



CHAPTER – VI
ECONOMIC SECTOR
(STATE PUBLIC SECTOR ENTERPRISES)



CHAPTER – VI: ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

6.1 Functioning of State Public Sector Enterprises

6.1.1 Introduction

As of 31 March 2023, there were seven (*Appendix 6.1*) State Public Sector Enterprises (SPSEs) in Arunachal Pradesh as detailed in **Table 6.1**.

Table 6.1: Total number of SPSEs as on 31 March 2023

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Companies ¹	6	1	7

Source: Records of PAG, Arunachal Pradesh

None of these Companies were listed on the stock exchange which means that the shares of the SPSEs cannot be traded in the stock exchange. During the year 2022-23, no other SPSE was added to the audit jurisdiction of the Principal Accountant General, Arunachal Pradesh. No existing SPSE was closed down during this period.

6.1.2 Investment in SPSEs

6.1.2.1 State Government's investment in SPSEs

The State's investment in SPSEs was by way of share capital/loans and special financial support by way of grants/subsidies as and when required.

During the last five years from 2018-19 to 2022-23, the investment of the State Government in the form of Equity capital in seven SPSEs remained constant whereas long-term loans decreased by ₹0.15 crore in the year 2022-23. The total investment of State Government in its SPSEs as on 31 March 2023 was ₹27.72 crore² as per details given in **Table 6.2**.

**Table 6.2: Comparative figures of State's investment in SPSEs
during 2018-19 and 2022-23**

Form of investment	2018-19	2022-23
Equity Capital	19.49	19.49
Long term Loans	8.38	8.23
Total	27.87	27.72

(₹ in crore)

Source: Investment figures as provided by the SPSEs

The State Government investment as on 31 March 2023 consisted of 70.31 per cent towards capital and 29.69 per cent in long-term loans.

¹ Government Companies include other companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013

² Investment figures are provisional and as per the information provided by the SPSEs as none of the seven SPSEs had finalised their accounts for 2022-23 as of 30 September 2023

During the year 2022-23, out of six working SPSEs, five SPSEs incurred losses (₹4.70 crore) while one SPSE (*Arunachal Police Housing and Welfare Corporation Limited*) earned profit (₹3.75 crore) as per their latest finalised accounts as on 30 September 2023 (**Appendix 6.1**). However, the profit making SPSE had not declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

The return on State Government's investment (historical value) in SPSEs during 2022-23 worked out to (-)1.09 *per cent* (**Appendix 6.2**). The losses of two³ working SPSEs (₹29.95 crore) had completely eroded the State's investment in their paid-up capital (₹5.20 crore), as per their latest finalised accounts (September 2023) (**Appendix 6.1**).

6.1.2.2 Total Sector-wise investment in SPSEs

Total investment of State Government and Other Stakeholders (Central Government, holding companies, Banks, Financial Institutions, *etc.*) in SPSEs under various sectors at the end of 31 March 2019 and 31 March 2023 has been shown in **Table 6.3**.

Table 6.3: Sector-wise investment in SPSEs as on 31 March 2023

Name of Sector	Government Companies	
	2018-19	2022-23
Finance	12.65	12.65
Power	12.45	12.45
Agriculture & Allied	4.50	4.50
Service	0.99	0.99
Manufacturing	0.24	0.24
Infrastructure	0.02	0.02
Miscellaneous	2.63	2.48
Total	33.48	33.33

Source: Information received from SPSEs

As can be noticed from **Table 6.3**, the combined investment of 'State Government and Other Stakeholders' remained constant in six sectors during the last five-years while a negligible decrease (₹0.15 crore) had been noticed in one sector (Miscellaneous) during the said period. During this period, the thrust of investment was in Finance and Power sectors, which constituted around 38 *per cent* (Finance sector) and 37 *per cent* (Power⁴ sector) of the total investment during 2018-19 to 2022-23.

6.1.3 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of SPSEs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the SPSEs concerned should carry out reconciliation of differences. The position in this regard as of 31 March 2023 is shown in **Table 6.4**.

