

CHAPTER – VI

REVENUE RECEIPTS

GENERAL

6.1 Trend of revenue receipts

Tax and non-tax revenue raised by the Government of Arunachal Pradesh during the year 2002-03, the State's share of divisible Union taxes and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are given below :

Table 6.1

(Rupees in crore)

Sl. No.	Head of revenue	1999-2000	2000-01	2001-02	2002-03	2003-04
I.	Revenue raised by State Government					
(a)	Tax revenue	13.88	20.63	30.89	37.26	
(b)	Non-tax revenue	67.01	63.65	70.91	76.30	
	Total	80.89	84.28	101.80	113.56	
II.	Receipts from Government of India					
(a)	State's share of divisible Union taxes	340.77	115.67	90.93	121.68	
(b)	Grants-in-aid	587.26	761.46	892.57	873.05	-
	Total	928.03	877.13	983.50	994.73	
III.	Total receipts of State (I + II)	1008.92	961.41	1085.30	1108.29	
IV.	Percentage of (I to III)	8	9	9	10	

Non-Plan grants received by the State from Government of India during the period from 1998-99 to 2002-03 are given below :

Table 6.2
(Rupees in crore)

Year	Non-Plan grants
1998-99	38.29
1999-2000	9.86
2000-01	169.48
2001-02	246.76
2002-03	242.83

It would be seen that in comparison with 1998-99, non-Plan grants received by the State during 2002-03 increased by 534.19 per cent.

The details of tax revenue raised during the year 2002-03 along with the figures for the preceding four years are given below :

Table 6.3
(Rupees in crore)

Sl. No.	Head of revenue	1998-99	1999-2000	2000-01	2001-02	2002-03	Percentage of increase (+) or decrease (-) in 2002-03 over 2001-02
1.	(a) Sales Tax	0.28	0.35	8.19	16.78	17.62	(+) 5.00
	(b) Central Sales Tax	...	...	...	...	...	...
2.	State Excise	7.58	10.08	9.02	10.55	14.26	(+) 35.17
3.	Stamps and Registration fees	0.50	0.45	0.25	0.27	2.10	(+) 677.78
4.	Taxes and Duties on Electricity	...	...	...	...	...	...
5.	Taxes on Vehicles	1.01	1.12	1.12	1.61	1.75	(+) 8.70
6.	Taxes on Goods and Passengers	...	...	...	...	...	...
7.	Land Revenue	1.33	1.36	1.45	1.00	0.81	(-) 19.00
8.	Taxes on Agricultural Income	...	...	...	...	...	...
9.	Others	0.59	0.52	0.60	0.68	0.72	(+) 5.88
	Total	11.29	13.88	20.63	30.89	37.26	20.62

The reasons for abnormal increase under the head 'Stamps and Registration fees' though called for have not been received (December 2003).

The details of the major non-tax revenue raised during the year 2002-03 along with the figures for the preceding four years are given below :

Table 6.4

							(Rupees in crore)
Sl. No.	Head of revenue	1998-99	1999-2000	2000-01	2001-02	2002-03	Percentage of increase (+) or decrease (-) in 2002-03 over 2001-02
1.	Interest Receipts	6.10	4.23	8.99	6.36	5.97	(-) 6.13
2.	Dairy Development	0.05	0.03	0.02	0.02	0.01	(-) 50.00
3.	Other Non-tax receipts	19.31	21.74	17.78	15.75	24.25	(+) 53.97
4.	Forestry and Wild Life	12.89	16.23	13.00	25.24	15.61	(-) 38.15
5.	Non-Ferrous Mining and Metallurgical Industries	3.20	4.32	5.18	4.48	7.44	(+) 66.07
6.	Miscellaneous General Services (including lottery receipts)	6.60	4.02	3.27	3.66	6.73	(+) 83.88
7.	Power	12.40	7.08	12.08	11.86	12.17	(+) 2.61
8.	Major and Medium Irrigation	...	...	...	...	...	...
9.	Medical and Public Health	0.26	0.08	0.04	0.10	0.13	(+) 30.00
10.	Co-operation	0.04	0.02	0.02	0.02	0.03	(+) 50.00
11.	Public Works	1.25	1.76	1.58	1.77	2.18	(+) 23.16
12.	Police	0.75	0.88	0.91	0.87	0.71	(-) 18.39
13.	Other Administrative Services	1.69	6.62	0.78	0.78	1.07	(+) 37.18
	Total	64.54	67.01	63.65	70.91	76.30	(+) 7.60

The reasons for variation though called in October 2003 from the Government, have not been received (October 2003).

