

## Chapter-VI

### Revenue Receipts

#### 6.1 Trend of revenue receipts

**6.1.1** The total receipts of Government of Jammu and Kashmir for the year 2000-01 were Rs 5660.16 crore against the anticipated receipts of Rs 5142.31 crore. The receipts during the year 2000-01 registered an increase of Rs 146.57 crore over 1999-2000. Out of the total receipts of Rs 5660.16 crore, Rs 1190.27 crore represented revenue raised by the State Government, of which Rs 745.98 crore represented tax revenue and the balance of Rs 444.29 crore non-tax revenue. The receipts from Government of India (Rs 4469.89 crore) during the year accounted for 79 per cent of the total revenue receipts of the State Government.

#### Details of revenue receipts

##### General

**6.1.2** The details of revenue receipts during the year 2000-01 alongwith the corresponding figures for the preceding two years are given in table 6.1.

(Table No. 6.1)

(Rupees in crore)

		1998-99	1999-2000	2000-2001
<b>I-Revenue raised by the State Government</b>				
(a)	Tax revenue	436.61	577.64	745.98
(b)	Non-tax revenue	283.25	405.28	444.29
	<b>Total – I</b>	<b>719.86</b>	<b>982.92</b>	<b>1190.27</b>
<b>II-Receipts from Government of India</b>				
(a)	State's share of Union taxes and duties	1212.05	1231.60	675.40
(b)	Grants-in-aid	2577.23	3299.07	3794.49
	<b>Total-II</b>	<b>3789.28</b>	<b>4530.67</b>	<b>4469.89</b>
<b>III</b>	<b>Total (I+II)</b>	<b>4509.14</b>	<b>5513.59</b>	<b>5660.16</b>
<b>IV</b>	<b>Percentage of I to III</b>	<b>16</b>	<b>18</b>	<b>21</b>

#### Tax revenue raised by the State

**6.1.3** Receipts from tax revenue during 2000-01 constituted 63 per cent of the revenue raised by the State. An analysis of tax revenue for the year 2000-01 and the preceding two years is given in table 6.2.

(Table No. 6.2)

(Rupees in crore)

S. No	Tax revenue	1998-99	1999-2000	2000-01	Percentage increase(+)/ decrease(-) in 2000-01 with reference to 1999-2000
1	State Excise	206.14	274.30	298.06	(+) 9
2	Sales Tax	180.28	235.87	356.70	(+) 51
3	Taxes on Vehicles	18.14	21.91	23.32	(+) 6
4	Stamps and Registration Fee	12.10	14.86	21.06	(+) 42
5	Taxes and Duties on Electricity	8.33	16.38	12.74	(-) 22
6	Taxes on Goods and Passengers	4.95	7.46	14.27	(+) 91
7	Land Revenue	2.81	1.81	3.90	(+) 115
8	Other taxes and duties	3.86	5.05	15.93	(+) 215
	<b>Total</b>	<b>436.61</b>	<b>577.64</b>	<b>745.98</b>	<b>(+) 29</b>

**6.1.4** Increase in major tax receipts during 2000-01 as compared to 1999-2000 was mainly due to more collections of Sales Tax, Excise Duty, Stamps and Registration Fee, Taxes on goods and passengers and Land Revenue. Increase in other taxes/duties was mainly due to more realisation of entertainment tax.

#### **Non-tax revenue of the State**

**6.1.5** Receipts from non-tax revenue during 2000-01 constituted 37 per cent of the revenue raised by the State. Receipts from sale of power, Interest and Forestry and Wild Life were the principal sources of non-tax revenue in the State. An analysis of non-tax revenue under the principal heads for the year 2000-01 and the preceding two years is given in table 6.3.

(Table No. 6.3)

(Rupees in crore)

S. No	Non-tax revenue	1998-99	1999-2000	2000-01	Percentage increase (+)/ decrease (-) in 2000-01 with reference to 1999-2000
1.	Power	103.93	218.55	238.72	(+) 9
2.	Forestry and Wildlife	45.70	33.86	57.22	(+) 69
3.	Interest	88.17	102.55	104.99	(+) 2
4.	Public Works	7.33	6.81	8.39	(+) 23
5.	Stationery and Printing	1.88	1.48	2.05	(+) 39
6.	Medical and Public Health	3.06	3.27	4.73	(+) 45
7.	Animal Husbandry	3.36	2.48	2.74	(+) 10
8.	Others	29.82	36.28	25.45	(-) 30
	<b>Total</b>	<b>283.25</b>	<b>405.28</b>	<b>444.29</b>	<b>(+) 10</b>

**6.1.6** Increase (69 per cent) in Forestry and Wild Life proceeds was due to enhanced revenue from sale of timber and other forest produce and miscellaneous receipts. Decrease was mainly under Other Miscellaneous General Service, Roads and Bridges, Tourism, Police and Jails, reasons for which were not received.

