cases, stay was granted by the High Court/ District Court in three cases³⁴ involving ₹ 9.50 crore.

6.6.3.2 Follow-up action on RRCs issued

Audit called for the details of RRCs issued and further follow up action taken for recovery of dues from 11 Geologists/ Assistant Geologists covered under the Performance Audit.

- As per the information furnished by the eight³⁵ Geologists/ Assistant Geologists, out of 2,949 cases involving arrears of ₹ 90.51 crore, RRCs were issued in 1,058 cases involving dues of ₹ 55.98 crore pertaining to the period prior to 1979 and up to 2015-16. Thus, the oldest pending RRCs pertained to period as old as 39 years. Year wise analysis of the 1,058 RRCs involving ₹ 55.98 crore issued between February 1979 and February 2016 in these eight offices is mentioned in the **Annexure-E**.
- RRCs were not issued in the remaining 1,891 cases being 64 *per cent* of the total cases. There was no time limit fixed for treating the arrears as arrears of land revenue in the Mines and Minerals (Development and Regulation) Act and the Gujarat Minor Mineral Concession Rules (GMMCR), 2010 and Amendment Rules (GMMCAR), 2015. Absence of the specific provisions in this regard provided free hand to the assessing authorities to decide when to take action under the GLR Code/ Revenue Recovery Act.

The Department did not produce individual case files to ascertain various stages of action initiated for recovery of dues as arrears of land revenue. The Department could produce only the RRCs or list of the RRCs issued. The Department stated that the cases being old ones and due to shifting of records, these files could not be traced. The facts indicate that the Department needs to

³⁴ Banaskantha: 02 cases – ₹ 0.20 crore and Valsad: 01 case – ₹ 9.30 crore.

³⁵ Ahmedabad, Banaskantha, Panchmahal, Porbandar, Rajkot, Sabarkantha, Surat and Vadodara.

develop a mechanism with fixed time frame for early finalisation of the cases so that these do not become untraceable with the passage of time.

Assistant Geologist, Devbhumi Dwarka did not furnish the required information whereas the information furnished by two Geologists/ Assistant Geologists at Kutch-Bhuj and Valsad was incomplete.

6.6.3.3 Cross checking of RRCs issued with the records of Revenue Authorities

To evaluate the efficiency and efficacy of the Department in pursuing the recovery proceedings under GLR Code/ Revenue Recovery Act, audit cross verified 38 cases (selected randomly out of 370 cases) involving dues of ₹ 5.48 crore issued by three³⁶ Geologist/ Assistant Geologists with the records of the revenue authority. The observations are narrated in the following table:

Table 09: Result of cross checking of RRCs

(₹ in lakh)

Sl. No.	RRC issuing Geologist/ Assistant Geologist	Revenue Authority (Mamlatdar) to whom RRC was issued	No. of RRC (s) issued	Amount of RRC (s)	Results of Cross Checking
			Period of issuance of RRCs		
1	Porbandar	Ranavav	10	13.39	Action for recovery was not initiated by the <i>Mamlatdar</i> (as per letter dated 10 May 2018) on the ground that the RRCs were not routed through proper channel i.e. District Collector office. No further action was taken by the Department
			Between August 2004 and November 2011		
2	Rajkot	Rajkot City (East)	8	7.69	Demand notices under Section 152/ 154/ 200 of the Gujarat Land Revenue Code (GLRC) 1879 were issued between 06 July 2005 and 27 February 2015. In four cases (Rajkot: 2, Amreli: 2) involving dues of ₹ 3.96 lakh, the defaulters were not found on the addresses mentioned in the RRCs and the notices were returned undelivered. In the remaining four cases, the response of the defaulters to the notices was not available on record. No further action for recovery of the amount was initiated in all the eight cases.
			In March and September 2005		
		Rajkot	4	3.64	Demand notices under Section

³⁶ Porbandar, Rajkot and Sabarkantha.

