

CHAPTER VII NON TAX RECEIPTS

7.1 Results of audit

Test check of records of the following departments conducted during the year 2005-06, revealed under assessments and loss of revenue amounting to Rs.35.14 crore in 60 cases as indicated below:

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
I.	REVENUE DEPARTMENT		
	Commercial Taxes		
	(Rural Development Cess)		
1	Non/short levy of tax	6	7.99
II	INDUSTRIES AND COMMERCE DEPARTMENT		
	Mines and Minerals		
1	Non apportionment of seigniorage fee	1	14.03
2	Non realisation/remittance of seigniorage fee	11	4.06
3	Short levy of royalty	4	1.53
4	Non levy of penalty	1	0.25
5	Short levy of seigniorage fee	1	0.01
6	Excess credit of royalty	2	0.23
7	Short levy of interest	3	0.06
8	Non collection of differential security deposit	2	0.06
9	Non forfeiture of security deposits	2	0.04
10	Other irregularities	2	0.01
III	FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT		
1	Non recovery of cost of coupons	1	0.12
2	Non realisation of differential cost of kerosene oil	1	0.09
3	Delay in remittance of sale proceeds	1	0.04
4	Other irregularities	4	0.01
IV	AGRICULTURE AND CO-OPERATION DEPARTMENT		
1	Non recovery of interest	1	3.27
2	Non realisation of election expenditure	1	0.01

(Rupees in crore)

Sl. No.	Nature of irregularity	No. of cases	Amount
V	ENVIRONMENT, FORESTS, SCIENCE & TECHNOLOGY DEPARTMENT		
1	Non disposal of beedi leaves	3	1.04
2	Non collection of sales tax	1	0.24
3	Loss of revenue due to omission to include clause in the agreement	2	0.23
4	Short levy and collection of compounding fee	1	0.17
5	Large scale destruction of forests	1	0.74
6	Other irregularities	7	0.10
VI	GENERAL ADMINISTRATION DEPARTMENT		
1	Unauthorised occupation of Government residential accommodation	1	0.81
	Total	60	35.14

During the year 2005-06, department accepted under assessments etc., of Rs.8.07 crore in 88 cases of which Rs.7.54 crore was pointed out during the year 2005-06 and the rest in earlier years. Out of 88 cases, an amount of Rs.1.59 crore in 17 cases was realised during the year.

A few illustrative cases involving Rs.6.04 crore are mentioned in the following paragraphs:

A. INDUSTRIES AND COMMERCE DEPARTMENT MINES AND MINERALS

7.2 Non remittance of seigniorage fee

Industries and Commerce Department ordered[®] that seigniorage fee collected on minerals under the provisions of Mines and Mineral (Regulation and Development) Act (MMRD Act), 1957 be credited to consolidated fund of State by the concerned local bodies and then transferred to the latter separately at rates prescribed.

During the course of audit of nine[≈] offices of Assistant Director of Mines and Geology (ADMG), it was noticed between April 2005 and March 2006 that Rs.2.78 crore recovered from bills of contractors for the years 2001-02 to 2004-05 by 18 local bodies and South Central Railway towards seigniorage fee in respect of material used in the works was not remitted to Government account.

After this was pointed out, Director of Mines and Geology (DMG) in July and September 2006 stated that ADMG, Kurnool and Eluru collected an amount of Rs.80.81 lakh. It was also stated that ADMG, Guntur and Rajahmundry were reminded to pursue the matter with concerned municipalities. ADMG, Kadapa, replied that notices were issued for remittance of seigniorage fee. ADMG, Vijayawada replied that the municipal corporation is being reminded. Other ADMGs replied that action would be taken to collect the seigniorage fee.

The above matter was referred to the department between February and April 2006 and Government in May 2006; response has not been received (October 2006).

7.3 Short levy of royalty

As per second schedule to the MMRD Act, the rate of royalty to be levied on limestone and ochre was Rs.40 per MT and Rs.12 per MT respectively upto 13 October 2004 and Rs.45 per MT and Rs.15 per MT thereafter.

During the course of audit of directorate of Mines and Geology, Hyderabad, it was noticed in November 2005, that a cement company[®] was given lease to mine limestone and ochre. The company was assessed to royalty of Rs.4.47 crore on 1.56 lakh MT of ochre and 11.56 lakh MT of limestone for the period from 2001-02 to 2004-05 by the ADMG, Guntur-II, Dachepalli. However, as per annual reports of the company, entire quantity of raw material consumed was limestone and was liable to royalty of Rs.4.91 crore. This resulted in short levy of royalty by Rs.43.84 lakh.