**Variation between Budget estimates and actuals**

**6.1.7** The variations between the Budget estimates and actuals for the year 2000-01 in respect of principal heads of revenue are given below:

(Table No. 6.4)

(Rupees in crore)

S.No	Heads of revenue	Budget estimates	Actuals*	Variations increase (+)/ decrease (-)	Percentage of variation
<b>A Tax revenue</b>					
1	Sales Tax	290.00	356.70	(+) 66.70	(+) 23
2	State Excise	168.00	298.06	(+) 130.06	(+) 77
3	Taxes on Goods and Passengers	162.50	14.27	(-) 148.23	(-) 91
4	Taxes on Vehicles	22.00	23.32	(+) 1.32	(+) 6
5	Taxes and Duties on Electricity	30.00	12.74	(-) 17.26	(-) 58
6	Stamps and Registration Fee	15.35	21.06	(+) 5.71	(+) 37
7	Land Revenue	1.47	3.90	(+) 2.43	(+) 165
<b>B Non-tax revenue</b>					
8	Interest Receipts	119.55	104.99	(-) 14.56	(-) 12
9	Forestry and Wildlife	75.38	57.22	(-) 18.16	(-) 24
10	Stationery and Printing	4.15	2.05	(-) 2.10	(-) 51
11	Animal Husbandry	3.00	2.74	(-) 0.26	(-) 9
12	Medical and Public Health	4.33	4.73	(+) 0.40	(+) 9
13	Public Works	8.34	8.39	(+) 0.05	(+) 1
14	Power	30.06	238.72	(+) 208.66	(+) 694

**6.1.8** Reasons for variations between the Budget estimates and actual receipts, though called for, have not been received (September 2001).

**Cost of collection**

**6.1.9** The collections in respect of major tax receipts, expenditure incurred on their collection and percentage of such expenditure to collections during the year 2000-01 and preceding two years alongwith the corresponding all India average for the year 1999-2000 are given below:

(Table No. 6.5)

(Rupees in crore)

S. No	Heads of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India percentage of cost of collection for the year 1999-2000
1	State Excise	1998-1999	206.14	6.24	3	
		1999-2000	274.30	7.35	3	3.31
		2000-2001	298.06	7.95	3	
2	Sales Tax	1998-1999	180.28	7.03	4	
		1999-2000	235.87	8.61	4	1.56
		2000-2001	356.70	9.81	3	
3	Taxes on Vehicles	1998-1999	18.14	1.89	10	
		1999-2000	21.91	2.11	10	3.56
		2000-2001	23.32	2.19	9	
4	Stamps and Registration Fee	1998-1999	12.10	0.64	5	
		1999-2000	14.86	2.41	16	4.62
		2000-2001	21.06	3.64	17	

\* Figures as per Finance Accounts which are unreconciled

**6.1.10** Percentage of cost of collection of Sales Tax, Taxes on vehicles and Stamps and Registration fee was higher than the all India average cost of collection mainly due to higher administrative expenses.

### **Arrears in revenue**

**6.1.11** As on 31 March 2001, arrears of revenue under Sales Tax, Passenger Tax, Forestry and Wild Life and State Excise, as reported by the departments, were as follows:

(Table No. 6.6)

S. No.	Heads of revenue	Total arrears	Arrears more than five years old	Remarks
(Rupees in crore)				
1.	Sales Tax	548.03	82.88	Out of total arrears of Rs 548.03 crore (Rs 536.34 crore proposed to be recovered as arrears of land revenue) recovery of Rs 41.03 crore and Rs 1.22 crore had been stayed by the court and the Appellate Authority respectively. Arrears of Rs 136.71 crore were proposed to be written-off. The position of recovery of the remaining amount of Rs 369.07 crore was not intimated (September 2001).
2.	Passenger Tax	13.13	7.90	Out of total arrears of Rs 13.13 crore recovery of Rs 0.20 crore had been stayed by the courts.
3	Forestry and Wild life	407.98	296.95	Recovery of arrears of Rs 24.16 crore was stayed by the courts
4.	State Excise	19.26	11.38	Recovery of arrears of Rs 11.43 crore was stayed by the courts.
	<b>Total</b>	<b>988.40</b>	<b>399.11</b>	

The arrears outstanding for more than five years constituted 40 *per cent* of the total arrears.

