

## Chapter 6: Revenue Receipts

### 6.1 Sales tax demands raised and pending

Details of demands raised during the last three years but pending at the end of each year as furnished by the Department are given below:

**Table 6.1: Sales tax demands raised and pending**

(Rupees in crore)

	1999-00	2000-01	2001-02
<b>Demands awaiting recovery at the beginning of the year</b>	4718.04	5527.56	6616.58
<b>Demands raised during the year</b>	1118.68	1241.20	623.16
<b>Tax collected during the year</b>	53.83	61.22	63.89
<b>Adjustment on account of reduction and remission of demands during the year</b>	255.33	90.96	176.48
<b>Demands pending at the end of the year</b>	5527.56	6616.58	6999.37

Demands pending at the end of each of the last three years have been showing an increasing trend and tax recoverable has increased from Rs. 5527.56 crore in 1999-00 to Rs. 6999.37 crore in 2001-02.

### 6.2 Arrears in assessment

The assessment cases pending at the beginning of the year, cases becoming due for assessment during the year, cases disposed of during the year and number of cases pending finalisation at the end of each year during 1999-00 to 2001-02 as furnished by the Sales Tax Department are given below:

**Table 6.2: Disposal and pendency of assessment cases of Registered Dealers**

Financial Year	Opening Balance	Cases due for assessment during the year	Total cases to be assessed	Cases assessed during the year	Balance at the end of the Year	Pendency in percentage
1	2	3	4	5	6	7
1999-00	649927	296440	946367	415202	531165	56.13
2000-01	531165	312885	844050	521884	322166	38.17
2001-02	322166	308109	630275	313913	316362	50.19

### 6.3 Cost of collection of tax revenue

The gross collection in respect of major revenue receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection

during the years 1999-00, 2000-01 and 2001-02 along with the relevant all India average percentage of expenditure are given below:

**Table 6.3: Collection of tax-revenue**

(Rupees in crore)

Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2000-01
Sales tax	1999-00	2347	22.49	1.0	1.31
	2000-01	3388	22.24	0.7	
	2001-02	3704	22.97	0.6	
State excise	1999-00	566	3.93	0.7	3.10
	2000-01	557	3.49	0.6	
	2001-02	606	3.87	0.6	
Stamp duty and registration fees	1999-00	190	5.08	2.7	4.39
	2000-01	192	5.21	2.7	
	2001-02	283	8.95	3.2	
Taxes on motor vehicles	1999-00	161	9.48	5.9	3.48
	2000-01	142	9.53	6.7	
	2001-02	167	10.54	6.3	

#### 6.4 Analysis of collection

The break up of the total sales tax collections at the pre-assessment stage and after regular assessment during the year 2001-02 and the corresponding figures for the preceding two years as furnished by the Department are given below:

**Table 6.4: Analysis of collection**

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment	Amount refunded	Total collection	Percentage of column 2 to 5
1	2	3	4	5	6
1999-00	2292.01	55.54	0.95	2346.60	97.67
2000-01	3318.37	71.62	2.13	3387.86	97.94
2001-02	3626.47	79.31	1.77	3704.01	97.91

The collection of revenue at pre-assessment stage ranged between 97.67 per cent to 97.94 per cent of total collection during the last three years. The collection during 2001-02 recorded an increase of 9.33 per cent vis-à-vis the collection in 2000-01.

## 6.5 Outstanding Inspection Reports and Audit observations

Audit observations on incorrect assessments, short levy of taxes, duties, fee and defects in initial records noticed during audit and not settled on the spot are communicated to the heads of offices and other departmental authorities through inspection reports. The important irregularities are reported to the heads of Departments and Government. The heads of offices are required to furnish replies to the inspection reports through the respective heads of departments within a period of two months.

The number of inspection reports and audit observations relating to revenue receipts issued upto 31 March 2002 which were pending settlement by the departments as on 30 June 2002, along with corresponding figures for the preceding two years are given below:

**Table 6.5: Outstanding objections**

		1999-00	2000-01	2001-02
1.	<b>Number of inspection reports pending settlement</b>	881	943	1022
2.	<b>Number of outstanding audit observations</b>	7978	8544	9290
3.	<b>Amount of revenue involved (in crore of rupees)</b>	381.47	418.98	662.82

## 6.6 Response of the Departments to Draft Paragraphs

Drafts Paragraphs are forwarded to the Principal Secretary Finance, and the concerned Commissioners of the Department through Demi Official letters drawing their attention to the audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments are invariably indicated at the end of each sub paragraph included in the audit report.

## 6.7 Results of Audit

Test check of records of Sales Tax, State Excise, Motor Vehicles Tax and other revenue earning Departments of the Government of National Capital Territory of Delhi during the year 2001-02 revealed under assessment/short levy/loss of revenue amounting to Rs. 376.78 crore in 812 cases.

This chapter contains 11 paragraphs and one review involving Rs. 148.45 crore, which illustrates some of the major points noticed by audit.