[®] G.O.Ms.No.404 Industries and Commerce Department dated 5 October 1994

[≈] Eluru, Guntur, Kadapa, Kurnool, Nizamabad, Rajahmundry, Vijayawada, Visakhapatnam and Yerraguntla

[®] M/s. Srichakra Cements Limited

After this was pointed out, DMG in July 2006 stated that ADMG, Guntur has revised the assessment duly levying royalty at Rs.40 per MT applicable to limestone.

The above matter was referred to Government in May 2006; response has not been received (October 2006).

7.4 Grant of incorrect credit of royalty

As per provisions of MMRD Act, holder of a mining lease shall pay royalty in respect of minerals removed or consumed by him. Government in 1975 introduced permit system for transportation of minerals from the leased area after payment of royalty in advance for the quantity of mineral intended to be transported from the leased area. Director of Mines and Geology issued instructions in May 1996 that excess amounts towards undespached quantity of mineral covered by the permits issued but not transported within the stipulated time be shown in the mineral revenue assessment as lapsed and should not be shown as credit to the assessee.

During the course of audit of ADMG, Kothagudem and Deputy Director of Mines and Geology, Visakhapatnam, it was noticed between November 2005 and February 2006, that royalty of Rs.16.19 lakh already paid during the years 2003-04 and 2004-05 for undespached quantities of mineral covered by permits was shown as credit to the assessee which was incorrect.

After this was pointed out, DMG stated in May 2006 that ADMG, Kothagudem has revised the mineral revenue assessment. Reply from ADMG, Visakhapatnam is awaited.

The above matter was referred to Government in May 2006; response has not been received (October 2006).

7.5 Non levy/short levy of interest on dead rent

As per Rule 10 of AP Minor Mineral Concession Rules (APMMC) 1966, dead rent shall be paid by lessee every year in advance. As per Rule 19 of APMMC Rules belated payment of dead rent beyond 16th day from the due date attracts interest at 24 *per cent* per annum.

During the course of audit of three[∞] offices of ADMG, it was noticed between January and March 2006, that interest amounting to Rs.6.16 lakh was either not levied or was levied short on dead rent not paid within the stipulated period relating to assessment years 2002-03 to 2004-05.

After this was pointed out, DMG stated in July 2006 that the assessments have been revised and demand notices were issued.

[∞] Nellore, Tekkali and Srikakulam

The above matter was referred to Government in May 2006; response has not been received (October 2006).

B. REVENUE DEPARTMENT COMMERCIAL TAXES

7.6 Short realisation of rural development (RD) cess

As per provisions of AP Rural Development Act 1996 (RD Act) cess shall be levied and collected at the rate of five *per cent* *advolverem* on quantum of first purchase of paddy.

During the course of audit of Commercial Tax Officer, Suryapet Circle conducted between September and October 2005, it was noticed in 24 cases relating to the assessment year 2001-02 finalised in February 2005 that cess of Rs.3.79 crore was leviable on total purchase of paddy valued at Rs.75.74 crore by millers. Of this, an amount of Rs.84.34 lakh was allowed as subsidy to the mill owners which was incorrect as it was neither provided under any provisions of the Act nor it was covered by any order or notification issued by Government. This resulted in short realisation of Government revenue to that extent.

After this was pointed out, Government in November 2006 stated that the assessments were revised and demand raised and notices served for payment of cess due.

7.7 Non remittance of RD cess

Under Section 7 of the RD Act, cess shall be levied and collected at the rate of five *per cent* *advolverem* on quantum of first purchase of paddy. In case of paddy involved in sale of rice to Food Corporation of India (FCI), the FCI pays cess component to rice millers who in turn pay it to Commercial Tax Department.

During the course of audit of one LTU[≈] Vijayawada-I and four[†] circles, it was noticed between February and December 2005 in 14 cases relating to the assessment years 2001-02 and 2002-03, finalised between June 2004 and January 2005 that RD cess of Rs.78.46 lakh was received from FCI by 14 dealers, but the same was not paid to Government by these dealers. This resulted in non realisation of Government dues to that extent.

[≈] Large tax payer unit

[†] Hyderabad (Saroornagar), Kurnool-I, Siddipet, Vijayawada (Shivalayam Street)

After this was pointed out, Government in November 2006 accepted audit objection in all cases and stated that in seven cases entire amount of Rs.71.18 lakh was recovered. In two cases it was partly recovered to the extent of Rs.1.50 lakh. Three dealers were stated to have closed their business and action is being initiated to recover dues under RR Act. In two cases demand was raised; however, progress made in recovery was awaited.