6.2 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2002-03 in respect of the principal heads of tax and non-tax revenue are given below:

Table 6.5

(Rupees in crore)

Sl. No.	Head of Revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-) with reference to actuals	Percentage of variation
1.	Sales Tax	18.36	17.62	(-) 0.74	(-) 4.03
2.	State Excise	10.50	14.26	(+) 3.76	(+) 35.81
3.	Stamps and Registration Fees	0.50	2.10	(+) 1.60	(+) 320.00

Reasons for variations between budget estimates and actuals though called for have not been furnished (December 2003).

6.3 Results of audit

Test check of records of Land Revenue, State Excise, Motor Vehicle Tax, Other receipts, Forest receipts *etc.*, conducted during 2002-03 revealed under assessment/non levy/short levy/loss of revenue of Rs.27.76 crore in 109 cases. During the course of the year, the department accepted under-assessment of Rs.11.93 crore in 92 cases pointed out in 2002-03 and earlier years and recovered Rs.4 lakh. No reply has been received in respect of the remaining cases.

This Report contains 13 paragraphs relating to non-levy/short levy of taxes, duties, interest and penalties *etc.*, involving Rs.5.77 crore. The department/Government have accepted audit observations involving Rs.78.73 lakh of which Rs.2 lakh had been recovered upto September 2003. No reply has been received in other cases.

6.4 Failure of senior officials to enforce accountability and protect interest of Government

Principal Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong arranges to conduct periodical inspection of various offices of the Government departments to test check the correctness of assessments, levy and collection of tax and non-tax receipts and verify the maintenance of accounts and records as per Acts, Rules and procedures prescribed by the Government from time to time. These inspections are followed by inspection reports (IRs) issued to the heads of the offices inspected with copies to the next higher authorities. Serious irregularities noticed in audit are also brought to the notice of the head of the department by the Office of the Principal Accountant General (Audit) Meghalaya, Arunachal Pradesh and Mizoram, Shillong. A half-yearly report regarding pending IRs is sent to the Secretaries of the concerned Government departments to facilitate monitoring and settlement of audit observations raised in these IRs through intervention of the Government.

Inspection reports issued upto December 2002 pertaining to offices under State Excise, Land Revenue, Motor Vehicles Tax and Forest Departments disclosed that 283 objections relating to 162 IRs involving money value of Rs.77.92 crore remained outstanding at the end of June 2003. Of these 44 IRs containing 68 observations involving money value of Rs.12.78 crore had not been settled for more than five years. The year-wise position of outstanding IRs and paragraphs is detailed below:

Table 6.6

(Rupees in crore)

Year	Motor Vehicles Taxation Department			Forest Department			State Excise/Land Revenue Department			Total		
	No. of IRs	No. of paras	Amount	No. of IRs	No. of paras	Amount	No. of IRs	No. of paras	Amount	No. of IRs	No. of paras	Amount
1993-96	-	-	-	10	19	1.23	8	9	5.05	18	28	6.28
1996-97	-	-	-	2	4	1.90	1	1	0.12	3	5	2.02
1997-98	2	5	0.02	6	11	4.23	10	13	0.10	18	29	4.35
1998-99	3	4	0.04	1	1	0.08	1	1	0.01	5	6	0.13
1999-2000	2	5	0.12	10	27	22.02	5	5	0.33	17	37	22.47
2000-01	1	1	0.58	10	13	1.16	3	5	0.10	14	19	1.84
2001-02	3	7	0.29	12	15	5.49	43	60	18.39	58	82	24.17
2002-03	6	19	0.83	13	33	10.68	10	25	5.15	29	77	16.66
Total	17	41	1.88	64	123	46.79	81	119	29.25	162	283	77.92

In respect of seven paragraphs relating to three IRs involving money value of Rs.9.23 crore issued upto March 2003, even first reply required to be received from the department/Government had not been received.

It is recommended that the Government prescribe a time schedule for regular submission of reply to IRs/paragraphs for settlement.

The position of old outstanding IRs/paragraphs was reported to the Government in August 2003; their reply has not been received (September 2003).

6.5 Departmental audit committee meetings

Audit committee meeting for settlement of old outstanding audit observations in respect of Environment and Forest Department, Government of Arunachal Pradesh was held at Itanagar during 16-20 September, 2002 on which 118 paragraphs were discussed and 74 paragraphs were settled.

6.6 Response of the departments to draft paragraphs

The draft paragraphs are forwarded to the Secretaries of the concerned departments through demi-official letters drawing their attention to the audit findings and requesting them to send their reply within six weeks. The fact that the replies from the departments have not been received are invariably indicated at the end of each such paragraph included in the Audit Report.

Sixteen draft paragraphs pertaining to revenue receipts, proposed for inclusion in this Report were forwarded demi-officially to the Secretaries of the respective departments during May 2003 and June 2003.

The Secretaries of the departments did not send replies to nine draft paragraphs and these paragraphs have been included in this Report without the response of the departments.