## Review

### 6.8 Branch transfer under Central Sales Tax Act, 1956

#### Highlights

**Deduction of Rs. 1.62 crore incorrectly allowed to four dealers resulted in under assessment of Rs. 60.07 lakh.**

**Acceptance of invalid declarations for branch transfer aggregating Rs. 5.21 crore from five dealers resulted in non-realisation of revenue of Rs. 2.04 crore.**

**Acceptance of incomplete declarations in form 'F' for branch transfer aggregating Rs. 122.31 crore resulted in non-realisation of revenue of Rs. 18.39 crore.**

**Non/short accounting of goods of Rs. 4.38 crore on account of branch transfer resulted in under assessment of Rs. 1.39 crore**

**Deduction aggregating Rs. 196.59 crore allowed to one dealer without prescribed declaration forms/ despatch particulars resulted in revenue loss of Rs. 98.21 crore.**

**Short accountal of Gross Turn Over of Rs. 4.48 crore by two dealers resulted in revenue loss of Rs. 1.42 crore.**

**Incorrect exemption on fake declaration forms resulted in revenue loss of Rs. 83.60 lakh.**

#### 6.8.1 Introduction

Under the Central Sales Tax Act 1956 and rules framed thereunder, no tax is payable by a registered dealer on movement of goods to other states which is not by way of sale, and is by reasons of transfer of stock to other places of his

business or to his agent or principal. For claiming exemption, the dealer is to furnish to the assessing authority a declaration in form 'F' duly filled and signed by the principal officer of the other place of business or his agent as the case may be alongwith evidence of despatch of goods. However, if on verification, it is found that the goods had not actually moved out of the State, the dealer is liable to pay taxes at the rates applicable in the State alongwith the interest at the rate of 1.5 *per cent* per month and penalty not exceeding 1.5 times of the taxable amount.

### **6.8.2 Organisational set up**

The Commissioner of Sales Tax is head of the Sales Tax Department who is assisted by Four Additional Commissioners and Six Deputy Commissioners. There are ten zones each headed by an Assistant Commissioner and 106 wards each headed by a Sales Tax Officer to ensure compliance with the provisions of Delhi Sales Tax Act, 1975 and Central Sales Tax Act, 1956.

### **6.8.3 Scope of Audit**

A test check of assessment records of 39 out of 106 wards covering eight zones of the Office of the Commissioner, Sales Tax for the years 1995-96 to 2000-01 was conducted during April 2002 to July 2002 to verify the adequacy of the system and procedures adopted for allowing exemption from sales tax on account of stock transfer of goods. The results of the findings are given in the following paragraphs:

### **6.8.4 Registration Certificates**

#### **(a) Incorrect allowance of transfer of goods to places not included in the Registration Certificate**

Under the Central Sales Tax Act, 1956 and the rules made thereunder, a dealer seeking registration is required to specify in his application the places of his business in the other States alongwith the address of such place and particulars of registration so that the same are mentioned in the Registration Certificate.

In assessment cases of eight dealers it was noticed that goods were exempted from payment of tax by assessing authority on branch transfer of goods supported by form F amounting to Rs. 4.02 crore during 1996-97 to 1999-00 to places other than those specified in the Registration Certificates of the dealers. This resulted in underassessment of tax of Rs. 23.47 lakh, interest of

Rs. 14.97 lakh and penalty of Rs. 35.22 lakh, as per details given below:

**Table 6.6: Incorrect allowance of transfer of goods to places not included in the Registration Certificate**

(Rupees in lakh)

Sl. No.	Ward No	RC/LC Number	Nature of business	Assessment year	Value of goods under - assessed	Under - assessment of tax	Interest	Penalty	Total
1.	95	193902	Computer parts	1999-00	80.27	8.03	3.97	12.04	24.04
2.	95	139144/ 1089	Washing machines	1999-00	35.96	4.31	2.14	6.47	12.92
3.	102	020463/ 0781	Pesticides	1996-97	149.43	2.99	3.09	4.48	10.56
				1997-98	57.04	1.14	0.98	1.71	3.83
4.	103	146464/ 1190	Iron & Steel	1997-98	2.51	0.25	0.21	0.38	0.84
				1998-99	25.66	2.57	1.73	3.85	8.15
5.	09	198037/ 0897	Tractor parts	1997-98	14.24	1.42	1.22	2.14	4.78
6.	100	183350/ 1095	Electrical goods	1996-97	23.88	1.43	0.97	2.15	4.55
7.	95	133535/ 1288	Electric & Electro mechanical & Electronics goods	1999-00	10.01	1.00	0.49	1.50	2.99
8.	95	150365/ 0491	Resale & manufacture of power supply AC/DC stabilizers	1999-00	2.79	0.33	0.17	0.50	1.00
				<b>Total</b>	<b>401.79</b>	<b>23.47</b>	<b>14.97</b>	<b>35.22</b>	<b>73.66</b>

**(b) Transfer of goods to agents prior to registration**

In four assessment cases, it was noticed that four dealers were allowed deduction aggregating Rs. 1.62 crore from the turnover of sales on account of goods consigned to agents outside the State prior to their obtaining Registration Certificates in those States. This resulted in underassessment of tax of Rs. 17.77 lakh, interest of Rs. 15.64 lakh and penalty of Rs. 26.66 lakh,

as per details given below:

**Table 6.7: Transfer of goods to agents prior to registration**

(Rupees in lakh)									
Sl. No	Ward No.	RC/LC Number	Nature of business	Assessment year	Value of goods under assessed	Under assessment of tax	Interest	Penalty	Total
1.	93	190128/0966	Sports shoes & Garments	1996-97	79.45	9.53	9.87	14.30	33.70
2.	16	178212	Diamond & Jewellery	1997-98	36.70	3.67	3.14	5.50	12.31
3.	07	022608/1176	Medicines	1999-00	38.93	3.89	1.93	5.84	11.66
4.	87	081989/1051	Furniture, Locks, Typewriters	1996-97	6.81	0.68	0.70	1.02	2.40
<b>Total</b>					<b>161.89</b>	<b>17.77</b>	<b>15.64</b>	<b>26.66</b>	<b>60.07</b>

#### 6.8.5 Defective 'F' forms

The Central Sales Tax (Registration and Transfer) Rules, 1957 provide that a single declaration may cover transfer of goods effected during a period of one calendar month by a dealer to any other place of his business or to his agent or principal outside the State as the case may be. The declaration in form F should contain full particulars of the goods, mode of transport and date on which delivery was taken by the transferee.