		City (West)	September 2005		152/ 154/ 200 of the GLRC were issued between 17 October 2005 and 15 June 2015. In all the four cases, the defaulters were not found on the addresses mentioned in the RRC due to change in ownership and the notices were returned undelivered. No further action was initiated in these cases.
3	Sabarkantha (Himatnagar)	Himatnagar	10 Between June 1996 and October 2010	23.31	These RRCs were found entered in the Register of RRCs. However, details of further action, if any taken by the <i>Mamlatdar</i> for recovery of dues were not on record.
		Idar	2 August 2006 and December 2014	7.78	No further action for recovery was found on record. Though recovery in these cases was still outstanding as per the records of the Geologists/ Assistant Geologist. These RRCs were not shown as outstanding in the Monthly Statement of Pending RRCs for March 2017 and April 2018 of the <i>Mamlatdar</i> .
		Khedbrahma	1 August 2006	8.29	The <i>Mamlatdar</i> issued notice under Section 152 of the GLRC on 15 September 2006 and 06 November 2006. Though recovery in this case was still outstanding as per the records of the Geologists/ Assistant Geologist the RRC was not shown as outstanding in the Monthly Statement of Pending RRCs for March 2017 and March 2018 of the <i>Mamlatdar</i> .
		Prantij	2 March 2014	464.97	The RRCs were forwarded to the concerned <i>Talati</i> for further necessary action, however further action taken by the <i>Mamlatdar/ Talati</i> was not found on record. Though recovery in these cases was still outstanding as per the records of the Geologists/ Assistant Geologist these RRCs were not shown as outstanding in the Monthly Statement of Pending RRCs for March 2018 of the <i>Mamlatdar</i> .
		Talod	1 March 2014	18.76	The RRC was found entered on 19 March 2014 in the Daily Work Sheet maintained by the <i>Mamlatdar</i> , and forwarded to Circle Officer for taking necessary action. Notices were

					issued to the defaulter on 19 March 2014 / 23 May 2014 by the Circle Officer/ <i>Mamlatdar</i> . Though recovery in this case was still outstanding as per the records of the Geologists/ Assistant Geologist the RRC was not shown as outstanding in the Monthly Statement of Pending RRCs for March 2018 of the <i>Mamlatdar</i> .
		Total	38	547.83	

In respect of cases at Sl. No. 1 and 2, the notices issued had remained undelivered and returned back. These were required to be referred to the Police Department for further investigation. However, no action was taken to trace the defaulters.

In respect of cases at Sl. No. 3, recovery of arrears was outstanding but the concerned *Mamlatdar* removed the RRCs issued by the Geologist/ Assistant Geologist from the list of pending RRCs. No reconciliation between the offices of the Geologist/ Assistant Geologist and the concerned *Mamlatdar* was done. With the result, these RRCs remained out of the purview of the recovery process.

Thus, lack of proper monitoring, follow-up resulted in non-recovery of the dues. Besides, reconciliation of RRCs between the offices of the Geologist/ Assistant Geologist and the concerned *Mamlatdar* would have prevented the incorrect removal of the demands raised by Department. This resulted in non-recovery of outstanding dues of ₹ 5.48 crores in 38 RRC cases even after lapse of 22 years after issuance of RRCs in certain cases.

The Department may consider establishment of a mechanism for proper follow-up and reconciliation of the RRCs with the jurisdictional revenue authorities to ensure recovery of outstanding Government dues.

6.6.3.4 Non/ delayed action for raising the demand

The year wise status of number of cases and amount of arrears involved not covered under RRC in case of 10³⁷ Geologist/ Assistant Geologist out of the 11 selected offices is given in the following table:

³⁷ Ahmedabad, Banaskantha, Kutch-Bhuj, Panchmahal, Porbandar, Rajkot, Sabarkantha, Surat, Vadodara and Valsad (Devbhumi Dwarka did not furnish the information).

Table 10: Year wise status of Non-RRC cases

(₹ in crore)

District	2012-13		2013-14		2014-15		2015-16		2016-17	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Ahmedabad	102	0.29	298	1.01	331	1.05	331	1.05	351	1.15
Banaskantha	191	0.94	180	2.37	214	3.16	84	3.01	113	3.44
Kutch-Bhuj	611	9.51	573	11.29	590	16.58	552	13.62	719	15.78
Panchmahal	301	1.17	273	0.97	244	0.77	262	0.99	175	0.56
Porbandar	356	45.78	229	11.69	70	11.03	146	11.52	215	12.3
Rajkot	133	0.81	97	1.17	132	1.36	109	1.26	305	2.74
Sabarkantha	77	1.55	143	3.28	113	3.06	139	11.03	159	11.64
Surat	345	0.55	345	0.55	368	0.63	362	0.82	345	0.84
Vadodara	314	3.75	342	4.33	281	3.09	280	2.43	228	1.86
Valsad	100	9.52	88	9.5	118	9.59	159	9.81	163	10.84
Total	2,530	73.87	2,568	46.16	2,461	50.32	2,424	55.54	2,773	61.15

Out of 2,773 cases the details of 175 cases pertaining to Panchmahal was not made available.