6.7 Follow up on Audit Report – summarised position

With a view to ensuring accountability of the executive in respect of all the issues dealt with in various Audit Reports, the Shakhder Committee, appointed to review the response of the State Government to Audit Reports, had recommended (March 1993), *inter alia* that the concerned departments of the State Government should (i) without waiting for the receipt of any notice or call from the Public Accounts Committee (PAC), submit *suo motu* replies on all paragraphs and reviews featuring in the Audit Reports within three months, and, (ii) submit action taken notes (ATN) in respect of recommendations of the PAC within the dates as stipulated by the PAC or within a period of six months whichever is earlier.

While accepting the recommendations (1996), the Government specified the time frame of three months for submission of *suo motu* replies by the concerned departments. But the time limit for submission of ATN is yet to be fixed.

Review of follow-up on submission of *suo-motu* replies and submission of ATNs as of 30 September 2003 on paragraphs included in the Reports of the Comptroller and Auditor General of India disclosed as under:

The departments of the State Government had not submitted *suo motu* replies on 21 paragraphs of Audit Reports for the years 1998-99 to 2000-01 in respect of revenue receipts. The details are given below :

Table 6.7

Year of Audit Report	Date of presentation of the Audit Report to the Legislature	Number of paragraphs/reviews included in the Audit Report (excluding standard paragraph)	Number of paragraphs/reviews on which <i>suo-motu</i> replies are awaited
1998-99	24.07.2000	9	4
1999-2000	21.09.2001	9	9
2000-01	22.08.2002	8	8
Total		26	21

The department failed to submit ATN of one paragraph pertaining to revenue receipts for the year 1983-84 (Paragraph 6.8) on which the recommendations were made by PAC in its 32 Report presented before the State Legislature in June 1995.

Thus, due to failure of the respective departments to comply with the instructions of the PAC, the objectives of ensuring accountability remained unfulfilled.

SECTION - B – PARAGRAPHS

ENVIRONMENT AND FOREST DEPARTMENT

6.8 Loss of revenue

Failure of the department to transport 7970.2959 cum of timber of mixed species to a safer place resulted in loss of revenue of Rs.96.85 lakh

In terms of the directives of the High Power Committee (HPC) constituted (March 1997) by the Hon'ble Apex Court, the Chief Secretary, Government of Arunachal Pradesh instructed (April 1997) that Divisional Level Committee (DLC) should be the overall in-charge of inventorisation of timber lying in the forest, transporting the same to a safe place and safeguarding the same until its eventual disposal.

Test check (January 2001 and December 2002) of records of the Divisional Forest Officers (DFO), Tezu, Yingkiong and Along disclosed that 9252.899 cum of timber of soft wood species was inventorised (between May 1997 and March 2000) by the DLC for disposal. But these divisions transported/disposed of 1282.6031 cum of timber between May 1997 and April 2001 and the balance 7970.2959 cum of timber was neither disposed of nor transported to a safer place. Consequently, 145.1187 cum of timber was washed away by flood in June 2000 and the remaining 7825.1772 cum of timber had deteriorated during November and December 2001 due to prolonged exposure to the vagaries of weather leading to loss of revenue of Rs.96.85 lakh as tabulated below:

Table 6.8

(Rupees in lakh)

Name of division	Total quantity of inventorised timber	Quantity of timber transported to a safer place and disposed of	Quantity of timber washed away by flood (in cum)	Quantity of timber deteriorated	Value of washed out and deteriorated timber
Tezu	6943.659	445.121	Nil	6498.538	36.37
Yingkiong	1023.150	172.706	145.1187	705.3253	38.31
Along	1286.09	664.7761	Nil	621.3139	22.17
Total	9252.899	1282.6031	145.1187	7825.1772	96.85

The Principal Chief Conservator of Forests, Arunachal Pradesh, forwarded a proposal in July 2002 to the Government for obtaining sanction for write-off without fixing up responsibility for this loss of Rs.96.85 lakh.

On these being pointed out in audit, the DFOs expressed in August 2002, July and August 2003 difficulties like non-availability of fund, truck, elephant, etc., to transport the timber to a safer place. Thus, failure of the Department/Government to transport this inventorised timber to safe custody as directed by the HPC led to loss of revenue of Rs.96.85 lakh.

These cases were reported to the Government in April 2001 and February 2003; their reply has not been received (September 2003) despite reminders.

6.9 Unauthorised removal of forest produce

Felling and removal of 12415 trees measuring 5931.1462 cum of timber and removal of 1250 cum of sand and 20474.43 cum of stone/boulder from forest areas without obtaining any permit and without payment of royalty resulted in non-realisation of revenue of Rs.19.81 lakh

Under the provision of the Arunachal Pradesh Forest Manual 1980, no forest produce shall be removed from the forest area unless a permit is granted by the Forest Department and royalty is realised in full.