##### (a) Acceptance of invalid declarations

Assessment records of five dealers for the period 1996-97 to 1998-99 revealed that transfer of goods of Rs. 5.21 crore was supported by declarations in form F which covered transactions for periods ranging from two to nine months. As such, these declarations were invalid and the turnover was liable to be taxed. This resulted in under-assessment of tax of Rs. 61.27 lakh, interest of Rs. 51.11 lakh and penalty of Rs. 91.92 lakh as per details given below:

**Table 6.8: Acceptance of invalid declarations**

(Rupees in lakh)									
Sl. No.	Ward No.	RC/LC Number	Nature of business	Assessment year	Value of goods under-assessed	Under - assessment of tax	Interest	Penalty	Total
1.	60	173801	Electronics	1997-98	376.25	45.20	38.64	67.80	151.64
2.	97	128126/1180	Computer Software	1997-98	106.40	12.77	9.19	19.15	41.11
3.	69	154409/1191	Ferrous & Non Ferrous Metals	1996-97	18.27	1.28	1.32	1.92	4.52
4.	94	023482/0980	Pharmaceuticals	1996-97	12.25	1.22	1.27	1.84	4.33
5.	71	192605/0397	Ayurvedic / Medicated Oil	1998-99	8.04	0.8	0.69	1.21	2.70
<b>Total</b>					<b>521.21</b>	<b>61.27</b>	<b>51.11</b>	<b>91.92</b>	<b>204.30</b>

**(b) Exemptions on defective 'F' forms**

Assessment records of 52 dealers revealed that transfer of goods valued at Rs. 122.31 crore was exempted from payment of tax for the periods falling between 1995-96 to 2000-01 on the basis of incomplete and defective F forms. In these cases declaration did not contain prescribed particulars such as names of transferors/ transferees, their registration certificate numbers with date of validity, invoice number and date, railway receipt number, goods receipt number and date, description of goods, quantity of goods, despatch particulars and acknowledgement thereof etc. Acceptance of defective declarations resulted in non-realisation of tax of Rs. 10.56 crore and interest of Rs. 7.83 crore, as detailed in Annex-I.

**(c) Excess exemption granted on F forms**

Verification of assessment records of eight dealers revealed that the assessing authority had allowed exemption on stock transfer in excess of amount shown in F-forms furnished by transferee. This resulted in excess exemption of Rs. 4.38 crore and underassessment of tax of Rs. 43.45 lakh, interest of Rs. 30.86 lakh and penalty of Rs. 65.17 lakh, as per details given below:

**Table 6.9: Excess exemption granted on 'F' forms**

**(Rupees in lakh)**

Sl. No	Ward No	LC/RC Number	Nature of business	Assessment year	Value of goods under assessed	Under – assessment of tax	Interest	Penalty	Total
1.	96	189753/0996	Food products	1999-00	247.60	24.76	12.26	37.14	74.16
2.	91	049194/0271	TV & their components	1996-97	158.75	15.87	16.42	23.81	56.11
3.	93	170429	Sewing machine	1996-97	12.61	1.26	1.31	1.89	4.46
4.	83	215803/0899	Films of different types	1999-00	12.47	1.00	0.49	1.50	2.99
5.	81	194252/0497	Dyes & Chemicals	1998-99	2.10	0.21	0.14	0.32	0.67
6.	03	025334/0167	Electric motors	1999-00	2.01	0.20	0.10	0.30	0.60
7.	69	154409/1191	Ferrous & Non Ferrous Metals	1996-97	1.81	0.13	0.13	0.19	0.45
8.	81	089844/1081	Food products	1999-00	0.50	0.02	0.01	0.02	0.04
				<b>Total</b>	<b>437.85</b>	<b>43.45</b>	<b>30.86</b>	<b>65.17</b>	<b>139.48</b>



**(d) Allowance of deduction without prescribed declaration forms/  
despatch particulars proof**

Under Section 6A of CST Act, 1956, when a dealer claims exemption of tax on the ground that the movement of such goods from one State to another was on account of stock transfer, the onus of proof shall be on the dealer. For this purpose he may furnish declaration in 'F' form with complete information. If he fails to produce form 'F', then he is required to produce other evidence like goods receipt, challans, stock register, evidence of material received by the branch and sales tax assessment order pertaining to the branch.

It was noticed that a dealer was allowed exemptions of Rs. 196.59 crore during the period 1995-96 to 1997-98 on account of transfer of goods to branch not supported by F forms. However, there was no other evidence on record such as goods receipt, challans, stock register etc. with the returns furnished by the dealer to show that the assessing authority had satisfied itself about the actual despatch of goods before allowing the exemption. This resulted in a loss of tax of Rs. 27.52 crore, interest of Rs. 29.40 crore and penalty of Rs. 41.29 crore.

