# CHAPTER VIII: MINISTRY OF TOURISM

## *8.1 Recovery at the instance of Audit*

**The interest earned by Indian Culinary Institute, Tirupati on funds released for construction of an institute, which were routed through a Savings Bank Account, were recovered and deposited in Government account, as per provisions of General Financial Rules, at the instance of Audit.**

The Ministry of Tourism (the Ministry) released grants-in-aid of ₹91.59 crore during the years 2015-16 to 2017-18 to Indian Culinary Institute, Tirupati (ICI), an autonomous body under the Ministry, for setting up a Chapter at Noida, UP. The construction of the Institute was carried out by NBCC (India) Limited, formerly known as National Buildings Construction Corporation (NBCC) and the Institute was inaugurated in April 2018. There were time gaps between release of funds by the Ministry to ICI and transfer of funds by ICI to NBCC. The funds remained in a bank account during such periods. As per Rule 230 (8) of General Financial Rules 2017, all interests or other earnings on grants-in-aid should be remitted to the Consolidated Fund of India and should not be adjusted against future releases. ICI was not depositing the interest amount to the Consolidated Fund of India and when the matter was first referred to the Ministry (May 2018), it was stated (June 2018) that the funds were kept in a current account and hence were not earning interest. This was contrary to the Bank certificate which showed the account as a Savings Bank Account. The matter was again referred to the Ministry (June 2018), which clarified that it was indeed a Savings Bank Account and the interest earned was ₹2.86 crore. The Ministry agreed (June 2018) to adjust the interest amount against future release of grants-in-aid. Audit pointed out that this was not in accordance with the rules. Thereafter the Ministry pursued the matter of recovery of interest with ICI and informed (September 2018 and March 2019) that the amount of ₹2.86 crore was deposited in Government account by ICI in July 2018.

Thus, an amount of ₹2.86 crore could be brought into Government account at the instance of Audit.

### *8.2 Non-claiming of VAT refund*

**India Tourism Office, Paris could not claim refund of VAT amounting to €112,590 (₹83.32 lakh) during the period from April 2016 to March 2018 due to delay in appointment of agency for claiming tax refunds.**

India Tourism Offices (ITO) situated abroad are entitled to refund of Value Added Tax (VAT) paid on various expenses incurred by them as per laws of respective countries. Audit examination of records of ITO, Paris (having jurisdiction over France, Switzerland, Spain and Portugal) revealed that refund of VAT was not claimed for the period from April 2016 to March 2018**.** Refunds can be claimed quarterly for any calendar year latest by 30 June of next year, but were not claimed for the said period because the contract with the agency engaged for claiming VAT refunds expired in May 2016 and renewal/fresh appointment did not take place until June 2018.

Audit observed that while ITO, Paris requested (April to June 2016) the Ministry of Tourism (the Ministry) for renewal of contract of the existing agency, the Ministry advised (July 2016) the ITO to discontinue the services of the agency and claim the refunds on its own. When it became evident that ITO, Paris did not have the wherewithal to claim tax refunds on its own, the Ministry directed (February 2017) the ITO to invite quotations for appointing an agency. ITO, Paris received quotations from four agencies and forwarded (May 2017) the same to the Ministry but no decision was taken on the appointment and refunds amounting to €71,811 (₹53.14 lakh) could not be claimed.

The failure to take timely decision for engaging an agency was pointed out by Audit (March 2018). Thereafter ITO invited quotations again (May 2018) from nine agencies, received response from only one agency (the erstwhile agency whose services were discontinued in July 2016) and appointed it in June 2018 with the approval of the Ministry.

Audit observed that due to the delay in engaging an agency for claiming tax refunds as discussed above, the amount of VAT refund that could not be claimed by the ITO worked out to €112,590 (₹83.32 lakh).

The Ministry stated (August 2018) that ITO, Paris was advised (July 2016) to claim VAT refunds on their own as substantial commission was being paid to the agency. Regarding non-finalisation of agency, the Ministry stated that the initial proposal forwarded by ITO, Paris did not contain fee/commission to be charged by the agency and hence could not be finalised for want of requisite information. The Ministry added that an agency has been appointed in June 2018 and possibilities are being explored to recover unclaimed VAT refunds through the intervention of the Indian embassy in Paris.

The reply is to be viewed against the fact that though the Ministry advised the ITO to claim VAT refunds on its own in view of cost considerations, the Ministry did not ascertain whether it was feasible for ITO, Paris to do so. Eventually the work had to be outsourced and the claims became time barred during the intervening period. It is also relevant to mention that the inadequacies in the system of claiming VAT refunds by another ITO (ITO, Tokyo) was flagged by Audit in Union Government (Civil) Compliance Audit Report No. 11 of 2016, Chapter XVIII, Para 18.1. However effective steps to rectify the systemic deficiencies in claiming tax refunds by ITOs have not been taken, leading to avoidable financial loss.

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| **New Delhi** | **(Venkatesh Mohan)** |
| **Dated: 14 February 2020** | **Deputy Comptroller and Auditor General and Chairman, Audit Board** |

**Countersigned**

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| **New Delhi** | **(Rajiv Mehrishi)** |
| **Dated: 14 February 2020** | **Comptroller and Auditor General of India** |