Test check (December 2001) of records of the Divisional Forest Officer (DFO) Daporijo, disclosed that 12415 trees measuring 5931.1462 cum of mixed species valued at Rs. 8.74 lakh were felled from the forest areas by the Border Road Task Force (BRTF) without obtaining any permission and without payment of royalty, for construction of Taliha – Nacho Road during January 1990. These felled trees were not preserved by the BRTF, no action was initiated by the DFO to preserve the trees and to realise the royalty. This resulted in un-authorised felling of trees with consequential non-realisation of revenue of Rs. 8.74 lakh.

Similarly, it was noticed in audit from records of the DFO, Banderdewa that seven contractors extracted 1250 cum of sand and 20474.43 cum of stone/boulder from forest areas of the division and supplied it to the Gorkha Regimental Engineering Force on different dates between October 1999 and April 2000 without obtaining any permit and without payment of royalty charges. This unauthorised extraction/removal of sand and stone/boulder led to non-realisation of revenue of Rs. 11.07 lakh.

On these being pointed out in audit, the Government stated in June and July 2003 that the cases were being pursued vigorously for recovery of the dues. The report on recovery has not been received (September 2003)

6.10 Short-realisation of revenue due to application of incorrect rate

Realisation of royalty inclusive of monopoly fee at pre-revised rate instead of revised rate resulted in short-realisation of revenue of Rs.16 lakh

The Government of Arunachal Pradesh, Environment and Forest Department (State Government) notified (13 January 1997) that monopoly fee shall be charged at 35 per cent over and above the rates of royalty on sand, stone, boulder, shingle, etc., with effect from 2 November 1996 in respect of Yingkiong Forest Division. Further, the State Government revised in March 2001 the rates of royalty on sand and stone/boulder/shingle from Rs.16.35 and Rs.31.95 to Rs.40 and Rs.79 per cum respectively with effect from 15 March 2001.

Test check of records of the Divisional Forest Officer, Yingkiong revealed that 12993.76 cum of sand and 18848.16 cum of stone/boulder were extracted from the forest areas of the division by seven user agencies during 15 March 2001 to 31 March 2002 for which royalty inclusive of monopoly fee of Rs.11.12 lakh was realised between March 2001 and October 2002 at pre-revised rate instead of Rs.27.12 lakh as per revised rate as tabulated below :

Table 6.9

(Rupees in lakh)

Sl. No.	Name of user agency	Quantity extracted		Royalty and Monopoly fee payable as per revised rate	Royalty and monopoly fee paid as per pre-revised rate	Short-realisation of revenue
		Sand	Stone/boulder/shingle			
		(In cum)				
1.	Executive Engineer (EE) Civil Division, Power, Geku	297.98	2176.89	2.49	1.00	1.49
2.	Project Director, DRDA Yingkiong	108.75	420.82	0.51	0.20	0.31
3.	National Electric Corporation, Yingkiong	98.53	Nil	0.05	0.02	0.03
4.	National Hydroelectric Power Corporation,	101.41	318.75	0.39	0.29	0.10
5.	E.E. Public Health Engineering Department, Yingkiong	1559.62	1281.70	2.21	0.90	1.31
6.	Gorka Regimental Engineering Force, Along .	900.00	3500.00	4.22	1.71	2.51
7.	E.E. Irrigation and Flood Control Division, Yingkiong.	9927.47	11150.00	17.25	7.00	10.25
	Total	12993.76	18848.16	27.12	11.12	16.00

The differential royalty and monopoly fee was not paid by these agencies, no action was initiated by the department to realise the same till the date of audit (December 2002). Thus, application of incorrect rates led to short realisation of revenue of Rs.16 lakh.

On this being pointed out (February and May 2003) in audit, the Government agreed (September 2003) to recover the dues from the concerned user agencies. Report on recovery has not been received (September 2003).

6.11 Loss of revenue due to under-valuation of timber

Erroneous fixation of upset price of 200 seized logs departmentally converted into sawn timber and delay in its disposal led to loss of revenue of Rs.4.36 lakh

The Government of Arunachal Pradesh, Environment and Forest Department instructed in June 1989 that the upset price of seized timber should be fixed by taking into account the schedule rate of royalty, additional royalty (at the rate of 30% of royalty), prevalent rate of monopoly fee (at the rate of 32% on royalty plus additional royalty), departmental charges (at the rate of Rs.15 per cft) and actual or notional extraction cost upto the point of disposal.