**(e) Concealment in stock transfer**

(i) Assessment records of a dealer for the period 1999-00 revealed that the dealer accounted for goods valued at Rs. 26.83 crore received against form F from outside the State whereas as per the details of the declarations material valued at Rs. 30.06 crore was received. Thus, the stock of Rs. 3.23 crore was concealed. This resulted in short levy of tax of Rs. 32.62 lakh, in addition interest of Rs. 16.14 lakh and penalty of Rs. 48.92 lakh was also leviable.

(ii) Assessment records for the period 1993-94 to 1999-00 of a dealer revealed that the dealer received finished goods valued at Rs. 22.46 crore from his factories situated at Thane and Ratnagiri (Maharashtra). Out of this, dealer sold goods worth Rs. 20.35 crore. Accordingly, closing balance of finished goods in Delhi branch should have been Rs. 2.11 crore but as per balance sheet for the year 1999-00 closing stock was shown as Rs. 86 lakh. Thus, the dealer had concealed stock worth Rs. 1.25 crore. This resulted in loss of tax of Rs. 15 lakh ; in addition interest of Rs. seven lakh and penalty of Rs. 22 lakh was leviable.

**6.8.6 Incorrect exemption on fake declaration forms**

Office of the Commissioner of Sales Tax was requested to intimate the procedure adopted to verify the authenticity of form F on which exemption of tax on account of transfer of goods to branch was allowed. The department, however, intimated that no such system of cross verification was in existence.

Cross verification of form F of some dealers by Audit with assessment records of dealers concerned in other states revealed that forms submitted by three dealers for the year 1996-97 to 1999-00 amounting to Rs. 2.57 crore were either fake as the firms did not exist or were for lower amount. This resulted in incorrect exemption of tax of Rs. 25.72 lakh. Besides, interest of Rs. 19.29 lakh and penalty of Rs. 38.59 lakh was also leviable as detailed below:

**Table 6.10: Incorrect exemption on fake declaration forms**

(Rupees in lakh)

Sl. No	Name of the dealer and RC No.	Excess exemption allowed	Tax	Interest	Penalty	Total	Remarks
1.	<b>M/s K.K. International LC/81/194252/0497</b>	62.34	6.23	5.33	9.35	20.91	Firm does not exist in Palwal and Hanuman Garh.
		134.06	13.41	9.05	20.12	42.58	
		20.08	2.01	1.00	3.02	6.03	
2.	<b>Adidas India Pvt. Ltd. LC/93/190128/0996</b>	24.16	2.42	2.50	3.62	8.54	Firm does not exist in Calcutta, West Bengal.
3.	<b>M/s Taj Trade and Transport Co. Ltd. LC/98/024396/0479</b>	16.51	1.65	1.41	2.48	5.54	Form 'F' submitted for less amount.
<b>Total</b>		<b>257.15</b>	<b>25.72</b>	<b>19.29</b>	<b>38.59</b>	<b>83.60</b>	

### 6.8.7 Conclusion

Thus, revenue amounting to Rs. 123.63 crore could not be realised by the Government of NCT of Delhi due to acceptance of invalid/incomplete declarations, allowing exemption of amounts higher than shown in forms, exemption on stock transfer of goods to agents prior to their registration, exemption without prescribed declaration forms, concealment of stock transfer, and non-existence of procedure for cross verification of forms. This is indicative of weak and inefficient internal control mechanism in the department.

**Annex – I**  
**(Reference to in paragraph 6.8.5 (b))**

(Rupees in lakh)