In the 2,598 cases pending as on 31 March 2017, nine³⁸ Geologist/ Assistant Geologist issued demand notices in 1,425 cases involving ₹ 19.68 crore³⁹ till December 2017. These included 305 cases, involving ₹ 2.74 crore in which demands were issued at the instance of audit.

In the remaining 1,348 cases, including 175 cases of Assistant Geologist Panchmahal there was neither anything on record to indicate that the demand notices were issued nor did authorities produce individual case files to audit for scrutiny.

The maintenance of the records in these cases could also not be verified. Thus, in the absence of proper records, it could not be ascertained whether appropriate action (s) were initiated by the concerned Geologist/ Assistant Geologist to recover the Government dues.

The Department may ensure proper maintenance of records by all the Geologists/ Assistant Geologists for effective follow-up of outstanding cases including RRC cases. Further, the Department may consider for prescribing time limit after which action under the Revenue Recovery Act/ GLR Code should be initiated to recover the arrears as arrears of land revenue.

³⁸ Ahmedabad, Banaskantha, Kutch-Bhuj, Porbandar, Rajkot, Sabarkantha, Surat, Vadodara and Valsad. It does not include 175 cases of Panchmahal.

³⁹ Amount not made available by Geologist/ Assistant Geologist Ahmedabad, Kutch-Bhuj and Valsad.

6.6.4 Taxes and duties on Electricity

6.6.4.1 Arrears of revenue

The information on the age-wise pendency of arrears of revenue for the period from 2012-13 to 2016-17 as furnished by the Collector of Electricity Duty (CED) (February 2018) is as under:

Table 11: Year wise pendency of arrears (Taxes and Duties on Electricity)

(₹ in crore)

	2012-13		2013-14		2014-15		2015-16		2016-17		2017-18	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
Opening Balance	10	342.49	10	145.62	09	140.00	09	140.44	06	135.64	04	108.61
Additions during the year	00	2.48	00	18.02	00	0.64	00	1.15	00	00	00	56.34
Recovery effected during the year	00	199.35	01	23.64	00	0.20	00	0.91	02	27.03	00	16.26
Dues treated as non-recoverable	00	00	00	00	00	00	03	5.04	00	00	00	00
Closing Balance	10	145.62	09	140.00	09	140.44	06	135.64	04	108.61	04	148.69

(Source: Information furnished by the CED)

As per information furnished (February 2018) by the CED, as on 31 December 2017 ₹ 148.69 crore pertaining to the periods from November 1996 to November 2017 was pending for recovery from four consumers. The details of these consumers are as under:

Table 12: Details of consumers from whom arrears are to be recovered

(₹ in crore)

Name of consumer	Amount of arrears	Period of arrears	Status of recovery process
Sanghi Cements, Kutch	83.34	November 2005 to July 2017	Stayed by the High Court.
Alembic Ltd., Vadodara	19.88	November 1996 to November 2017	Stayed by the High Court
Baroda Rayon Ltd., Surat	8.09	November 1999 to July 2008	Unit had been closed with effect from 27 July 2008 and case was pending in the Board for Industrial and Financial Reconstruction (BIFR).
Essar Power Ltd., Surat	37.38	November 1999 to March 2002	Recovery proceedings were under progress and RRC for ₹ 155.30 crore including interest ⁴⁰ of ₹ 117.92 crore issued on 21 July 2018

- **Delay in initiating recovery process under the GLR Code**

‘Essar Power Ltd.’ had supplied electricity to ‘Essar Steel’ between November 1999 and March 2002. The Department vide its order dated 23 January 2006 asked Essar Power Ltd. to pay tax on supply of such electricity under the Gujarat Tax on Sale of Electricity (GTSE) Act 1985.

⁴⁰ From April 2002 to January 2018.

Aggrieved by the order of the Department, Essar Power Ltd. filed special civil application before the High Court of Gujarat. The High Court of Gujarat vide its order dated 06 March 2007 set aside the order dated 23 January 2006 of the Department and remitted the case to Principal Secretary, EPD for fresh consideration to be decided preferably within two months. However, the Additional Chief Secretary (ACS), EPD decided the case on 14 August 2017 with a delay of more than 10 years and held 'Essar Power Limited' liable to pay tax under the GTSE Act. Accordingly, CED demanded tax of ₹ 37.38 crore along with accumulated interest of ₹ 117.92 crore aggregating to ₹ 155.30 crore in February 2018.