Test check in March 2000 of records of the Divisional Forest Officer (DFO), Tezu, disclosed that 200 logs of soft wood species measuring 231.430 cum involving upset price of Rs.5.47 lakh were seized from reserved forest areas under the division and transported to the Government depot between January 1997 and January 1998. These logs were departmentally converted into 94.127 cum of sawn timber after incurring a total expenditure of Rs.2.49 lakh during December 1998. Hence, the actual cost of this converted timber including the upset price of seized logs was Rs.7.96 lakh. The DFO sold 85.114 cum out of 94.127 cum of sawn timber at Rs.3.60 lakh against its actual cost price of Rs.7.20 lakh during December 1998 to March 1999. The balance 9.013 cum of sawn timber however, remained unsold and had lost its commercial value. This resulted in loss of revenue of Rs.4.36 lakh.

On this being pointed out in audit, the DFO stated in March 2003 that 9.013 cum of sawn timber was still lying in the custody in deteriorated condition and the same could neither be allotted to any Government Department nor was it possible to sell through auction as it evoked no response. The reply was, however, silent as to why the seized logs were converted into sawn timber without ensuring that there was demand for the same.

The matter was reported to the Government in May 2000 and November 2002; their reply has not been received (September 2003) despite reminders.

EXCISE DEPARTMENT

6.12 Misclassification of IMFL due to delay in circulating orders

Realisation of excise duty of Rs.47.55 lakh against Rs.138.09 lakh by classifying 85238 cases of IMFL as general and ordinary brands instead of premium brand resulted in short realisation of excise duty of Rs.90.54 lakh

The Government of Arunachal Pradesh, Taxation and Excise Department, notified on 19 September 1994 that 'brandy', an India Made Foreign Liquor (IMFL) shall be classified as premium brand and general brand based on the ex-bond price of Rs.500 and above and below Rs.500 per case respectively. Whisky and rum (also IMFLs) were classified as premium and general category depending upon the ex-bond price of Rs.900 and above and below Rs.900 per case and Rs.300 and above and below Rs.300 per case respectively. Further, according to the revised notification on 13 December 2001, 'brandy' shall be classified as premium brand and general brand based on the ex-bond price of Rs.376 and above and below Rs.376 per case respectively and 'whisky', 'rum', 'gin' (all IMFL) shall be classified as premium brand and general brand based on the ex-bond price of Rs.750 and above and below Rs.750 per case respectively with immediate effect. The excise duty on premium, general, and ordinary brands of IMFL is Rs.162, Rs.60 and Rs.36 per case respectively.

Test check (February 2003) of records of the Commissioner of Excise, Itanagar revealed that 3 bonded warehouses sold 55456 cases of 'brandy' at ex-bond price ranging from Rs.552 to Rs.626 per case during September 2001 to February 2002, and 29782 cases of 'whisky', 'rum' and 'gin' at ex-bond price ranging from Rs.760 to Rs.854 per case between 14 December 2001 and 28 February 2002. As such, these cases of IMFL were to be classified as 'premium brand' and excise duty of Rs.138.09 lakh was to be realised at the rate of Rs.162 per case. However 70257 and 14981 cases were classified as 'general and ordinary' brands and excise duty of Rs.42.16 lakh and Rs.5.39 lakh was realised (between September 2001 and February 2002) at the rate of Rs.60 and Rs.36 per case respectively. This misclassification of IMFL resulted in short realisation of excise duty of Rs.90.54 lakh.

On this being pointed out (March 2003) in audit, the Commissioner of Excise stated (August 2003) *inter alia* that though the revised excise duty slab was approved by the Hon'ble Chief Minister on 13 December 2001, the notification was published in Official Gazette on 14 February 2002 after obtaining clearance of the Finance and the Land Departments. The reply is not tenable as the notification to this effect was signed and issued by the Secretary, Excise and Taxation Department on 13 December 2001 but communicated to the field officers on 14 February 2002 by the Commissioner

of Tax and Excise. Due to delay of two months in circulating the orders, the Government suffered a loss of Rs.90.54 lakh.

The case was reported to the Government in March 2003; their reply has not been received (September 2003) despite reminders.

6.13 Loss of revenue due to sedimentation of IMFL in two closed bonded warehouses

Delay in disposal of stock in two closed bonded warehouses led to sedimentation of 7459.7 cases of IMFL with consequential loss of revenue of Rs.4.63 lakh

The Arunachal Pradesh Excise Act, 1993 and Rules framed there-under provide that if any licensee of a bonded warehouse fails to renew the licence on expiry of the validity period, the Commissioner of Excise (CE) shall cancel such licence and the stock of India Made Foreign Liquor (IMFL) lying in bond on the date of cancellation of licence shall be taken over by the department or permitted to be lifted by the licensee on payment of full duty.