Sl. No.	Ward No.	LC/RC Number	Nature of business	Assessment year	Value of goods under assessed	Under assessment of tax	Interest	Total
1.	07	021274/ 1069	Medicines, Cosmetics	<b>1998-99</b>	1215.31	145.84	98.44	244.28
2.	86	183304/ 1095	Electronics goods	<b>1996-97</b> <b>1997-98</b>	826.15 910.45	49.57 54.63	51.30 46.71	100.87 101.34
3.	103	139554/ 0689	Electrical goods & Consumer products	<b>1997-98</b>	844.15	84.41	72.17	156.58
4.	53	031583/ 0476	Scooters & spare parts	<b>1998-99</b>	836.69	83.67	56.48	140.15
5.	100	173963/ 0494	Plastic goods	<b>1996-97</b> <b>1997-98</b>	468.01 520.61	32.76 36.44	33.91 31.16	66.67 67.60
6.	07	020581/ 0868	Welding electrodes	<b>1997-98</b> <b>1998-99</b>	459.73 421.01	32.18 33.68	27.51 22.73	59.69 56.41
7.	07	020608/ 1176	Medicines	<b>1999-00</b>	721.70	72.17	35.72	107.89
8.	62	169084/ 0993	Soap & Detergents powder	<b>1995-96</b> <b>1996-97</b> <b>1997-98</b>	106.56 203.99 353.67	7.46 14.28 24.76	9.06 14.78 21.17	16.52 29.06 45.93
9.	08	049411/ 0960	Cosmetics & Pharmaceuticals	<b>1998-99</b> <b>1999-00</b>	53.99 426.79	6.48 42.68	4.37 21.13	10.85 63.81
10.	53	031583/ 0476	Scooter & spare parts	<b>1999-00</b>	473.02	37.84	18.73	56.57
11.	81	194252/ 0497	Dyes & Chemicals	<b>1998-99</b>	98.84	9.88	6.67	16.55
12.	07	020681/ 115	Addressing Machine	<b>1998-99</b> <b>1997-98</b>	222.65 68.06	22.27 8.17	15.03 6.98	37.30 15.15
13.	93	170429	Sewing Machine	<b>1996-97</b>	306.14	21.43	22.18	43.61
14.	65	162930/ 0193	Medicines, Cosmetics, Drugs, Pharmaceuticals	<b>1996-97</b> <b>1997-98</b> <b>1998-99</b> <b>1999-00</b>	115.00 87.79 6.07 1.26	11.50 8.78 0.61 0.13	11.90 7.51 0.41 0.06	23.40 16.29 1.02 0.19
15.	39	037713/ 1173	Resale of Match boxes	<b>1996-97</b> <b>1999-00</b>	117.51 58.59	11.75 5.86	12.16 2.90	23.91 8.76
16.	98	024396/ 0479	Books, Magazines, Periodicals, Fabrics, Photos, Films	<b>1996-97</b> <b>1997-98</b>	12.38 125.88	1.24 12.59	1.28 10.76	2.52 23.35
17.	102	204295/ 0697	Scanner cum printer parts	<b>1998-99</b>	171.80	17.18	11.60	28.78
18.	91	049194- 0271	T V & Components	<b>1996-97</b>	110.20	11.02	11.40	22.42
19.	02	160932/ 1192	Watches	<b>1996-97</b> <b>1997-98</b> <b>1998-99</b>	51.39 25.96 28.40	5.14 2.60 2.84	5.32 2.22 1.92	10.46 4.82 4.76
20.	92	080114/ 1083	Electrical components	<b>1998-99</b> <b>1999-00</b>	31.95 151.72	3.83 6.07	2.59 3.00	6.42 9.07

Report on Government of NCT of Delhi of 2003

21.	39	036774/ 0682	Resale of Motor & Tractor parts	<b>1997-98</b> <b>1998-99</b> <b>1999-00</b>	25.07 33.60 31.08	3.00 4.03 3.73	2.57 2.72 1.84	5.57 6.75 5.57
22.	02	022177	Chemicals & Yarn	<b>1998-99</b>	89.00	8.90	6.01	14.91
23.	08	130846/ 0188	Iron steel sheets	<b>1998-99</b>	86.90	8.69	5.87	14.56
24.	56	182752/ 0695	Dairy products	<b>1999-00</b>	95.96	9.59	4.75	14.34
25.	71	183758/ 1095	Acrylic sheet	<b>1998-99</b> <b>1999-00</b>	47.49 42.20	4.75 4.22	3.21 2.09	7.96 6.31
26.	102	183774/ 0895	Medicines & Confectionery	<b>1998-99</b>	111.22	7.79	5.25	13.04
27.	24	012486/ 0260	Hardware and Mill store	<b>1999-00</b>	87.77	8.78	4.34	13.12
28.	93	190128/ 0996	Sports shoes & Garments	<b>1996-97</b>	72.68	8.72	9.03	17.75
29.	24	0132120 /0672	Hardware and Mill store	<b>1999-00</b>	77.15	7.72	3.82	11.54
30.	91	162114/ 0392	Soft drink	<b>1998-99</b>	59.33	5.93	4.01	9.94
31.	92	118145/ 1086	PVC Pipes	<b>1999-00</b>	75.70	6.06	3.00	9.06
32.	02	082534/ 1068	--do--	<b>1999-00</b>	112.90	5.65	2.79	8.44
33.	08	185784/ 0596	Resale of tools machinery & machinery parts	<b>1998-99</b> <b>1999-00</b>	24.83 23.29	2.48 2.33	1.68 1.15	4.16 3.48
34.	102	055278/ 0768	Medicines	<b>1998-99</b>	83.05	4.15	2.80	6.95
35.	01	025996	Medicines	<b>2000-01</b>	38.72	4.65	1.46	6.11
36.	44	181958/ 0895	Electricals & electronic items	<b>1998-99</b>	25.57	3.07	2.07	5.14
37.	88	171061/ 1093	Pneumatic (Hydraulic) and Engineering goods	<b>1999-00</b>	22.88	2.29	1.13	3.42
38.	103	146464/ 1190	Medicines	<b>1999-00</b>	20.23	2.02	1.00	3.02
39.	16	003592/ 1062	Yarn	<b>1998-99</b>	87.46	1.79	1.21	3.00
40.	01	132275	Readymade garments	<b>1999-00</b>	19.06	1.91	0.94	2.85
41.	62	179192	Sale of timber	<b>1997-98</b>	21.03	1.47	1.26	2.73
42.	02	0832534 /1068	Medicines	<b>1999-00</b>	14.90	1.49	0.74	2.23
43.	22	128698/ 0488	Dry Fruits & Kirana	<b>1997-98</b> <b>1998-99</b> <b>1999-00</b>	28.39 10.61 1.87	0.85 0.32 0.04	0.73 0.21 0.02	1.58 0.53 0.06
44.	02	136674/ 0289	Medicines	<b>1998-99</b>	23.87	1.19	0.81	2.00
45.	16	17213/1 194	Mineral powder	<b>1999-00</b>	19.13	1.34	0.66	2.00