### **Arrears in Assessment**

**6.1.12** The details of Sales Tax 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 1996-97 to 2000-01, as furnished by the department, are given below:

(Table No. 6.7)

Year	Opening balance	Cases due for assessment during the year	Total	Cases finalised during the year	Balance at the close of the year	Percentage of column 5 to 4
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1996-1997	38526	20790	59316	18402	40914	31
1997-1998	40914	17381	58295	16214	42081	28
1998-1999	52304*	51136	103440	23968	79472	23
1999-2000	40433*	22453	62886	22108	40778	35
2000-2001	53449*	10304	63753	23170	40583	36

There was not any significant reduction in arrears of assessment during 2000-01

### ***Frauds and evasion of tax***

**6.1.13** The details of cases of frauds and evasion of Sales Tax pending at the beginning of the year, number of cases detected by the departmental authorities, number of cases in which assessments/investigations were completed and additional demand (including penalties, etc.) of taxes raised against the defaulters during the years and the number of cases pending for finalisation at the end of each year, as supplied by the department, are given as under:

(Table No. 6.8)

Year	Cases pending at the beginning of the year	Cases detected during the year	Cases in which assessments/investigations were completed	Amount of demand (Rs. in lakh)	Number of cases pending finalisation at the end of the year
1996-1997	2570	22002	20978	68.39	3594
1997-1998	3625#	25100	24257	118.02	4468
1998-1999	4468	21704	20766	44.21	5406
1999-2000	4757#	77438	73815	741.05	8380
2000-2001	7888#	55346	55553	395.76	7681

### ***Results of Audit***

**6.1.14** Test check of records of Sales Tax, State Excise, Forest and other departments, conducted during the year 2000-01 revealed underassessments, short levy and loss of revenue, etc. amounting to Rs 85.34 crore in 1810 cases. During the course of the year 2000-01, the concerned departments accepted underassessments, etc. of Rs 0.34 crore involved in 7 cases of which 5 cases (involving Rs 0.28 crore) were noticed during 2000-01 and 2 in earlier years.

\* The variation in the figures with the closing balance for 1997-98, 1998-99 and 1999-2000 as shown in the Audit Report for 1997-98, 1998-99 and 1999-2000 is due to the revised figures of assessment cases supplied by the Sales Tax Department

# The variation in the figures with the closing balance for 1996-97, 1998-99 and 1999-2000 as shown in the Audit Report for 1996-97, 1998-99 and 1999-2000 is due to the revised figures of assessment cases supplied by the Sales Tax Department

## Section - A - Reviews

### Forest Department

#### 6.2 Working of forest timber coupes/depots

**The State Government did not enter into any agreement specifying terms and conditions for extraction and sale of timber with the State Forest Corporation. Records relating to timber handed over to the Corporation, royalty due and received had not been maintained. Royalty rates had not been revised since 1990-91. Cases of non-raising of bills, incorrect application of volume conversion table, non-application of revised rates and short accountal/charging, involving revenue loss of Rs 7.96 crore were also noticed.**

#### *Highlights*

- Bills involving royalty of Rs 5.84 crore were either not raised or were raised short in 9 divisions.
- 48,816 cft of timber remaining unsold for 8-20 years became unsaleable due to its deterioration resulting in loss of Rs 56.58 lakh.
- Application of pre-revised rates for sale of timber in forests resulted in loss of Rs 94.12 lakh in 7 divisions.

#### *Introduction*

**6.2.1** The revenue of the Forest Department is derived mainly from the sale of timber. The exploitation of the 10155 Sq. kms commercial forest area in the State, compatible with the need of protection and conservation of forests, is done through planned working of timber coupes according to the provisions of various Acts<sup>#</sup>, Forest Code and instructions issued by the Government from time to time. Consequent upon the enactment of the Jammu and Kashmir State Forest Corporation Act, 1978, the extraction and sale of timber in the State has been entrusted to the Jammu and Kashmir State Forest Corporation (SFC) established in July 1979. In order to meet certain obligatory responsibilities, the Forest Department purchases timber from SFC and the same alongwith the timber extracted departmentally from coupes where small quantity of timber is available, is sold at concessional rates to various categories of people through sale depots located across the State.

#### *Scope of audit*

**6.2.2** Test-check of the records of timber coupes/depots in 9<sup>≠</sup> out of 28 territorial divisions in the State, three<sup>ψ</sup> Conservators and two Chief Conservators (Jammu,

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<sup>#</sup> J&K Forest Act, 1987, J&K Forest Sale of Timber Act, 1987, J&K Forest Conservation Act, 1997  
<sup>≠</sup> Anantnag, Bijbehara, Jammu, Udhampur, Batote, Billawar, Poonch, Rajouri and Kathua  
<sup>ψ</sup> Srinagar, Central and Working Plan and Research Circles

Srinagar) for the period from 1996-97 to 2000-01 conducted during October 2000 to May 2001 revealed as follows:

### **Revenue realisation**

**6.2.3** The position of revenue collected during the period 1996-97 to 2000-01 on account of royalty and sale of timber/fire wood at the Timber Sale Depots (TSDs), as per information supplied by the department, was as follows:

(Table No. 6.9)

(Rupees in crore)

Year	Sale proceeds of		Royalty received from SFC	Total
	Timber	Fire wood		
1996-1997	1.76	0.53	-	2.29
1997-1998	3.98	0.73	4.00	8.71
1998-1999	10.58	1.19	25.00	36.77
1999-2000	9.84	0.76	13.20	23.80
2000-2001	11.42	1.09	18.75	31.26

**6.2.4** The increase in revenue receipts from Rs 8.71 crore during 1997-98 to Rs 36.77 crore, Rs 23.80 crore and Rs 31.26 crore respectively during the years 1998-99 to 2000-01 was due to increase in royalty realisation from SFC and increased extraction and sale of timber after relaxation (December 1996) of ban on felling of trees by Hon'ble Supreme Court of India as also revision (August 1998 and 2000) of sale rates of timber at the depots.

### **Position of arrears**

**6.2.5** The amount of royalty reported outstanding against SFC by the Principal Chief Conservator of Forests (PCCF) was Rs 383.79 crore (March 2001). The amount had, however, not been reconciled with the SFC. The year-wise / age-wise position was not maintained by the department. However, the position of arrears, as furnished by the SFC, ending March 2000 was as under:

(Table No. 6.10)

(Rupees in crore)

Year	Opening balance	Due	Paid	Balance at the end of the year
1996-1997	208.80	4.49	Nil	213.29
1997-1998	213.29	40.48	4.00	249.77
1998-1999	249.77	12.98	25.00	237.75
1999-2000	237.75	26.46	13.20	251.01

Following further points were noticed:

### **Non-execution of agreement**

(a) SFC is the sole agency for extraction and sale of timber in the State since July 1979. Agreement specifying the terms and conditions had, however, not been drawn by the department. Consequently, extraction of timber in the forests by the SFC was undertaken without any conditions/procedures relating to the period of

working of coupes, timely payment of royalty dues, interest/surcharge on outstanding dues and compensation for the damages to the forests during extraction.

### ***Non-revision of royalty rates***

(b) Trees marked in the coupes are handed over to the Corporation for extraction and bills are to be raised on the basis of royalty rates approved for each year or on the basis of latest available sanctioned rates (subject to revision on approval of rates for that particular year). Rates for recovery of royalty for each year from 1985-86 to 2000-01 had not been fixed (August 2001) by the Government. In absence of this, the rates<sup>&</sup> upto the year 1989-90 determined (August 1991) by the PCCF were applied for raising bills against the Corporation.

### ***Non-raising of bills***

(c) As per the provisions of the Code of instructions of the Forest Department, when the trees have been sold by volume, detailed marking lists and their abstracts shall be supplied to the purchasers together with a bill showing the total amount due from him. In 53 test-checked cases in 9<sup>#</sup> divisions, bills for the markings of 17.09 lakh cft handed over to SFC during 1995-96 to 2000-01 involving royalty of Rs 5.84 crore were either not raised (52 cases) or raised for lesser amount (1 case). Bills for Rs 2.13 crore in 14 such cases (3 divisions<sup>\*</sup>) were raised (February 1999 to April 2001) at the instance of audit. Reply in respect of remaining cases was awaited (August 2001).

### ***Incorrect conversion of volume***

(d) Bills for the timber marked and handed over to SFC were to be raised for the sawn volume arrived at by converting standing volume on the basis of prescribed conversion table. Test-check of 6 cases in 3 divisions<sup>ϕ</sup> revealed incorrect application of conversion table in respect of timber markings handed over to the SFC during 1997-98 and 2000-01 which resulted in short charging of 3487.5 cft timber and consequent short recovery of royalty of Rs 1.51 lakh.

### ***Sale depots***

**6.2.6** Test-check of records of 34 out of 177 sale depots and records of timber sale in forests revealed short charging/accounting and loss of revenue aggregating Rs 1.93 crore as discussed below:

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<sup>&</sup> Except chir for which rates for the year 1985-86 were applied.