³ Arunachal Pradesh Industrial Development and Financial Corporation Limited and Arunachal Pradesh Donyi Polo Hotel Corporation Limited

⁴ Power sector consists of only one PSE (Hydro Power Development Corporation of Arunachal Pradesh Limited)

Table 6.4: Variation between Finance Accounts and records of SPSEs

(₹ in crore)

Outstanding in respect of:	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	9.00	19.49	10.49
Loans	36.25 ⁵	8.23	28.02
Guarantee	2.00	2.00 ⁶	-

Source: As per the State Finance Accounts, 2022-23 and information furnished by SPSEs

As can be seen from **Table 6.4** above, there were significant differences in the figures of 'equity' (₹10.49 crore) and 'loans' (₹28.02 crore), which were pending reconciliation for more than ten years.

Though the Principal Secretary, Finance Department, Government of Arunachal Pradesh (GoAP) as well as the Management of the SPSEs concerned were appraised regularly about the differences impressing upon the need for early reconciliation of these differences, no significant progress was noticed in this regard.

Recommendation: *The State Government/ Administrative Departments and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner.*

6.1.4 Special support and guarantees to SPSEs during the year

State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/subsidies in respect of SPSEs for the last four years ended 2022-23 have been summarised in **Table 6.5**.

Table 6.5: Details of budgetary support to SPSEs

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22		2022-23	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
1.	Equity Capital Outgo from budget	-	-	-	-	-	-	-	-
2.	Loans given from budget	-	-	-	-	-	-	-	-
3.	Grants/subsidy* from budget	2	4.79	3	7.45	6	16.96	6	23.52
Total Outgo		2	4.79	3	7.45	6	16.96	6	23.52
4.	Guarantees issued	-	-	-	-	-	-	-	-
5.	Guarantee Commitment (Cumulative)	1	2.00	1	2.00	1	2.00	1	2.00

Source: Information furnished by the SPSEs

*Represents revenue grants/subsidy; no capital grant/subsidy was provided during last four years

⁵ Represents Loan provided to 'public sector and other Enterprises' in four sectors viz., Agriculture & Allied (₹20.00 crore); Power (₹10.00 crore); Non-ferrous Mining (₹0.15 crore) and Industrial Financing (₹6.10 crore). SPSE-wise details of loans were not available in the State Finance Accounts, 2022-23.

⁶ Pertained to Arunachal Pradesh Industrial Development and Financial Corporation Limited

It can be noticed from **Table 6.5** that the State Government had not provided any equity capital or loans from the State budget to the SPSEs during the last four years. However, the budgetary support provided by the State Government to SPSEs during 2022-23 in the form of grants/subsidy was highest during the last four years. Two SPSE⁷ had received grants continuously during the last four years while one SPSE⁸ had received grants during the last three years. No guarantee was issued to any of the SPSEs during last four years (2019-23). However, the guarantee commitment of State Government remained outstanding at ₹Two crore against one SPSE (Arunachal Pradesh Industrial Development and Financial Corporation Limited) during the last four-years.

6.1.5 Accountability framework

The audit of the financial statements of a company in respect of financial years commencing on or after 01 April 2014 is governed by the Companies Act, 2013 (Act) while that in respect of financial years which commenced earlier than 01 April 2014 continued to be governed by the Companies Act, 1956. The new Act has specified increased regulatory framework, wider Management responsibility and higher professional accountability.

6.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the Comptroller & Auditor General of India (CAG), conduct the audit of the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

6.1.5.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Government appoints Chief Executives and Directors on the Board of these SPSEs.

The State Legislature also monitors the accounting and utilization of Government investment in the SPSEs. For this purpose, the Annual Reports of the State Government Companies together with the Statutory Auditors' Report and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

6.1.6 Arrears in finalisation of Accounts

The financial statements of the companies are required to be finalised within six months after the end of the financial year (i.e. by 30 September) in accordance with the provisions of Section 96(1) read with Section 129 (2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act (Section 99), the

⁷ Arunachal Pradesh Forest Corporation Limited (2019-20: ₹2.61 crore, 2020-21: ₹2.66 crore, 2021-22: ₹2.78 crore and 2022-23: ₹4.07 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (2019-20: ₹2.18 crore, 2020-21: ₹2.73 crore, 2021-22: ₹6.48 crore and 2022-23: ₹3.03 crore)

⁸ Arunachal Police Housing & Welfare Corporation Limited (2020-21: ₹2.06 crore, 2021-22: ₹2.31 crore and 2022-23: ₹2.45 crore)

defaulting company and every officer of such company who is at default shall be punishable with fine which may extend up to ₹1.00 lakh and in the case of a continuing default, with a further fine which may extend upto ₹5,000 for every day during which such default continues.