Thus, delay on the part of EPD to decide the case afresh in-time resulted in accumulation of arrears to the tune of ₹ 155.30 crore including interest of ₹ 117.92 crore up to January 2018. Moreover, since the dues were 18 years old and were pending for recovery from 1999, the CED was required to issue RRC to the jurisdictional District Collector for recovery of dues as arrears of land revenue. However, CED belatedly issued RRC in July 2018 at the instance of audit.

- **Removal of consumers from the list of defaulters without approval of the Government**

As per information furnished (February 2018) by the Collector of Electricity Duty (CED), ₹ 140.44 crore was due for recovery from nine consumers as on 31 March 2015. This included ₹ 5.04 crore, pertaining to the period June 1997 to September 2006, to be recovered from three⁴¹ consumers. The CED issued⁴² Revenue Recovery Certificates (RRCs) to the jurisdictional District Collectors⁴³ for recovery of dues as arrears of land revenue. The District Collector, Ahmedabad had to recover ₹ 3.11 crore from M.H. Mills Ahmedabad. However, he could recover⁴⁴ dues of ₹ 0.59 crore (out of ₹ 3.11 crore) from M.H. Mills. The remaining amount was declared to be non-recoverable by the respective District Collectors. Accordingly, the CED sent⁴⁵ proposals to the Energy and Petrochemicals Department (EPD) to write off such irrecoverable amount. No approval was received from the State Government to write off the dues as proposed by the CED till February 2018. However, the CED removed the dues pertaining to these three consumers from its list of outstanding dues without consent of the State Government.

Thus, there was removal of cases from the outstanding amount without approval from the competent authority.

⁴¹ M.H. Mills Ahmedabad (₹ 3.11 crore), Arunodaya Mills Rajkot (₹ 1.14 crore) and Mahendra Mills Gandhinagar (₹ 0.79 crore).

⁴² Date of issuance of RRCs was not ascertainable from the records.

⁴³ Ahmedabad, Gandhinagar and Rajkot.

⁴⁴ June 2015.

⁴⁵ March/ July 2015.

6.7 Internal Control mechanism in the State for recovery of arrears

6.7.1 Government of Gujarat vide its Resolution dated 15 April 2005 appointed a Committee under the Chairmanship of Principal Secretary, Finance Department with Principal Secretaries of five⁴⁶ other Departments as members, for the purpose of monitoring the revenue of the State. The functions of the Committee include regular and close monitoring of various tax receipts of the State on monthly basis, rationalization and simplification of tax structure and recovery of outstanding tax dues. Thus, the Committee was required to review the status of revenue and arrears on monthly basis. However, only 13 meetings were held between October 2012 and September 2016. Details of meetings held thereafter, if any were not made available to audit. No meeting was conducted after September 2016. The directions given by the Committee to the various departments/ authorities in its meetings and results thereof are detailed below:

6.7.1.1 Stamp Duty and Registration Fees (SD&RF)

- Discussions regarding recovery of outstanding arrears of Stamp Duty and Registration Fees were held in four⁴⁷ out of 13 meetings of the committee. Audit noticed that instructions were given to the Superintendent of Stamps (SS) during the meetings to take action to minimize the outstanding dues and give priority to high value cases and cases pending under Section 32(A) the GS Act. The SS was further asked to prepare an action plan to recover outstanding amounts of Stamp Duty. The SS issued instruction in September 2016 to all the DCs (SDVO) of the State to take up cases pending under Section 32(A) and Section 33 of the Act on the basis of outstanding amounts. The DCs (SDVO) were also asked to make action plan in this regard under intimation to SS. The action plan in this regard was not found on record nor was it produced to audit. Besides, no progress was called for or reported to the Committee regarding any action plan for disposal of cases and recovery of outstanding amounts.

6.7.1.2 Motor Vehicles Tax (MVT)

- Discussions regarding recovery of outstanding arrears of Motor Vehicles Tax were held in six⁴⁸ out of these 13 meetings of the committee. Audit noticed that instructions were given to the CoT during the meetings to strengthen, improve and automate the working of check posts to check leakage of revenue and fix targets for vehicle checking. Further, *Mamlatdars* were instructed to issue RRCs. The CoT was further asked to frame a micro plan for recovery of outstanding dues including interest waiver scheme in respect of tax dues. The CoT vide letter dated 26 October 2016 addressed to the Finance Department stated that authorities had been asked to speed up recovery of dues as arrears of land revenue. No meeting was held after September 2016. However, the fact remains that the amount of arrears had continuously increased between 2012-13 and 2016-17 and there was decrease in the pace of recovery from 2014-15 to 2016-17.