<sup>#</sup> Udhampur: Rs 1.53 crore; Rajouri: Rs 0.64 crore; Anantnag: Rs 2 crore; Bijbehara: Rs 0.24 crore; Billawar: Rs 45 thousand; Batote: Rs 0.51 crore; Principal CCF: Rs 0.54 crore; Poonch: Rs 0.26 crore and Kathua: Rs 0.11 crore

<sup>\*</sup> Anantnag: Rs 1.78 crore, Bijbehara: Rs 0.24 crore; Kathua: Rs 0.11 crore

<sup>ϕ</sup> Anantnag (3 cases): Rs 56 thousand, Batote (2 cases): Rs 47 thousand, Bijbehara (1 case): Rs 48 thousand



***Application of incorrect rates***

(a) Timber is sold at the Timber Sale Depots (TSDs) at varying concessional rates to people living within 3 kms, between 3 and 5 kms and beyond 5 kms of the demarcated forests classified as A, B and C zones respectively. Sale rate of timber for the depots falling in these zones was revised by Government from time to time. Test-check of records of 5<sup>s</sup> divisions revealed that in 13 depots either the timber was sold at pre-revised rates or lower rates were applied due to misclassification of zones. This resulted in short realisation of revenue of Rs 10.12 lakh during 1996-97 to 2000-01.

***Non/short accounting of timber***

(b) In 10 depots (4<sup>&</sup> divisions), against closing balance of 2491 cft of timber only 191 cft were carried forward and out of transferred stocks<sup>ψ</sup> of 3486.78 cft of timber, 1911.97 cft were accounted for during the years 1997-98 to 2000-01 resulting in short account of 3874.81 cft of timber valued at Rs 7 lakh.

***Loss of revenue due to deterioration of timber***

(c) The cost of timber supplied by the SFC to TSDs for sale to concessionists is to be deducted from the royalty payable by the Corporation. During the course of audit it was seen that 48,816 cft of 'C' class timber supplied by the Corporation to the depots remained unsold for 8-20 years and became unsaleable due to its deterioration, resulting in loss of Rs 56.58 lakh.

***Loss of revenue due to floods and pilferage***

(d) In 19 depots of 4 divisions, 17239.96 cft of timber valued at Rs 17.98 lakh had either been washed away in the floods or pilfered during the years 1994-95 to 1998-99. The departmental records revealed that the depots were located in the flood prone areas. Besides, the department stated that in some cases the stocks were pilfered with the connivance of the staff.

***Loss due to application of pre-revised rates on sale of timber in forests***

(e) Standard rates for sale of timber (excepting chir) in standing form to concessionists including departmental/army contractors residing/stationed in inaccessible areas were revised by the Government in November 1992. In response to this order the department sought certain clarifications in February 1993 which had not been made available by the Government (September 2001). 1.66 lakh cft of standing timber was sold to concessionists in 7 divisions during

<sup>s</sup> Batote, Jammu, Anantnag, Billawar and Poonch  
<sup>&</sup> Jammu, Anantnag, Udhampur and Poonch  
<sup>ψ</sup> From other depots

1997-98 to 2000-01 at the pre-revised rates which resulted in loss of revenue of Rs 94.12<sup>φ</sup> lakh.

***Short accounting due to incorrect application of volume conversion table***

(f) In 9 cases in 4 divisions the volume of the timber extracted departmentally was 29525 cft against which only 22579 cft were shown in the departmental records due to incorrect application of volume conversion table. This resulted in less accounting of 6946 cft of timber valued at Rs 6.94 lakh.

***Irregular marking/extraction of timber***

**6.2.7** The Divisional Forest Officer before handing over compartments/coupes to the SFC, is required to test-check the markings and obtain administrative approval of the Chief Conservator of Forests as also the technical sanction of Conservator of Forests, Working Plan and Research (WP&R) Circle. The Expert Committee constituted (January 1997) by the Government in compliance with the orders of Hon'ble Supreme Court, in its report (April 1997) inter-alia recommended extraction of only dry standing and fallen trees not falling in the protected areas. It was, however, seen that the Conservator of Forests, WP&R Circle without conducting the said verification, issued sanctions which had resulted in irregular marking/extraction of timber. Some of the instances noticed in audit are as follows:

(a) In 14 cases in five divisions (Udhampur, Anantnag, Bijbehara, Billawar and Poonch) 3.58 lakh cft and 473 poles of standing volume were handed over to SFC during the period from June 1997 to July 2000 without obtaining the technical sanction/administrative approval.

(b) In contravention of Government policy to protect and conserve forests, 1.90 lakh cft and 6 poles of timber (8 cases) in protected areas were handed over to the SFC in 4 divisions during the period 1997-98 and 1999-2000.

(c) In five cases, standing green trees having volume of 0.92 lakh cft and 323 trees (volume not worked out) were marked by the department as dry fallen trees and handed over to/extracted by the SFC during 1997-99 in contravention of Supreme Court's directions.

(d) For scientific management of the forests, the State Government ordered (January 1990) that no further markings of trees in the compartments once handed over to the SFC be done. However, compartments in which extraction had been completed, remained with the SFC for periods ranging from 5 to 20 years and further markings were allotted. Test-check revealed that in 32 cases in 4 divisions, additional markings of 25.73 lakh cft and 188 poles were done and handed over to SFC between the years 1990-91 and 2000-01.