Test check (February 2003) of records of the CE, Itanagar disclosed that bonded warehouses located at Banderdewa depot and Likabali depot's sub-depot at Banderdewa were closed down in November 1996 and March 2000 respectively. It was noticed that the licences were belatedly cancelled in November 2000. The stock of 7459.7 cases of IMFL lying in the bonded warehouses was seized and taken over by department between September – November 2001, after expiry of 12 months from the date of cancellation. As a result the entire quantity of IMFL was found sedimented and was destroyed in June 2002. Thus, sedimentation of IMFL consequent to delay in cancellation of licence as well as seizure of the stock of IMFL, resulted in loss of revenue of Rs.4.63 lakh.

On this being pointed out in audit, the Commissioner of Excise, Arunachal Pradesh, stated in June 2003 *inter alia* that the delay in cancellation of licences and subsequent seizure of the stock of IMFL was due to the time taken in official correspondences between the department and the licensees. The reply given in November 2000 confirms that there was inordinate delay in cancellation of the licences and further delay in seizure of the stock. This led to sedimentation of IMFL and consequential loss of revenue.

The case was reported to the Government in March 2003; their reply has not been received (September 2003).

6.14 Short-levy of licence fee and non-levy of penalty

Realisation of licence fee of Rs.2.16 lakh against Rs.4.33 lakh for operation of two wholesale vends led to short levy of fee of Rs.2.17 lakh, besides, non-levy of penalty of Rs.1.92 lakh for default in payment

The Government of Arunachal Pradesh, Taxation and Excise Department notified on 31 May 1994 that licence fee of Rs. 1.50 lakh per annum shall be payable for operating a wholesale vend at any one place. Further, the Commissioner of Excise, Arunachal Pradesh instructed on 15 March 1996 that if any wholesale vendor fails to pay the prescribed annual licence fee within the stipulated date, he shall be liable to pay penalty at the rate of Rs.70 per day for the period of default in making payment of such fee.

Test check of records of the Commissioner of Excise, Itanagar disclosed that a vendor was granted a licence on 10 July 1995 for operating a wholesale vend at Kimin with effect from 10 July 1995. This vendor was erroneously allowed on 9 June 1997 to operate two wholesale vends at Kimin and Hapoli during the period from 9 June 1997 to 18 November 1998 on this licence. Further for operating two vends a licence fee of Rs. 4.33 lakh was leviable against which licence fee of Rs.2.16 lakh was levied. This led to short levy of licence fee of Rs.2.17 lakh. Penalty of Rs.1.92 lakh for default in payment of fee till August 2001 was not also levied.

On this being pointed out in audit, the department conveyed in May 2003 that the balance licence fee of Rs. 2.17 lakh had been recovered. However, the report on recovery of penalty of Rs. 1.92 lakh has not been received despite reminder (September 2003).

The case was reported to the Government in September 2001; their reply has not been received (September 2003).

GEOLOGY AND MINING DEPARTMENT

6.15 Loss of revenue

Execution of faulty agreement and realisation of royalty at a fixed rate of Rs.528 per MT on 54341.4210 MT of crude oil instead of Rs.850 per MT led to loss of revenue of Rs.1.75 crore

The Government of India (GOI) determines periodically the rate of royalty payable on crude oil and this royalty is collected by the State Government as their revenue. Further, under the Petroleum and Natural Gas Rules 1959, agreement is to be executed between the lessee and the State Government stipulating *inter alia* that the lessee shall pay to the State Government royalty at the rates prescribed by the GOI from time to time.

Test check (March 2003) of records of the Director of Geology and Mining, Itanagar disclosed that a mining lease agreement was executed in 21 October 1997 between a Delhi based firm and the Deputy Commissioner of Changlang on behalf of the Governor of Arunachal Pradesh fixing royalty at Rs.528 per MT of crude oil without any reference to the rates prescribed by the Government of India from time to time.

Based on this erroneous agreement, the lessee extracted 54341.4210 MT of crude oil from the leased area during July 2001 to September 2002 and paid between October 2001 and October 2002 royalty of Rs.2.87 crore at the fixed rate of Rs.528 per MT against Rs.4.62 crore at the rate of Rs.850 per MT as prescribed by the Government of India (GOI) during the aforesaid period. Thus, execution of faulty agreement without carrying out any subsequent amendments thereto in conformity with the changes of rates prescribed by the GOI during the aforesaid period resulted in loss of revenue of Rs.1.75 crore.

The case was reported to the Government/department in March and April 2003; their reply has not been received (September 2003) despite reminders.

6.16 Non-realisation of additional royalty

Failure of the department to initiate action against two lessees for belated payment of royalty led to non-realisation of additional royalty of Rs.83.14 lakh

Rule 23 of the Petroleum and Natural Gas Rules, 1959 envisages that royalties *etc.*, if not paid to the Government within the time stipulated for such payment, shall be increased by 10 *per cent* for each month or portion of a month during which such royalties *etc.*, remain unpaid, provided that if such dues are in arrear for more than three months, the Government may cancel the lease agreement effective from the date of publication as such.