⁴⁶ Energy and Petrochemicals, Home, Information and Broadcasting, Revenue, Transport.

⁴⁷ Held between 9 October 2012 and 16 September 2016.

⁴⁸ Held between January 2014 and September 2016.

Moreover, the Recovery *Mamlatdars* were not posted in all the RTO/ARTOs.

6.7.1.2.1 Deficiencies noticed in Management Information System (MIS) in Transport Department.

The Department has prescribed⁴⁹ MIS in the form of ‘monthly progress report of recovery’ required to be submitted by the RTO/ARTOs to the CoT in Form-7 by 5th of the succeeding month. A comparison of the figures of the monthly progress report furnished by the four RTOs and the figures available with the CoT as on 31 March 2017 revealed variation in the number of defaulters and amount of tax dues as mentioned in the following table:

Table 13: Variation in the position of tax defaulters/ amount of tax as on 31 March 2017

(₹ in crore)

RTO/ ARTO	Figures as per Monthly Arrears Report submitted to the CoT office		As per the information furnished by the CoT to Audit		Difference (+/-) between information furnished by RTO/ARTO Offices and CoT	
	No. of Defaulters	Amount of outstanding tax	No. of Defaulters	Amount of outstanding tax	No. of Defaulters	Amount of outstanding tax
Ahmedabad	2,893	12.42	5,277	20.58	(-) 2,384	(-) 8.16
Rajkot	6,142	8.36	6,893	2.38	(-) 751	(+)5.98
Surat	10,661	9.10	12,403	10.46	(-) 1,742	(-)1.36
Vadodara	3,491	40.99	1,300	20.58	(+) 2,191	(+)20.41
Total	23,187	70.87	25,873	54.00	(-) 2,686	(+) 16.87

(Source: Information compiled from the Monthly Progress Report of recovery furnished by the respective RTO/ARTO and information received from CoT)

The remaining seven⁵⁰ RTO/ARTOs did not produce the monthly progress report to audit. The Department made no effort for reconciliation of the figures.

Since, returns and reports from the field offices serve as important tools of internal control, their correctness and follow up of the instructions given in the monthly meetings should have been ensured. An efficient internal control would have rendered more collections and reduction in arrears.

6.7.1.3 Mining Receipts

- Audit noticed that the CGM was neither a member of the monitoring committee nor any discussion took place in the Committee for recovery of outstanding dues of mining receipts. The amount of arrears continued to rise from ₹ 92.67 crore (2012-13) to ₹ 154.65 crore (2016-17).

The Finance Department stated (October 2018) that the recovery of non-tax revenues (Mining Receipts) was being separately dealt with by the Department.

⁴⁹ Instructions given in the Monthly Review Meetings on the working of RTO/ARTOs.

⁵⁰ Banaskantha, Devbhumi Dwarka, Kutch-Bhuj, Porbandar, Rajkot, Sabarkantha, Valsad.

However, the Department did not furnish the details of mechanism established for pursuing the arrears of non-tax revenue.

6.7.1.4 Taxes and Duties on Electricity (TDE)

- Discussions regarding recovery of outstanding arrears of Electricity Duty were held in four⁵¹ out of 13 meetings of the committee. Audit noticed that instructions were given to the CED to review the court cases involving outstanding dues of Electricity Duty and expedite the process of recovery of arrears. However, there was nothing on record to indicate the progress made in collection of the arrears by the CED. The amount of arrears were reduced from ₹ 145.62 crore (2012-13) to ₹ 108.61 crore (2016-17).

The above facts indicate that the Committee could not give adequate weightage to its role regarding reviewing the status of revenue and arrears on monthly basis as stipulated in para 2 (iii) of the Resolution dated 15 April 2005.