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<sup>φ</sup> Includes Rs 65.60 lakh for 55812 cft of timber pertaining to 635 damage cases of 7 divisions compounded during April 1997 to June 2000

**Non-accounting/loss of trees**

**6.2.8** The department approved (April 1994) construction of Basohli-Bhaderwah road by GREF<sup>φ</sup> subject to the condition that GREF would pay compensation for the land and 518 felled trees would be property of the department. Check of records revealed that though compensation for the land had been recovered, 518 felled trees were not retrieved. Divisional Forest Officer, Billawar stated (March 2001) that the trees were lost under debris and as such could not be retrieved. Reply of the department was not tenable as the trees (volume: 48497 cft) had to be felled/retrieved before the construction of road was commenced. Non-retrieval of 518 trees from GREF resulted in revenue loss of Rs 17.74 lakh.

**Unsettled forest damage cases**

**6.2.9** Under Section 38 of the Jammu and Kashmir Forest Act 1931, for any forest offence committed and involving damages not exceeding five thousand rupees, a Forest Officer can compound the case departmentally by recovery of cost of damages not less than double the amount involved as composite fee from the offender. Position of unsettled forest damage cases during the period 1996-97 to 1999-2000 was as under:

(Table No. 6.11)

Year	Opening balance	Fresh cases registered	Total	Cases disposed of	Closing balance
1996-1997	108351	4744	113095	3180	109915
1997-1998	109915	6666	116581	1892	114689
1998-1999	114689	4911	119600	1934	117666
1999-2000	117666	6306	123972	2265	121707

**6.2.10** While 22627 fresh cases were registered during the period 1996-2000 number of cases settled was only 9271 (41 *per cent*) which resulted in the overall increase in the number of cases from 108351 in April 1996 to 121707 at the end of March 2000. 80 *per cent* of the unsettled damage cases indicated in the table above were awaiting departmental action for settlement. Inaction of the DFOs resulted in delay in revenue realisation in these cases.

**Non-maintenance of records**

**6.2.11** The department had not maintained ledger accounts, compartment histories, coupe damage registers, control forms, etc. due to which the position of coupes/compartments handed over and taken back, extraction work done in each coupe, damages, volume of timber handed over to SFC, royalty due, etc. was neither available nor monitored. Consolidated position of timber extracted departmentally and revenue realised through sales was also not maintained/monitored.

**6.2.12** The matter was referred to the Government/Department in July 2001; reply had not been received (September 2001).

<sup>φ</sup> General Reserve Engineering Force

## Section - B - Transaction Audit Findings

### Finance Department

#### 6.3 Passenger Tax

**Failure of the Department to get all the vehicles registered under the provisions of the Jammu and Kashmir Passengers Taxation Act, 1963 and monitor levy and collection of tax including arrears by enforcing the provisions of the Act, resulted in poor realisation of passenger tax.**

**6.3.1** Levy of tax on passengers, carried by road in motor vehicles, in the State is regulated by the provisions of the Jammu and Kashmir Passengers Taxation Act, 1963 and the rules made thereunder. Passenger tax levied under the Act is charged from the vehicle owners either at the prescribed percentage of passenger fare or in lump sum determined and notified by the Government from time to time. Whereas private vehicle owners opted to pay the tax in lump sum, the State owned vehicles including those of other States pay tax at the prescribed percentage rates. The Act is administered by two Excise and Taxation Officers (ETOs) Passenger Tax, one each at Srinagar and Jammu, who function under the overall control of the Commissioner of Sales Tax, Jammu and Kashmir. Test-check of records of the Commissioner and ETOs revealed following points:

#### *Underestimation of tax revenue*

**6.3.2** The position of tax receipts vis-à-vis budget estimates during 1996-97 to 2000-01 was as follows:

(Table No. 6.12)

(Rupees in crore)

Year	Budget estimates	Passenger tax receipts in		Total
		Kashmir Division	Jammu Division	
1996-1997	3.50	0.20	3.12	3.32
1997-1998	3.75	0.39	3.29	3.68
1998-1999	4.00	0.72	3.14	3.86
1999-2000	4.50	1.29	4.34	5.63
2000-2001	4.50	1.55	5.00	6.55

**6.3.3** Passenger tax collection in Kashmir Division during the period 1996-2001 was only 18 per cent of total collections though 48 per cent (2210 out of 4559) of vehicles in the State were registered with the ETO, Srinagar.