Report on Government of NCT of Delhi of 2003

46.	81	089844/ 1081	Food products	<b>1997-98</b>	2.20	0.11	0.09	0.20
				<b>1998-99</b>	4.68	0.14	0.09	0.23
				<b>1999-00</b>	24.87	0.75	0.37	01.12
47.	83	200350/ 0497	Burners & spares	<b>1998-99</b>	8.56	0.86	0.58	1.44
48.	103	144775/ 0890	Iron & Steel	<b>1999-00</b>	22.64	0.9	0.45	1.35
49.	81	206275	Kiryana goods	<b>2000-01</b>	9.71	0.97	0.23	1.20
50.	44	181958/ 0895	Electrical & electronic items	<b>1999-00</b>	4.58	0.55	0.27	0.82
51.	87	081989/ 1051	Furniture locks, Typewriter	<b>1996-97</b>	2.71	0.27	0.28	0.55
52.	65	147034/ 0890	Insulation material	<b>1999-00</b>	3.03	0.30	0.15	0.45
53.	02	022756	Paper & Board	<b>1999-00</b>	1.81	0.18	0.09	0.27
				<b>Total</b>	<b>12231.15</b>	<b>1055.72</b>	<b>783.03</b>	<b>1838.75</b>

## Paragraphs

### 6.9 Short accountal of purchase/sales/stock

Exemption of tax on sale of goods made by one registered dealer to another on the basis of statutory forms (ST-I and ST-35) furnished by the purchasing dealer to the selling dealer is permissible under Delhi Sales Tax Act, 1975. However, if the dealer conceals particulars of his sales, he is liable to pay interest at the prescribed rate and penalty not exceeding two and a half times the amount of tax avoided in addition to tax.

- (a) It was noticed (between August 2001 and April 2002) that 14 dealers purchased goods valued at Rs. 32.16 crore without payment of tax during the years 1995-96 to 1998-99 on the strength of statutory forms and accounted for purchases amounting to Rs. 26.98 crore only in their books of accounts, thereby concealing purchases aggregating Rs. 5.20 crore. The assessing authorities while finalizing the assessments between July 1999 to February 2001 failed to detect the suppression of corresponding sales of Rs. 5.34 crore after including margin of profit which resulted in short levy of tax of Rs. 32.05 lakh. In addition, interest of Rs. 21.13 lakh and penalty of Rs. 80.16 lakh were also leviable. (March 2002)
- (b) Audit noticed (between April 2001 and March 2002) that while finalizing (February 2000) four assessment cases of four dealers for the assessment years 1996-97 to 1998-99 the assessing authority assessed only Rs. 68.04 crore of turnover as against the sales turnover of Rs. 72.50 crore. This resulted in under assessment of sales amounting to Rs. 4.46 crore, with a short levy of tax of Rs. 23.06 lakh. In addition, interest of Rs. 12.62 lakh and penalty not exceeding Rs. 57.66 lakh was also leviable. (March 2002)
- (c) Audit noticed (between April 2001 and March 2002) that in one case for the assessment year 1997-98, assessed between July and September 2000, the closing stock, for the year 1996-97 was shown as Rs. 57.29 lakh whereas the dealer had shown the opening stock for the year 1997-98 as Rs. 3.35 lakh. While finalizing the assessment, the assessing authority failed to detect the mistake. Thus, purchases valued at Rs. 53.94 lakh were not accounted for leading to suppression of sale valued at Rs. 79.04 lakh (including profit margin) which

resulted in short levy of tax of Rs. 7.90 lakh, interest of Rs. 5.47 lakh, and penalty of Rs. 19.75 lakh. (March 2002)

These cases were referred to the Government in May/ June 2002; their reply was awaited as of December 2002.

#### **6.10 Irregular grant of exemption on tax paid sale / purchases**

Under Delhi Sales Tax Act 1975, sale/ purchase of tax paid goods made by one registered dealer to other dealer is to be allowed as a deduction from the turnover of the dealer. This can be claimed by furnishing returns alongwith complete details of tax-paid sale/ purchases etc duly supported by declaration in prescribed forms. In case a dealer conceals the particulars of his sales/purchases, he is liable to pay tax in addition to interest.

Audit noticed (between April 2001 and March 2002) that two dealers for the assessment years 1997-98 to 1998-99 claimed and were allowed exemption on tax paid sale/ purchases for Rs. 10.90 crore without production of any proof that such purchases were tax paid. This resulted in short levy of tax amounting to Rs. 60.83 lakh and interest of Rs. 36.56 lakh was also leviable.

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

#### **6.11 Non levy of tax on sale of Replenishment Licence**

Import Replenishment (REP) Licence, Exim Scrips and Exim Certificates which are granted by the Director General of Foreign Trade (DGFT) in recognition of export of certain products, can be transferred by way of sale without endorsement by the Licencing Authority. It has been judicially held\* that Replenishment Licence/Exim Scrips are goods and the premium or price received by the holder by the transfer thereof to another person is liable to sales tax.

It was noticed (between April 2001 and March 2002) that in seven cases, the dealer sold Replenishment Licences for Rs. 1.17 crore during 1995-96 to 1998-99. The assessing officers while finalising the assessments between February 2000 and January 2001 failed to levy tax. This resulted in short levy of tax amounting to Rs. 8.16 lakh. Besides, interest of Rs. 5.93 lakh was also leviable.