Test check of records of the Director of Geology and Mining, Itanagar disclosed that the Government of Arunachal Pradesh executed two lease agreements on 12 September and 21 October 1997 with lessees 'A' and 'B' for extraction of crude oil from Ningru and Kharsang respectively, stipulating *inter alia* that the lessees should pay royalty on crude oil extracted from the leased areas within thirty days of the month to which the operation relates as envisaged in the Rules. Based on these agreements, the lessees extracted 86208.885 MT of crude oil between July 2001 and September 2002 involving royalty of Rs. 558.59 lakh. This royalty was paid belatedly between October 2001 and November 2002 for which increased (additional) royalty of Rs. 83.14 lakh was to be levied and collected as tabulated below:

Table 6.10

(Rupees in lakh)

Name of lessee	Quantity extracted (In MT)	Date of extraction	Amount of royalty payable	Due date of payment	Actual Date of payment	Additional royalty payable
A	32115	July 2001 to September 2002	272.98	August 2001 to October 2002	November 2001 to November 2002	54.68
B	54093.885	-Do-	285.61	-Do-	October 2001 to October 2002	28.46
Total	86208.885		558.59			83.14

No action was initiated either to levy and collect the additional royalty or to cancel these lease agreements till the date of audit (March 2003). This resulted in non-realisation of additional royalty of Rs.83.14 lakh.

The case was reported to the Government/department in March and April 2003; their reply has not been received despite reminders (September 2003).

6.17 Short-realisation of royalty

Realisation of royalty of Rs.102.71 lakh on 13388 MT of crude oil against royalty Rs.113.80 lakh at the rate of Rs.850 per MT resulted in short realisation of royalty of Rs.11.09 lakh and non-realisation of additional royalty of Rs.10.03 lakh

Under Rule 14(2) of the Petroleum and Natural Gas (PNG) Rules, 1959, a lessee shall, within seven days of every month, furnish a full and proper return to the State Government showing the quantity of crude oil obtained/extracted during the preceding month from the leased area. Further, under Rule 23 (1) of the PNG rules, 1959, royalty *etc.*, if not paid to the State Government within the time specified for such payment is to be increased by 10 *per cent* for each month or portion of a month during which such royalty *etc.*, remains unpaid.

Test check of records of the Director, Geology and Mining, Itanagar revealed that the State Government executed a lease agreement in September 1997 with a lessee (Oil India Limited) stipulating *inter alia* that the prescribed royalty on the quantity of crude oil extracted/obtained from the leased area of Ningru should be paid to the State Government within 30 days of the month of extraction. Based on this agreement the lessee extracted/obtained 7093 MT and 6295 MT of crude oil as per monthly returns for the months of January to March 2002 and July to September 2002 involving royalty of Rs.60.29 lakh and Rs.53.51 lakh respectively. But the lessee paid royalty of only Rs.55.65 lakh and Rs.47.06 lakh on 6547 MT and 5536 MT of crude oil in April and November 2002 as per the quarterly returns for the quarters ending March and September 2002 respectively. The differential royalty on the balance quantity of 1305 MT of crude oil was neither paid by the lessee nor was any action initiated by the department to realise the same till the date of audit (March 2003). This resulted in short realisation of royalty of Rs.11.09 lakh besides additional royalty of Rs.10.03 lakh for non-payment of royalty till March 2003.

The case was reported to the department/Government in March and April 2003; their reply has not been received (September 2003) despite reminders.

6.18 Loss of revenue/short-realisation of royalty

There was a loss of revenue of Rs.2.95 lakh and short-realisation of royalty of Rs.4.95 lakh on 2460 MT of missing coal and 23385.870 MT of extracted coal respectively

Under Section 4 of the Mines and Minerals (Regulation and Development) Act, 1957, no person shall undertake any mining operation in any area without obtaining a prospecting licence or a mining lease agreement. Further, under the provision of Section 9(2) of the Act, prescribed royalty on the quantity of any mineral removed or consumed shall be paid to the State Government.

Test check (August 2001 and March 2003) of records of the Director of Geology and Mining, Itanagar disclosed as under:

The lessee M/s Coal India Limited (CIL) extracted 1460 MT of coal during 1993-94 from leased area of Namchick-Namphuk and stacked it there. Thereafter, the CIL surrendered the leased area and handed over the aforesaid quantity of coal in August 1994 to the Industries Department, Government of Arunachal Pradesh. It was also noticed that another private firm, under the aegis of the Arunachal Pradesh Mineral Development and Trading Corporation Limited (APMDTCL) mined 1000 MT of coal in 1996 from the aforesaid area without obtaining any prospecting licence or executing any formal agreement with the Government. This 1000 MT of mined coal was stacked near the aforesaid quantity of 1460 MT of coal mined by CIL. Subsequently, the entire quantity of 2460 MT of mined coal involving royalty value of Rs.2.95 lakh was reported missing in March 1999 from the place of storage. Thus, failure of the department to dispose of the coal on realisation of royalty resulted in loss of revenue of Rs.2.95 lakh.

