

OVERVIEW

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This Report contains an Audit on “Mining Receipts from Major Minerals in Madhya Pradesh” and 19 paragraphs relating to State Excise, Taxes on sales, trade etc., Taxes on Vehicles, Stamps Duty and Registration Fees, Mining Receipts and Land Revenue. The total financial implication of the Report is ₹ 300.81 crore. The Government/Departments have accepted audit observations involving ₹ 90.15 crore out of which ₹ 4.85 crore was recovered. Some of the major findings are summarised below:

1 General

The total receipts of the State Government amounted to ₹ 1,34,875.41 crore for 2017-18 against ₹ 1,23,306.79 crore for 2016-17. The State’s own revenue was ₹ 53,872.05 crore (39.94 *per cent* of total receipts); the share of receipts from Government of India was ₹ 81,003.36 crore (60.06 *per cent* of total receipts).

(Paragraph 1.2.1)

Audit observed wide variations between the budget estimates and actual receipts under various heads of accounts. The Finance Department did not provide any evidence to show that budget estimates were prepared after due consultations with the administrative Departments concerned or after considering the actual trend of receipts.

(Paragraph 1.2.3)

Arrears of revenue as on 31 March 2018 on Taxes on sales, trade, etc., State Excise, Stamps Duty and Registration Fees, Mining Receipts, and Taxes and Duties on Electricity amounted to ₹ 6,057.26 crore of which ₹ 2,553.81 crore was outstanding for more than five years.

There was no mechanism to monitor the progress of collection of arrears or to assess reasons for accumulation of arrears. The Departments do not have a database of outstanding arrears at Apex level. Figures of outstanding arrears are compiled each year, at the instance of Audit, from the data furnished by field units.

(Paragraph 1.3)

Analysis of Inspection Reports disclosed that 25,030 paragraphs involving potential revenue of as much as ₹ 23,884.71 crore relating to 5,477 IRs were outstanding at the end of June 2018.

(Paragraph 1.5)

Audit test-checked records of 287 out of 980 units relating to Commercial Tax, State Excise, Taxes on Vehicles, Land Revenue, Stamp Duty and Registration Fees, Mining Receipts during 2017-18 and observed underassessment/short levy/loss of revenue amounting to ₹ 1,542.04 crore in 77,886 cases. The Departments concerned accepted underassessment and other deficiencies of ₹ 459.11 crore involved in 7,840 cases which were pointed out in audit during 2017-18 and recovered ₹ 42 lakh in 199 cases.

(Paragraph 1.7)

2 State Excise

Fifteen licensees of AEC, Indore deposited ₹ 1.20 crore in Treasury instead of payable Excise Duty and License Fees of ₹ 37.42 crore by tampering with 1,061 challans produced to the Department, which were not reconciled with Treasury's records. The weak internal control in the Department led to loss of revenue ₹ 36.22 crore. Similar issues of weak internal control, like lack of monitoring, non-conducting of internal audit, absence of reconciliation of receipts between Department and Treasury were also found in five other AEC Offices which might be a red flag for potential fraud.

(Paragraph 2.7)

3 Commercial Tax

The Commercial Tax Department has failed to comply with the orders (December 2015) of the PAC to establish an Internal Audit Wing and on initiating measures to ensure non-recurrence of irregularities pointed out by Audit in earlier Reports.

(Paragraph 3.3)

The Assessment Authorities (AAs) under-assessed the taxable turnover by ₹ 37.83 crore. As a result, tax of ₹ 2.91 crore and penalty of ₹ 3.25 crore could not be levied.

(Paragraph 3.6)

The AAs allowed input tax rebate (ITR) of ₹ 48.07 crore against the admissible ITR of ₹ 45.17 crore resulting in short realisation of ₹ 5.10 crore including penalty of ₹ 2.20 crore in 70 assessment cases.

(Paragraph 3.7)

The AAs did not levy Entry Tax or levied it at incorrect rates on goods, like machinery, stones, motor car auto parts, cement, iron and steel, oils, arms and ammunition, soyabean, HDPE woven bags, coal, etc. on their entry into local area. As a result, Entry Tax amounting to ₹ 1.94 crore could not be realised and penalty of ₹ 2.52 crore remained un-imposed.

(Paragraph 3.8)

The AAs failed in implementing the provision of the MPVAT Act, Rules and departmental circulars in order to classify the commodities correctly and apply the appropriate rate of tax. This resulted in short levy of VAT of ₹ 1.32 crore and penalty of ₹ 1.73 crore.

(Paragraph 3.9)

The AAs failed in implementation of provisions of the Central Sales Tax Act regarding applicability of the appropriate rate of tax. This resulted in short realisation of tax of ₹ 1.43 crore and non-levy of penalty of ₹ 26.30 lakh.

(Paragraph 3.10)

4 Mining Receipts

Audit on “Mining Receipts from Major Minerals in Madhya Pradesh” revealed the following:

- There was lack of proper inspections by higher authorities of the Department, resulting in inadequate monitoring of the functioning of the subordinate offices. As a result, issues of procedural lapses and non-compliance of provisions of Acts and Rules remained undetected.