Moreover, timely finalisation of accounts is important for the State Government to assess the financial health of the SPSEs and avoid possibilities of any financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provisions of the Companies Act, 2013.

Table 6.6 provides the details of progress made by working SPSEs in finalisation of accounts as of 30 September 2023.

Table 6.6: Position relating to finalisation of accounts of working SPSEs

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
1.	Number of Working SPSEs	6	6	6	6	6
2.	Number of accounts finalised during the year	2	2	3	5	16
3.	Number of accounts in arrears	42	46	49	50	40
4.	Number of Working SPSEs with arrears in accounts	6	6	6	6	6
5.	Extent of arrears (numbers in years)	1 to 19	1 to 20	1 to 21	1 to 22	2 to 16

Source: Information received from SPSEs

As can be observed from **Table 6.6** above, the number of accounts in arrears had shown an increasing trend during the period from 2018-19 to 2021-22 but decreased in 2022-23 due to finalisation of 16 accounts by SPSEs during 2022-23 (October 2022 to September 2023), which was highest during the last five years. Out of the total 40 accounts in arrears as on 30 September 2023, 26 Accounts (65 per cent) pertained to two SPSEs viz., Arunachal Pradesh Mineral Development and Trading Corporation Limited (16 Accounts) and Arunachal Pradesh Forest Corporation Limited (10 Accounts). The earliest Accounts pending finalisation since 2007-08 belong to Arunachal Pradesh Mineral Development and Trading Corporation Limited.

The Principal Accountant General, Arunachal Pradesh has been regularly pursuing the issue with the Chief Secretary, GoAP and the Administrative Departments concerned for liquidating the arrears of the accounts of SPSEs. However, the State Government and the SPSEs concerned were yet to effectively address the issue to clear pendency of accounts of the SPSEs in a time bound manner.

6.1.7 Investment by State Government in SPSEs whose accounts are in arrears

The State Government provided budgetary support aggregating to ₹66.71 crore by way of grants to six SPSEs during the years for which the accounts of these SPSEs had not been finalised as detailed in **Table 6.7**.

Table 6.7: Investment by State Government in SPSEs having accounts in arrears as on 30 September 2023

(₹ in crore)

Sl. No.	Name of SPSE	Accounts finalised upto	Accounts pending finalisation	Investment by State Government during the period of accounts in arrears		
				Equity	Loans	Grants
1.	Arunachal Pradesh Industrial Development and Financial Corporation Limited	2020-21	2021-22 to 2022-23	-	-	10.66
2.	Arunachal Pradesh Mineral Development and Trading Corporation Limited	2006-07	2007-08 to 2022-23	-	-	9.45
3.	Arunachal Pradesh Forest Corporation Limited	2012-13	2013-14 to 2022-23	-	-	14.63
4.	Arunachal Police Housing & Welfare Corporation Limited	2020-21	2021-22 to 2022-23	-	-	4.76
5.	Hydro Power Development Corporation of Arunachal Pradesh Limited	2014-15	2015-16 to 2022-23	-	-	19.79
6.	Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	2021-22 to 2022-23	-	-	7.42
Total						66.71

Source: Information furnished by SPSE

In the absence of accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested, was achieved or not.

Recommendations:

The State Government may consider to take punitive action against company heads responsible for arrears of accounts.

6.1.8 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working Government Companies as per their latest finalised accounts as on 30 September 2023 are detailed in *Appendix 6.1. Table 6.8* provides the comparative details of working SPSEs turnover and State GDP for a period of five years ending 2022-23.