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\* *Vikas Sales Corporation Vs Commissioner of Commercial Taxes (STI 1996- SC 100)*

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

### **6.12 Irregular grant of exemption on export**

Under the Central Sales Tax Act, sale or purchase of goods shall be deemed to take place in the course of export of goods out of the territory of India only if (i) the sale or purchase either occasions such exports or (ii) sale is effected by transfer of documents of titles of goods after goods have crossed the customs frontier of India. Further, deductions on account of sale value of goods exported out of India shall be available on the production of a certificate from the Chartered Accountant or the export documents i.e., Export invoices/ Bill of lading/ Air cargo bills duly stamped by the customs authorities etc.

(a) Audit noticed (between April 2001 and March 2002) that in 19 cases assessed between February 2000 to September 2000 for the assessment years 1996-97 to 1998-99 the assessing authorities allowed tax exemption on export turnover of Rs. 64.09 crore on the basis of deficient/incomplete certificates from Chartered Accountants or even without any certificate. This resulted in non-levy of tax of Rs. 6.55 crore and interest of Rs. 4.72 crore.

(b) Audit noticed (between April 2001 and March 2002) that dealers in five cases assessed between July 1998 and July 2000 were granted exemption on export amounting to Rs. 95.27 crore related to the year 1995-96 to 1998-99 which was not supported by relevant/proper documents. The goods were either loaded on the ships prior to the date of delivery of goods to the shipping agencies or no documentary evidence was available in assessment records to prove that export was actually made. This resulted in non-levy of tax of Rs. 1.22 crore and interest of Rs. 63.95 lakh.

(c) Audit also noticed (between April 2001 and March 2002) that dealers in 5 cases assessed during 1996-97 to 1998-99 were allowed export exemption against ST-49 forms (two cases), H Form (one case) and High Sea Sale (two cases) amounting to Rs. 1.54 crore but details of export transactions viz. description of goods, quantity, value of goods, number and date of Airways bill etc in favour of the claims were not available in the assessment records. This resulted in non-levy of tax of Rs. 10.51 lakh and interest of Rs. 7.13 lakh.

These cases were referred to the Government in April/May 2002; their reply was awaited as of December 2002.



### **6.13 Non levy of tax on sale of assets**

The Supreme Court\* of India decided, in 1973 that sale of scrap, old motor cars, obsolete machinery etc purchased by dealers for their business purpose is liable to sales tax.

Audit noticed (between April 2001 and March 2002) that nine dealers sold plant and machinery, vehicles etc for Rs. 2.13 crores during the period 1996-97 to 1998-99. The assessing officers failed to levy tax while finalizing the sale assessments between September 2000 to March 2001. The tax leviable worked out to Rs. 16.87 lakh, besides interest of Rs. 10.78 lakh was also leviable.

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

### **6.14 Concessional rate of tax/Exemption allowed against defective forms (C, D, ST-I & ST-35)**

(a) Under the Central Sales Tax Act 1956, inter state sale to registered dealer or Government departments is taxable at concessional rate of four *per cent* when such sale is supported by declaration in form 'C' or 'D'. The dealer can claim deduction from his turnover in respect of sales against declaration forms by furnishing the original portion of the declaration form showing the registration certificate/authorisation number etc duly signed by him.

Audit noticed (between April 2001 and March 2002) that 31 dealers were allowed concessional rate of tax on the basis of 'C' forms on turnover of Rs. 148.80 crore, during the years 1995-96 to 1998-99 assessed between January 2000 and September 2000. However, declaration forms pertaining to sales of Rs. 24.69 crore were defective on account of multiple transactions, duplicate 'C' form, absence of Registration No. of the purchasers, sale prior to registration of the purchaser etc. This resulted in incorrect exemption of tax of Rs. 1.37 crore, besides interest of Rs. 96.98 lakh was leviable.

(b) Under the provisions of Delhi Sales Tax Act 1975 and the rules framed there under, sale of goods made by one registered dealer to another is exempt from tax if such sale is duly supported by prescribed declarations in form ST-1 or ST-35. However, if a dealer conceals the particulars of his sales, tax is leviable and in addition interest is also leviable.

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\* *State of Tamil Nadu Vs. Burmah shell oil storage and distribution company (1973-31 STC 4 to 6 SC)*

Audit noticed (between April 2001 and March 2002) that 34 registered dealers for the assessment years 1995-96 to 1998-99 were allowed exemption of sales tax on turnover of Rs. 25.21 crore on the basis of defective forms, with defects such as (i) the forms were duplicate, (ii) registration/authorisation numbers were not mentioned, (iii) the forms not signed by the purchasing dealers, (iv) description of goods not mentioned and (v) forms valuing more than Rs. 20 lakh had multiple transactions without purchase order. This resulted in short realisation of sales tax amounting to Rs. 1.33 crore and interest amounting to Rs. 90.43 lakh.

These cases were referred to the Government in April/ May 2002; their reply was awaited as of December 2002.

#### **6.15 Incorrect application of rate of tax**

(a) The Delhi Sales Tax Act 1975 specifies the rates of tax on goods or classes of goods payable by a dealer specified in various schedules appended to the Act. Interest is also payable on the amount of tax due under the Act.

Audit noticed (between April 2001 and March 2002) that in five cases, for the assessment years 1996-97 and 1997-98 the assessing authority (February 2000 to March 2001) levied tax on industrial chain, chemicals, perfumes, jewellery & handicraft and iron wire at a rate lower than that prescribed, resulting in short levy of tax of Rs. 19.53 lakh and interest of Rs. 14.62 lakh.