(Paragraph 4.5.6.2)

- The failure in monitoring the cases of idle/inoperative mines on the part of the Department/Government resulted in blockage of revenue. Had these leases been re-allotted to other willing bidders, the Government could have earned revenue in the form of Royalty, Dead Rent, Stamp Duty and Registration Fees.

(Paragraph 4.5.7)

- The laxity in maintenance of *khatouni* indicated a serious risk which made it impossible to verify production and despatch of minerals, accurately assess the Royalty payable, and Royalty paid and outstanding due from lessees.

(Paragraph 4.5.8)

- The Department did not complete assessments timely. Hence, Department was not in a position to verify the correctness of extraction/despaches of minerals and amount of due/paid royalty by the lessees. As a result, leakage of revenue, if any, can neither be prevented nor assessed.

(Paragraph 4.5.9)

- The Department failed to detect illegal mining cases by the Mining Surveillance System (MSS), defeating the very purpose of this system and also failed to introduce a system for arresting the increase of illegal mining activities of minor minerals in the State.

(Paragraph 4.5.10)

- DMO, Singrauli failed to assess the sale of coal from the books of accounts submitted with monthly returns filed by the lessee, resulting in short realisation of royalty amounting to ₹ 161.80 crore.

(Paragraph 4.5.11)

- The DMOs failed to levy Rural Infrastructure and Road Development Tax of ₹ 5.28 crore in 109 mining leases of idle mines.

(Paragraph 4.5.16)

Audit observations of Compliance Audit

Fourteen mining lessees of idle mines had not paid Rural Infrastructure and Road Development Tax of ₹ 1.08 crore. Besides, penalty of ₹ 3.25 crore was also not imposed, resulting in short realisation of revenue of ₹ 4.33 crore, including penalty.

(Paragraph 4.6)

The DMOs recovered Contract Money of ₹ 0.95 crore from six trade quarries, against recoverable amount of ₹ 3.22 crore. As a result, Contract Money of ₹ 2.27 crore was not realised/short realised.

(Paragraph 4.7)

The District Collectors failed to recover Dead Rent of ₹ 1.51 crore in 157 quarry lessees and three mining lessees.

(Paragraph 4.8)

The DMOs failed to execute the supplementary deed with 13 lessees for extended period and register them with Registration and Stamps Department. However, sanctions for extension were granted to lessees by the Collectors concerned. This resulted in short levy of Stamp Duty and Registration Fee amounting to ₹ 1.01 crore.

(Paragraph 4.9)

Nine lessees had paid royalty of ₹ 1.12 crore on mining lease, against payable royalty of ₹ 2.04 crore, for consumption/transportation of minerals. As a result, royalty of ₹ 92.63 lakh was not/short realised.

(Paragraph 4.10)

The DMOs failed to recover interest on belated payments of Contract Money/Dead Rent from 72 lessees, resulting in short realisation of revenue of ₹ 64 lakh.

(Paragraph 4.11)

5 Stamp Duty and Registration Fees

District Registrars (DRs) failed to finalise 328 cases involving revenue amounting to ₹ 3.33 crore referred to them by 11 Sub-Registrars (SRs) for determination of market value of properties, within the stipulated period of three months for disposal.

(Paragraph 5.6)

The Sub-Registrars failed to levy Stamp Duty and Registration Fee of ₹ 2.55 crore in 15 mining leases at the time of registration of mining lease deeds executed between DMOs and lessees concerned.

(Paragraph 5.7)

The Sub-Registrars failed to determine the correct amount of payable or deliverable under three documents of lease deeds registered, resulting in short levy of Stamp Duty and Registration Fees of ₹ 35.83 lakh.

(Paragraph 5.8)

6 Land Revenue

The Collectors and *Tahsildars* failed to levy correct rate of diversion rent and premium and also did not impose penalty on wilful defaulters. This resulted in short realisation of diversion rent of ₹ 19.25 lakh, premium of ₹ 59.30 lakh and penalty of ₹ 38.06 lakh during the period 2009-17. Total revenue loss to the Government was ₹ 1.17 crore.

(Paragraph 6.6)

Tahsildars failed to recover the penalty of ₹ 84.06 lakh in 962 cases arising out of unauthorised possession and enforce the provision of the act in checking unauthorised occupation or possession of Government land.

(Paragraph 6.7)

7 Taxes on Vehicles

Vehicles tax was not/short paid by the vehicle owners for 3,270 vehicles for the period between April 2014 and March 2017. The transport authorities did not issue demand notices for the outstanding amount and did not take action to seize and detain motor vehicles for non-payment of tax. As a result, vehicle tax of ₹ 11.21 crore and penalty of ₹ 4.38 crore on the unpaid amount of tax were not realised.

(Paragraph 7.6)

Failure of the Taxation Authorities to apply correct rate of tax resulted in short realisation of vehicle tax of ₹ 1.46 crore and penalty ₹ 1.07 crore in respect of private individuals. This resulted in revenue loss of ₹ 2.53 crore.

(Paragraph 7.7)

Most of the audit observations are of a nature that may reflect similar errors/omissions in other units of the concerned State Government department, but were not covered in the test check conducted during the year. The Department/Government may therefore like to internally examine all other units with a view to ensuring that they are functioning as per requirement and rules.