#### *Non-registration of vehicles*

**6.3.4** Under the Jammu and Kashmir Passengers Taxation Act, 1963, an owner can ply his motor vehicle, registered under the provisions of Motor Vehicles Act\*, 1939 for hire in the State only after obtaining a registration certificate from the

\* Central Act

ETO on payment of a fee of Rs 25. The Act, also provides that a vehicle owner who fails to obtain certificate of registration or to deposit the tax is liable to pay penalty of Rs 100 or double the amount of tax involved, whichever is higher.

**6.3.5** The department had, however, not adopted any mechanism to ensure that all passenger vehicles registered under Motor Vehicles Act, 1939 and plying on hire under route permits issued by STA<sup>^</sup>, are also registered with the Excise and Taxation Officers. For detection of unregistered vehicles and evasion of tax by their owners, the department as per the provisions of the Act, was to deploy field parties for on spot checking of defaulting vehicles and seizure of their documents viz., registration certificate, log book, driving licence, etc. The position of passenger vehicles registered/issued route permits by STA and those registered by the ETOs during 1996-97 to 2000-01 was as follows: -

(Table No. 6.13)

Year	No. of passenger vehicles registered with						Shortfall
	S.T.A.			E.T.O.			
	Jammu	Kashmir	Total	Jammu	Kashmir	Total	
1996-1997	1305	1847	3152	224	92	316	2836
1997-1998	1133	961	2094	245	231	476	1618
1998-1999	1763	2247	4010	664	317	981	3029
1999-2000	1255	1677	2932	619	847	1466	1466
2000-2001	1419	1161	2580	597	723	1320	1260
<b>Total</b>	<b>6875</b>	<b>7893</b>	<b>14768</b>	<b>2349</b>	<b>2210</b>	<b>4559</b>	<b>10209</b>

**6.3.6 (a)** It would be seen from the above that as against 14768 vehicles issued route permits for plying on hire by the STA during 1996-97 to 2000-01, 4559 vehicles only were registered with the ETOs. The remaining 10209 vehicles (69 *per cent*) were not registered under the Passenger Tax Act. However, no action for detection of such vehicles was taken by the department. As a result, recovery of registration fee and remittance of passenger tax (included in the fare) collected from the passengers by the owners of unregistered vehicles, was not ensured. While the amount of unrealised passenger tax, etc. could not be computed in absence of details of seating capacity, etc. registration fee of Rs 2.55 lakh and penalty of Rs 10.21 lakh was not realised in respect of these unregistered vehicles.

**(b)** In Jammu Division, documents (registration certificate, route permit, etc.) of 19 passenger vehicles registered with the ETO seized for evasion of tax and other irregularities were released either without or short charging of penalty. This resulted in non-recovery of Rs 2.04 lakh during 1999-2000.

#### ***Irregular exemption from payment of tax***

**6.3.7** As a part of the amnesty scheme introduced (May 1997) by the Government for facilitating recovery of pending dues, exemption from payment of outstanding passenger tax as on 31 March 1997 to the extent of 50 *per cent*,

<sup>^</sup> State Transport Authority

was granted in favour of such owners who paid arrears of tax within 3 months from the date of issue of notification. Interest on such belated payments was also waived. The concession was admissible to such vehicle owners only who were paying current dues of tax. However, in 35 cases in Jammu Division it was noticed that exemption in payment of tax dues was granted to defaulters who had not paid their current dues of tax. This resulted in irregular exemption of tax and interest thereon amounting to Rs 4.04 lakh.

**6.3.8** The above matter was referred to the Government/Department in May 2001; reply had not been received (September 2001).

#### **6.4 Suppression of turnover**

##### **Failure of the Assessing Authority to detect suppression of purchases resulted in short levy of tax, penalty and interest aggregating Rs 5.84 lakh.**

**6.4.1** The Jammu and Kashmir General Sales Tax Act, 1962 and rules made thereunder provide that every registered dealer shall submit a true and correct return of his turnover in such a manner as prescribed under the Act. Further, where a dealer has, without any cause, failed to furnish the correct return of his turnover or has concealed particulars of his turnover, the Assessing Authority shall direct him to pay, in addition to the tax payable by him, penalty which shall not be less than the amount of tax evaded. Interest at prescribed rates is also leviable from the date the tax was payable to the actual date of payment.

**6.4.2** Test-check (July 1999) of the records of Sales Tax Circle 'F' Kashmir revealed that a dealer had not included in his trading account for the year 1994-95 turnover of Rs 12.60 lakh. The Assessing Authority while assessing (January 1999) the dealer to tax failed to detect the discrepancy which resulted in short levy of tax (Rs 1.26 lakh), penalty (Rs 1.26 lakh) and interest up to October 1999 (Rs 2.12 lakh) aggregating Rs 4.64 lakh. On this being pointed out (July 1999) in audit, the Assessing Authority reassessed (July 2000) the dealer and raised an additional demand of Rs 4.64 lakh against him. Further report on raising of demand for interest payable beyond October 1999 and recovery was awaited (September 2001).