Table 6.8: Details of working SPSEs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Turnover	10.68	11.82	11.67	10.42	12.52
State GDP	25,334.86	30,025.23	30,945.33	35,483.76	39,671.24
Percentage of Turnover to State GDP	0.04	0.04	0.04	0.03	0.03

Source: Turnover- latest finalised accounts of SPSEs as of September of respective year; GSDP- Data furnished by Economic advisor

As could be noticed from **Table 6.8** above, the contribution of SPSEs to the GSDP of the State was negligible during the last five years (2018-19 to 2022-23). Further, the contribution of SPSEs-turnover to GSDP remained static at 0.04 *per cent* during 2018-19 to 2020-21 but reduced thereafter to 0.03 *per cent* during 2021-22 and 2022-23. However, there was constant growth in State GDP during all the five years under reference.

The major contributors to SPSEs-turnover during 2022-23 were Arunachal Pradesh Industrial Development and Financial Corporation Limited (₹6.30 crore) and Arunachal Pradesh Police Housing and Welfare Corporation Limited (₹3.97 crore) (*Appendix 6.1*).

6.1.8.1 Key parameters

Some other key parameters of the performance of working SPSEs during the last four years (2019-20 to 2022-23) as per their latest finalised accounts as on 30 September of the respective year are shown in **Table 6.9**.

Table 6.9: Key Parameters of working SPSEs

Particulars	(₹ in crore)			
	2019-20	2020-21	2021-22	2022-23
Debt	30.04	30.22	30.56	25.76
Turnover*	11.82	11.67	10.42	12.52
Debt/ Turnover Ratio (DTR)	2.54:1	2.59:1	2.93:1	2.06:1
Interest Payments	0.76	0.98	0.98	0.22
Accumulated Profit (+)/Losses (-)	(+) 7.51	(-) 0.37	(-) 3.42	(+) 20.36

* Turnover- latest finalised accounts of SPSEs as of September of respective year

(i) Debt-Turnover Ratio

A low Debt-to-Turnover Ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal having too much of debt against the income of SPSEs from core activities.

It could be noticed from **Table 6.9** above that during 2022-23, the DTR of working SPSEs had improved to 2.06:1 as compared to previous three years. This indicated a better position of the SPSEs to manage debt servicing and repayments as compared to previous three years (2019-20 to 2021-22).

(ii) SPSE Debt

It can be noticed from **Table 6.9** above that the total borrowings of the working SPSEs have recorded a decrease of ₹4.28 crore during the last four-years (upto 2022-23) from ₹30.04 crore (2019-20) to ₹25.76 crore (2022-23). Analysis revealed that more than 99.96 *per cent* (₹25.75 crore) of working SPSE-borrowings (₹25.76 crore) as on 31 March 2023 pertained to one SPSE (Arunachal Pradesh Industrial Development and Financial Corporation Limited), significant portion (₹25.17 crore⁹) of which was payable against the Loans availed by this SPSE from the State Government. However, four out of six working

⁹ Principal: ₹7.13 crore; Interest: ₹18.04 crore.

SPSEs did not have any outstanding long term loans as on 31 March 2023. The only non-working SPSE (Parasuram Cement Limited) in the State had outstanding long-term debts of ₹1.46 crore as per its latest finalised Accounts (2008-09).

6.1.8.2 Erosion of capital due to losses

The paid-up capital and accumulated profit of six working SPSEs as per their latest finalised accounts as on 30 September 2023 were ₹24.65 crore and ₹20.36 crore respectively (*Appendix 6.1*).

The Return on Equity¹⁰ (RoE) in respect of one¹¹ out of six working SPSEs was 10.67 *per cent* while three SPSEs¹² had negative RoE as per their latest finalised accounts. The accumulated losses (₹29.95 crore) of remaining two¹³ working SPSEs had completely eroded their capital (₹5.20 crore) as per their latest finalised accounts. The RoE of these two SPSEs was not workable due to complete erosion of their equity capital. The details of erosion of paid-up capital of the said two SPSEs are shown in **Table 6.10**.