(b) Central Sales Tax Act, 1956 specifies rates of tax payable by a dealer on sale of goods or classes of goods in the course of inter-state trade or commerce. Interest is also payable on the late deposit of amount of tax due under the Act.

It was noticed in audit (between April 2001 and March 2002) that in three cases pertaining to assessment years 1996-97 to 1998-99, assessing authority while assessing between December 1999 and March 2001 levied tax at a lower rate instead of prescribed rate resulting in short levy of tax of Rs. 4.22 lakh and interest of Rs. 2.62 lakh.

These cases were referred to the Government in May/ September 2002; their reply was awaited as of December 2002.

### **6.16 Irregular grant of exemption**

Under the Delhi Sales Tax Act, 1975, and Rules made thereunder, sales of goods made by one registered dealer to other registered dealers are to be allowed as deduction from turnover of the selling dealer, subject to furnishing of returns, alongwith a complete list of such sales duly supported by prescribed declarations in form ST-35. The deduction is allowed from the date on which authorisation in form ST-37 is issued to the selling dealer.

It was noticed (between April 2001 and March 2002) in audit that four dealers assessed during December 1999 to March 2001 were granted exemption of Rs. 1.51 crore from their gross turnover for the years 1996-97 to 1998-99 on the sale/purchase, made on ST-35 form. However, these were not authorised on ST-37 form. Thus the exemption allowed by the assessing authority was irregular and resulted in short levy of tax for Rs. 9.08 lakh and interest of Rs. 5.90 lakh.

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

### **6.17 Irregular grant of exemption on unauthorised sale/ Purchase without authorisation in Registration Certificate**

Under the provisions of Delhi Sales Tax Act 1975 and the rules framed thereunder, sale/ purchase of goods made by one registered dealer to another is exempt from tax on his furnishing alongwith his returns, a complete list of such sales/purchase which is duly authorised in Registration Certificate for sale/purchase by the dealer.

It was noticed in Audit (between April 2001 and March 2002) that three dealers sold and purchased goods valued at Rs. 1.34 crore and Rs. 69.87 lakh respectively, during the period from 1995-96 to 1998-99. These transactions were not covered under their certificate of registration. The assessing authority failed to detect the misrepresentation while finalising the assessment (April 1998 to September 2000). This resulted in non levy of tax of Rs. 9.41 lakh, interest of Rs7.51 lakh and penalty of Rs. 31.72 lakh.

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

### **6.18 Incorrect grant of exemption from tax under Delhi Sales Tax Act**

Under the Delhi Sales Tax Act, and rules made thereunder, sales of goods made by one registered dealer to another registered dealer are to be allowed as a deduction from the turnover of the selling dealer, on his furnishing alongwith his returns, complete list of such sales duly supported by prescribed declarations in forms ST-1 or ST-35 or embassy certificates obtained from the purchasing dealers/diplomatic missions. In case a dealer conceals the particulars of his sales, tax is leviable in addition to interest for non-payment of tax with returns/delayed payments.

It was noticed in audit (between January 2000 and March 2001) that in four cases for the assessment years 1996-97 to 1998-99, the dealers were allowed exemption on sales of Rs. 2.89 crore against production of statutory forms for Rs. 2.38 crore. Thus, the dealers were granted excess exemption of Rs. 51.15 lakh. This resulted in short realisation of tax amounting to Rs. 3.76 lakh and interest of Rs. 2.58 lakh.

These cases were referred to the Government in May 2002; their reply was awaited as of December 2002.

### **6.19 Under-assessment of Luxury Tax**

As per Delhi Tax on Luxuries Act, 1996, tax on the turnover of the receipts of a hotelier is levied at the rate of 10 *per cent*. Besides, in addition to the charges for luxury provided in a hotel, service charges are levied and appropriated by the hotelier and not paid to the staff, then such charges would be deemed to be part of the charges for luxury provided in the hotel. In addition, if luxury provided to any person (not being an employee of the hotel) is not charged at all or is charged at concessional rate even then tax at the full rate for such luxury would be levied. Besides rate of interest is leviable at 2 *per cent* of the amount of such tax for each month after the last date by which he should have paid such tax. The penalty leviable is a sum not exceeding the amount of the tax payable by the hotelier for the period during which he carried on business.

A scrutiny of the assessment records for the year 1997-98 of luxury tax revealed that in one case turnover was assessed at Rs. 3.47 crore against the taxable turnover of Rs. 5.41 crore as per profit & loss account of Hotel Ashok Yatri Niwas resulting in short levy of Rs. 19.48 lakh, besides interest of Rs. 18.31 lakh and penalty of tax Rs. 19.48 lakh was payable.

Similarly, in respect of seven units of Indian Tourism Development Corporation there was under assessment of luxury tax due to differences in the figures in the schedule of profit & loss account of the hotels and the figures in the summary sheets on the basis of which tax was assessed by the assessing authority. This resulted in short recovery of Rs. 1.27 crore, which included tax of Rs. 43.37 lakh interest of Rs. 40.76 lakh and penal interest of Rs. 43.37 lakh. Thus total short levy on account of luxury tax worked out to Rs. 1.85 crore.

These cases were referred to the Government in September 2002; their reply was awaited as of December 2002.