C. ENVIRONMENT, FORESTS, SCIENCE AND TECHNOLOGY DEPARTMENT (FORESTS)

7.8 Short levy of compounding fee

Section 59 of AP Forest Act, 1967 empowers any forest officer authorised by Government to compound forest offences. Compounding fee is based on the value of the forest produce involved in the offence. As per the Forest Department Code, to facilitate preparation of estimates, forest schedule of rates (FSR) is prepared for each zone by the Conservator of Forests concerned for each year and communicated to the officers concerned. The Conservator of Forests, Khammam circle approved FSR for 2004-05 in June 2004.

During the course of audit of Divisional Forest Officer (DFO) (Flying Squad), Khammam in December 2005, it was noticed that in six cases of forest offences booked between June and August 2004, compounding fee was levied at lesser rates for 2004-05. This resulted in loss of revenue to Government to the extent of Rs.16.08 lakh.

After this was pointed out, DFO (Flying Squad), Khammam stated in December 2005 that the FSR for 2004-05 was received from the Conservator of Forest, Khammam in August 2004 and hence could not be implemented for the period prior to that date.

The above matter was referred to the department in April 2006 and Government in May 2006; response has not been received (October 2006).

D. GENERAL ADMINISTRATION DEPARTMENT

7.9 Unauthorised occupation of Government residential accommodation

According to the provisions[≈] governing allotment of Government quarters, a concessional period of three months and a further period of four months stay in the quarters is permissible in case of 'retirement of officers'. In case of transfer to a place outside greater Hyderabad, the officers are allowed to retain the accommodation for two months from the date of transfer. For transit

[≈] Contained in Rule 45 of Fundamental Rules, Rules 263 and 275 of PWD Code and Allotment of Government Quarters Rules, 1973 (amended in February 2005)

quarters, the permissible period of stay is three months extendable upto six months in exceptional cases. Government issued orders in February 2005 enhancing the rates of penal rents in cases of overstay of officers in Government accommodation.

258 Government quarters/flats/buildings and 60 transit quarters located at Hyderabad and Secunderabad are allotted to All India Services (AIS) officers. Besides, five quarters have been earmarked for allotment exclusively for the officers of specific ranks[¶]. Secretary, General Administration Department (GAD) (Accommodation) looks after allotment of Government accommodation. The estate officer (EO) is responsible for ensuring prompt vacation of Government quarters by the allottees and also for recovering licence fee/penal rent from the allottees after issue of demand notice.

Test check of the records in April 2006 of EO, Hyderabad and Secunderabad relating to 363 allotment cases of Government accommodation to AIS officers during 2001-02 to 2005-06 revealed that the EO failed to enforce the extant rules/orders of Government and ensure prompt vacation of Government accommodation by the allottees. Audit also found that the EO had not taken action to recover penal rent which amounted to Rs.81.27 lakh upto March 2006 (details are shown in Annexure V) for the periods of unauthorised stay by the allottees as discussed below:

7.9.1 Non vacation of Government quarters

Two allottees who had retired and five other allottees transferred to different stations retained Government accommodation as of March 2006 beyond the concessional period of stay. It was however, observed that eviction notices were issued (November 2004 - November 2005) only in respect of five allottees (*retired:1; transfered:4*). The period of overstay in all these seven cases ranged between 12 to 81 months. Despite overstay, no penal rent was recovered from the allottees, which worked out to Rs.14.46 lakh upto March 2006.

7.9.2 Non vacation of earmarked quarters

In respect of earmarked quarters, two allottees overstayed beyond the permissible concessional period by 35 months and 68 months and continued to occupy the accommodation to the end of March 2006. Although Government issued orders in August 2005 to recover penal rent at Rs.25,000 per month from these two officers for the period of overstay, this was not implemented by the EO. As of March 2006, the amount of penal rent recoverable in these two cases amounted to Rs.25.75 lakh.

7.9.3 Non vacation of transit quarters

In case of allotment of transit quarters, 33 allottees overstayed beyond the permissible period of three months for periods ranging between four to 87 months as of March 2006. Although Government orders dated May 1990

[¶] Collectors: 2; Joint Collectors of Hyderabad and Ranga Reddy District: 2; Superintendent of Police: 1

envisage recovery of penal rent at Rs.2,500 per month (for Type D) and at Rs.3,500 per month (for others) no action was initiated by the EO to recover penal rent from the occupants/allottees which amounted to Rs.41.06 lakh upto March 2006.

After this was pointed out, the EO while admitting the lapse, attributed (May 2006) this to non receipt of timely intimations from the GAD of events of transfer/retirement, etc., of allottees as and when they took place which indicated lack of co-ordination between him and the GAD. He also stated that action would be initiated to recover penal rent in all cases as per Government orders.

Thus, failure of the EO to ensure vacation/eviction of the allottees (AIS officers) of Government residential accommodation after retirement/transfer, etc., resulted in non realisation of Rs.81.27 lakh towards penal rent for the period of unauthorised stay in test checked cases.

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