Table 6.10: SPSUs with primary erosion of paid-up capital as on 30 September 2023

Name of SPSU	Latest finalised accounts	(₹ in crore)	
		Paid-up capital	Accumulated losses
Arunachal Pradesh Industrial Development and Financial Corporation Limited	2020-21	4.20	25.39
Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	1.00	4.56
Total		5.20	29.95

Source: Latest finalised accounts of the SPSUs

Accumulation of huge losses of these SPSEs had eroded public wealth, which is a cause of serious concern.

Recommendation: The State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

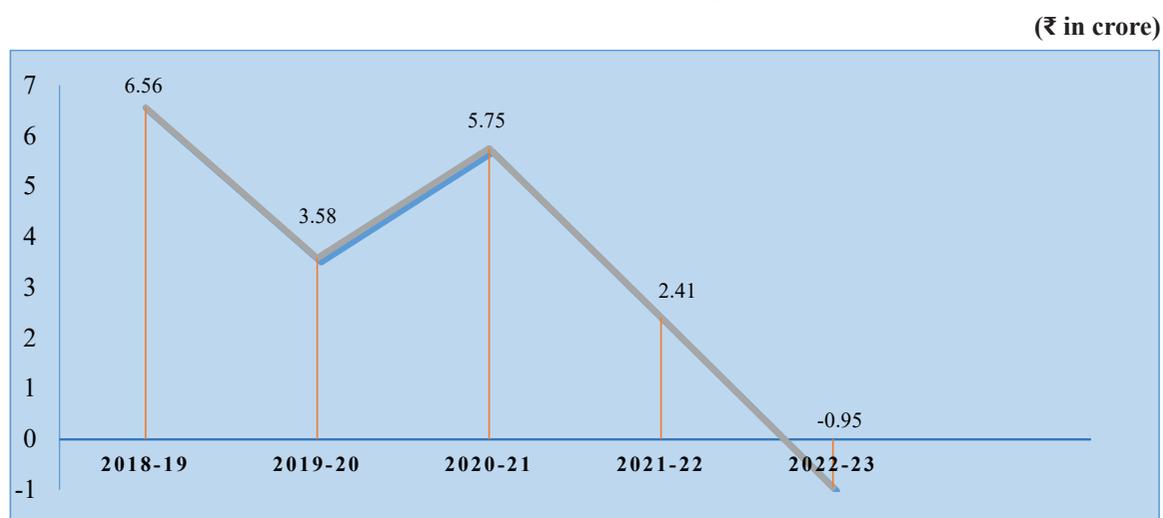
The overall position of the net profits/losses earned by working SPSEs during 2018-19 to 2022-23 as per their latest finalised accounts is depicted in **Chart 6.1**.

¹⁰ ROE = (Net Profit after taxes *minus* preference dividend) ÷ Shareholders' Fund; where, Shareholders' Fund = Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure.

¹¹ Serial number A4 of *Appendix 6.1*.

¹² Serial number A2, A3 & A5 of *Appendix 6.1*.

¹³ Sl. No. A1 and A6 of *Appendix 6.1*.

Chart 6.1: Profit of working SPSEs

Source: Compiled based on latest finalised accounts of SPSEs

During 2022-23, there was a decrease of around 139 per cent (₹3.36 crore) in the overall profits which turned into overall losses of ₹0.95 crore of the working SPSEs as compared to the previous year (2021-22).

During the year 2022-23, out of six working SPSEs, one SPSE¹⁴ earned profit of ₹3.75 crore, while the remaining five SPSEs incurred an overall loss of ₹4.70 crore. The details of major contributors to profits and losses of working SPSEs are shown in Table 6.11.

Table 6.11: Major contributors to profits and losses of working SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Arunachal Police Housing and Welfare Corporation Limited	2020-21	(+) 3.75
Arunachal Pradesh Industrial Development and Financial Corporation Limited	2020-21	(-) 2.05
Arunachal Pradesh Donyi Polo Hotel Corporation Limited	2020-21	(-) 1.09

Source: Latest finalised Accounts of working SPSEs

The State Government has not formulated any dividend policy to make it mandatory for SPSEs to pay a minimum return on the paid-up equity share capital contributed by the State Government. The SPSE (*Arunachal Police Housing and Welfare Corporation Limited*), which earned profit (₹3.75 crore) during 2022-23, had not declared any dividend.