6.7.2 Maintenance of the records

- **Stamp Duty and Registration Fee**

Section 32A of the GS Act provides that if the officer registering the instrument believes that the consideration set forth in the document presented for registration is not as per the market value of the property, he shall refer the same to the DC (SDVO) for determination of the market value of the property. The DC (SDVO) determines the market value as per the Gujarat Stamp (Determination of Market Value of the Property) Rules, 1984 and the order is issued thereunder. However, the Rules did not prescribe for any register to be maintained in a specified format indicating the demand raised and amount collected by the jurisdictional DC (SDVO). Examination of the records revealed as under:

In 12⁵² out of 15⁵³ DCs (SDVO) test checked in audit, it was noticed that the details of receipt of valuation cases from the jurisdictional registering authorities were maintained in registers kept in different formats. The cases disposed of were either rounded off from the register or corresponding entries of clearance were recorded against the entry for receipt. No periodical summary of the cases received and disposed of was prepared by the Department. Thus, the register served little purpose for monitoring the receipt and disposal of the cases. Besides there was no system to ensure follow up action for raising the demands, recoveries effected and total outstanding dues determined as per the valuation orders.

On this being pointed out, the Superintendent of Stamps stated (November 2018) that necessary registers would be maintained and closed on regular basis.

⁵¹ Held between September 2014 and September 2016.

⁵² Ahmedabad-II, Banaskantha, Devbhumi Dwarka, Kutch-Bhuj, Panchmahal, Porbandar, Rajkot I, Rajkot II, Sabarkantha, Surat II, Vadodara I and Valsad.

⁵³ Ahmedabad I and II, Banaskantha, Devbhumi Dwarka, Kutch-Bhuj, Panchmahal, Porbandar, Rajkot I and II, Sabarkantha, Surat I and II, Vadodara I and II and Valsad.

- **Motor Vehicles Department**

As per the instructions dated 25 February 2005 of the Revenue Department, each revenue authority issuing the RRCs was required to maintain the RRC registers in the prescribed forms.

Audit scrutiny however revealed that out of the four⁵⁴ RTOs who had issued RRCs, RTO, Banaskantha had maintained the register while RTO, Vadodara stated that it was being maintained but did not produce any such register to audit. The remaining two units had not maintained the register. Test check of RRC register maintained at RTO, Banaskantha revealed that it was not closed on monthly basis and the entries made therein were not authenticated. In the absence of such verification, the authenticity of the RRC records could not be ascertained by audit.

6.7.3 Use of computer aided facility for recovery of tax dues

During the conduct of Performance Audit, it was noticed that the records pertaining to outstanding dues i.e. status of raising of demands, receipt and pendency of taxes and duties were not available online/ electronic form with the concerned authorities except RTO/ ARTOs where the position of arrears in respect of individual tax defaulters are available in VAHAN-IV. Further, demand notices in respect of MVT are being generated with the help of VAHAN software. However, in rest of the Departments the records pertaining to outstanding dues are being maintained manually.

The Government/ Department (s) may consider maintenance of electronic database of outstanding dues which would facilitate periodical monitoring and prompt follow-up action for timely recovery of arrears.

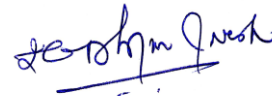
6.8 Conclusion and Recommendations

The Performance Audit of 'Mechanism in the State for Collection of arrears of revenue' revealed that the records relating to tax defaulters were not maintained properly, the Revenue Recovery Certificates (RRCs) issued under the GLRC were not followed properly by the Departmental Authorities with the concerned Revenue Authorities. Besides, cases in which RRCs were not issued were not pursued diligently either for issue of RRC or realisation of the arrears. There was lack of co-ordination between the Departmental Authorities and the Recovery authorities. There was no follow-up of the instruction issued by the Stamp Duty and Registration Department for finalisation of the adjudicated cases. In the Motor Vehicles Tax Department, the figures mentioned in the monthly returns submitted by the RTO/ ARTOs to the CoT were at variance with the figures supplied by the CoT. The necessary checks and validation of data were not carried out while migrating from VAHAN-I/ II to VAHAN-IV. Defaulters in payment of Electricity duty were removed from the list of outstanding cases of recovery without any authority. The committee framed by the Government meant for monitoring the realisation of the arrears did not meet

⁵⁴ Ahmedabad, Banaskantha, Surat, Vadodara.

on monthly basis as desired by it. It did not watch the compliance of the instructions issued by it to the Departments for realisation of the arrears.

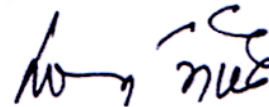
The Government may direct the Departments for taking remedial measures for realisation of the arrears in a time bound manner, ensuring better co-ordination between the concerned authorities, take necessary steps for enforcement of the provisions for recovery of the arrears under GLRC and ensure correct maintenance of the data and other related records.



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