In another case, it was noticed that a lessee (APMDTCL) extracted and removed 23385.870 MT of coal involving royalty value of Rs.28.06 lakh from Namchick –Namphuk coal field during 9 January 2001 to 14 June 2002 on payment of royalty of Rs.23.11 lakh between June 2001 and November 2002. The balance royalty was not paid by the lessee and no action was initiated by the department to realise the same till date (March 2003). This resulted in short-realisation of royalty of Rs.4.95 lakh.

These cases were reported to the department/Government in September 2001 and April 2003; their reply has not been received despite reminders (September 2003).

TRANSPORT DEPARTMENT

6.19 Short realisation of composite tax due to application of incorrect rate

Realisation of composite tax of Rs.4.60 lakh at the rate of Rs.500 to Rs.1500 per annum instead of Rs.27.20 lakh at the rate of Rs.5000 per annum led to short realisation of composite tax of Rs.22.60 lakh

The Government of Arunachal Pradesh, Department of Transport, notified (July 2000) that composite tax of Rs.5000 per annum per truck shall be realised from the owners of trucks authorised to ply in the State under the National Permit Scheme with immediate effect. The tax is collected by the Secretary, State Transport Authority (STA) of the State where the truck is registered and sent through bank draft to the Secretary, STA.

Test check (March 2003) of records of the Secretary, STA, Arunachal Pradesh disclosed that 220 trucks registered in other States[#] were authorised to ply in Arunachal Pradesh with national permit. In these cases, composite tax of Rs.27.20 lakh was realisable at the rate of Rs.5000 per annum per truck for different periods between July 2000 to March 2003 against which Rs.4.60 lakh only was realised at the rate of Rs.500 to Rs.1500 per annum per truck between August 2000 and October 2001. The differential composite tax of Rs.22.60 lakh was not paid by the owners of these trucks and no action was initiated by the Secretary, STA, Arunachal Pradesh to take up the matter till March 2003 with his counter parts in other States for recovery of the balance amount. This resulted in short-realisation of composite tax of Rs.22.60 lakh.

On this being pointed out (April 2003) in audit, the Secretary, STA, Arunachal Pradesh stated (May 2003) that Secretaries, STA of the concerned States would be moved in to recoup and send the differential dues. The report on recovery has not been received (September 2003).

The matter was reported to the department/Government in April 2003; their reply has not been received (September 2003).

[#] Assam, Meghalaya, Nagaland, Tripura, West Bengal, Haryana and Karnataka.

6.20 Unauthorised use of motor vehicles without payment of tax

Non-realisation of motor vehicles tax of Rs.25.13 lakh from the owners of 179 commercial vehicles led to unauthorised use of vehicles without payment of tax

The Arunachal Pradesh Motor Vehicles Taxation Act, 1984 provides that a tax at the prescribed rate shall be levied and collected annually/quarterly/monthly, as the case may be, on all motor vehicles used or kept for use in the State unless an owner of such vehicle is exempted from tax based on his application to the effect that the vehicle would not be used in any public place and the registration certificate is surrendered. The Act, further provides that in the event of failure to pay the tax due by any owner, the Taxation Officer shall, in addition to the tax due, levy and collect penalty not exceeding one fourth of the annual tax.

Test check of records of the Deputy Commissioners (D.C) (Motor Vehicle Tax), of 4 unit offices[#] revealed that 179 owners of commercial vehicles neither paid the road tax of Rs.25.13 lakh for different periods falling between June 1988 and March 2002 nor obtained any exemption by surrendering their registration certificates. For default in payment of the aforesaid tax, maximum penalty of Rs.6.28 lakh leviable in these cases was neither levied nor collected. No action was initiated at the level of these DCs to issue demand notices for collection of the tax and penalty from the defaulting vehicle owners. Thus, failure on the part of these authorities to initiate appropriate and timely action had resulted in unauthorised use of these vehicles without payment of tax of Rs.25.13 lakh.

On this being pointed out between July 2002 and February 2003 in audit, the DCs of Tawang and Khonsa stated that demand notices were issued to the owners of these vehicles for payment of tax. Report on recovery has, however, not been received (September 2003).

The cases were reported to the Government in July 2002 and February 2003; their reply has not been received (September 2003) despite reminder.

[#] Pasighat, Bomdila, Tawang and Khonsa.