6.1.9 Rate of Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency of an entity with which equity and similar non-interest bearing capital have been deployed, after adjusting them for their time value. To determine the RORR, the investment of State Government in the form of equity, interest free loans and revenue grants/ subsidies in the SPSEs for

¹⁴ Sl. No. A4 of Appendix 6.1.

operational and management expenses less disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'Profit After Tax' (PAT) earned by SPSEs by the sum of the PV of the investment.

During 2022-23, out of six working SPSEs, one SPSE earned profit (₹3.75 crore), while the remaining five SPSEs incurred loss (₹4.70 crore) as per their latest finalised accounts (**Appendix-6.1**). Based on the historical value of investment, the Return for 2022-23 on State Government investment worked out to (-)1.09 per cent as against the RORR of (-)0.42 per cent on the investment at present value as shown in **Appendix-6.2**. The difference in the percentage of return was on account of the adjustment made in the investment amount for the time value of money.

6.1.10 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2022 to September 2023, four working companies¹⁵ had forwarded 16 audited accounts to the Principal Accountant General, Arunachal Pradesh. Non-Review Certificates (NRCs) were issued in respect of 14 accounts of four companies while supplementary audit was carried out in respect of two accounts of two companies. The audit reports of statutory auditors appointed by C&AG indicate that the quality of maintenance of accounts needed to be improved substantially.

The details of aggregate money value of the comments of statutory auditors and C&AG are shown in **Table 6.12**.

Table 6.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	3.71	-	-	-	-
2.	Increase in loss	1	0.61	-	-	11	26.19

Source: As per latest finalised annual accounts of SPSEs

During the year 2022-23, the statutory auditors had given adverse certificate for one year Accounts of one company¹⁶ and qualified certificates for remaining 15 Accounts of four companies, which commonly highlight instances of non-compliance to Accounting Standards, improper maintenance of records and accounting errors, etc. No disclaimers were issued by the C&AG or statutory auditors on any of the accounts during the year.

¹⁵ Arunachal Pradesh Mineral Development and Trading Corporation Limited (seven Accounts); Arunachal Pradesh Forest Corporation Limited (seven Accounts), Arunachal Police Housing and Welfare Corporation Limited (one Account) and Hydro Power Development Corporation of Arunachal Pradesh Limited (one Account)

¹⁶ Arunachal Pradesh Forest Corporation Limited for the financial statement of the year 2012-13

Compliance Audit Paragraph

Arunachal Police Housing & Welfare Corporation Limited

6.2 Avoidable Loss

APHWCL did not ensure correct assessment of Advance Income Tax, file Income Tax Return and did not pay Advance Tax on time resulting in avoidable payment of ₹38.75 lakh as interest and fee for the assessment periods between 2016-17 and 2020-21.

Section 234 (A) of the Income Tax Act, 1961 provides that where the return of income for any assessment year under sub-section (1) or sub-section (4) of section 139, or in response to a notice under sub-section (1) of section 142, is furnished after the due date, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month or part of a month comprised in the period commencing on the date immediately following the due date.

Section 234 (B) of the Act stipulates that an assessee who is liable to pay advance tax under section 208 has failed to pay such tax or, where the advance tax paid by such assessee under the provisions of section 210 is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent*.

Section 234 (C) of the Act, an assessee who is liable to pay Advance Income Tax (AIT) under section 208 has failed to pay such tax on due date then the assessee shall also be liable to pay simple interest at the rate of one *per cent* on the amount of the shortfall from the tax due on the returned income.

Under Section 234 (F) of the Act, without prejudice to the provisions of this Act, where a person required to furnish a return of income under section 139, fails to do so within the time prescribed in sub-section (1) of the said section, he shall pay, by way of a fee, a sum of five thousand rupees.

Scrutiny of records (April 2022) of the Managing Director, Arunachal Police Housing and Welfare Corporation Limited (APHWCL) revealed that the Corporation did not assess correct amount of AIT and delayed filing of Income Tax Return (ITR) and payment of Advance Taxes. The ITR acknowledgement of the Company for the last five Financial Years (FY) *i.e.* 2015-16 to 2019-20 and corresponding Assessment Year (AY) showed that the corporation had paid interest amounting to ₹38.75 lakh as shown in **Table 6.13**.

6.13: Details of penalty/ interest paid due to late filing of IT returns

(Amount in ₹)

AY	Due date of filing	Actual Date of Filing	Interest paid for default/deferment			Fees for default u/s 234F	Total
			u/s 234A	u/s 234B	u/s 234C		
a	b	c	d	e	f	g	i (d+e+f+g)
2016-17	05-08-2016	12-08-2017	5,39,658	9,89,373	0	0	15,29,031
2017-18	07-11-2017	22-03-2018	1,25,685	4,71,780	2,02,443	0	7,99,908
2018-19	30-09-2018	28-09-2018	0	35,832	57,472	0	93,304

AY	Due date of filing	Actual Date of Filing	Interest paid for default/deferment			Fees for default u/s 234F	Total
			u/s 234A	u/s 234B	u/s 234C		
a	b	c	d	e	f	g	i (d+e+f+g)
2019-20	30-09-2019	25-06-2020	1,37,997	2,29,995	49,832	10,000	4,27,824
2020-21	30-11-2020	25-05-2021	2,42,228	4,84,456	2,88,746	10,000	10,25,430
Total			10,45,568	22,11,436	5,98,493	20,000	38,75,497

Source: APHWCL's ITR acknowledgement for assessment years 2016-17 to 2020-21

The Managing Director (MD), APHWCL delayed filing of income tax return on the due date prescribed by Income Tax Department, Government of India (GoI). Thus, the MD could not ensure compliance of the provision under section 208 of the IT Act despite the company having tax liability in excess of ₹10000 on profits made by it. Due to the delay, interest of ₹10.46 lakh for the period of five years from FY 2015-16 to 2019-20 (AY 2016-17 to 2020-21) was paid under Section 234(A) of the IT Act, 1961.

Further, the Corporation did not assess correct amount of AIT for the financial years 2015-16 to 2019-20 and delayed the payment of the AIT. Due to the incorrect assessment, interest of ₹22.11 lakh was paid under Section 234(B) and interest of ₹5.98 lakh was paid due to delay in payment of AIT under Section 234(C).

Further, an additional fee of ₹0.20 lakh for default in furnishing return of income was paid during AY 2019-20 and 2020-21 under section 234 (F).

Thus, the APHWCL paid a total amount of ₹38.75 lakh towards interest payment and fees due to the delays in filing income tax returns and non-payment of AIT for the assessment period 2016-17 to 2020-21.

The matter was reported to the Government in July 2022. In response, the Government stated (August 2022) that advance tax was required to be paid before 15th of March under Section 210 of IT Act. However, the company received uncertain amount of fund for next financial year after 15th of March of every year. So, last moment fund received and interest income generated thereon was the reason for wrong assessment of AIT. Further, late filing of return was due to administrative and other factors. The delay in submission of Audit Reports by the statutory auditors led to delay in filing of ITR. For the year 2019-20, filing of ITR was delayed due to late appointment of statutory auditors.

The reply is not acceptable since the company has consistently underestimated its tax liability during the last five years. Besides, the company did not produce any document to show that the issue of delayed receipt of funds and administrative/other factors leading to delayed filing of returns were brought to the notice of Government for resolution during the period. Further, only 90 *per cent* of total tax of financial year was required to be paid before 15th of March under Section 210 of IT Act. The MD of the company overlooked the liability to pay AIT and did not ensure compliance to section 208 of

the IT Act leading to avoidable burden on the Company's account by way of penalty on delayed tax payments. The company should have made better assessment of its tax liability and avoided paying significant amount of penalty. With regards to late filing of ITR, the reply is also not acceptable as it is the responsibility of the Company to ensure timely receipt of their audit reports.

Recommendation: The State Government should monitor the functioning of the Company to ensure better assessment of its tax liability and avoid payment of penalty. The responsibility may be fixed on the officers concerned for inability to ensure compliance to the Income Tax Act (section 208).