**6.4.3** In Sales Tax Circle 'D' Jammu, a dealer had not accounted for inter-state consignment purchases amounting to Rs 3.18 lakh made by him on 'F' forms during the year 1995-96. The Assessing Authority while assessing (October 1998) the dealer to tax, failed to detect the omission which resulted in underassessment of turnover by Rs 3.36 lakh and consequential short levy of tax (Rs 0.35 lakh), penalty (Rs 0.35 lakh) and interest upto January 2000 (Rs 0.50 lakh) aggregating Rs 1.20 lakh. On this being pointed out (December 1999) in audit, the Assessing Authority reassessed (February 2001) the dealer and raised additional demand for Rs 1.20 lakh. Further report on recovery was awaited (September 2001).

**6.4.4** The above points were referred to the Government/Department in February 2001; reply had not been received (September 2001).

## 6.5 Underassessment of tax

### **Irregular exemption from payment of Sales Tax resulted in short levy of tax, penalty and interest aggregating Rs 3.90 lakh.**

**6.5.1** The Jammu and Kashmir General Sales Tax Act, 1962, provides that every registered dealer shall submit a true and correct return of his turnover in the prescribed manner. In case of concealment of turnover, the Assessing Authority shall direct that dealer to pay in addition to tax an amount by way of penalty not less than the amount of tax evaded. In addition, the dealer is also liable to pay interest on the tax due for the period of default.

**6.5.2** Test-check of records in Sales Tax Circle, Anantnag in Kashmir Division, revealed (September 2000) that the Assessing Authority while assessing (September 1999) the taxable turnover of a dealer for the accounting year 1993-94, allowed exemption from payment of sales tax on taxable stocks of Rs 15.84 lakh reportedly transferred by him to his partner. The partner, registered as a separate entity in July 1994 was assessed for the accounting year 1994-95 in March 1999, had not disclosed the said transfer of stocks in his accounts. This resulted in short levy of tax, penalty and interest aggregating Rs 3.90 lakh (tax: Rs 1.18 lakh; penalty: Rs 1.18 lakh and interest upto February 1999: Rs 1.54 lakh). On this being pointed out in audit, the Assessing Authority re-assessed (January 2001) the original dealer and raised (January 2001) additional demand of Rs 5.65 lakh. Report on progress of recovery was awaited (September 2001).

**6.5.3** The matter was referred to the Government/Department in February 2001; reply had not been received (September 2001).

## 6.6 Incorrect computation of sales tax

### **Incorrect computation of tax by the Assessing Authority resulted in short levy of tax and interest aggregating Rs 5.33 lakh.**

**6.6.1** The Jammu and Kashmir General Sales Tax Act, 1962 provides for levy of sales tax on taxable turnover during an accounting year at prescribed rates. In case of non-payment of tax, interest at the prescribed rates is chargeable on the amount of tax not paid for the period of default.

**6.6.2** In Sales Tax Circle 'E' of Kashmir Division, the Assessing Authority while assessing (November 1998) a dealer, on determined taxable turnover of Rs 30 lakh for the accounting year 1994-95, computed tax incorrectly at Rs 0.25 lakh against Rs 2.52 lakh payable by the dealer. This resulted in short levy of tax and interest aggregating Rs 5.33 lakh (tax: Rs 2.27 lakh; interest upto November 1998: Rs 3.06 lakh). On this being pointed out (October 2000) in audit, the Assessing Authority raised (October 2000) additional demand for Rs 5.33 lakh. Report on the progress of recovery was awaited (September 2001).

**6.6.3** The matter was referred to the Government/Department in February 2001; reply had not been received (September 2001).

## **6.7 Underassessment due to concealment of Income**

### **Failure of the Assessing Authority to revise the valuation lists and assess the property to tax at the revised rates from January 1993 resulted in short levy of tax and penalty of Rs 1.75 lakh.**

**6.7.1** Under Section 9-A of the Jammu and Kashmir Urban Immovable Property Tax Act, 1962, for any property which has escaped assessment by reason of omission in valuation list or for any other reason, the Assessing Authority is required to issue a notice calling for a return in the prescribed manner for making an order of assessment and demanding tax as also levying penalty/interest. The Act further lays down that any failure on the part of the Assessing Authority to complete any proceedings with respect to preparation of valuation list within the time required by this Act or rules made thereunder or the omission from a valuation list of any matters required by the said Act or rules shall not itself render the list invalid. Save as above, the Act or rules do not provide for any time limit within which assessments are required to be completed by the Assessing Authority.

**6.7.2** Test-check (November 2000) of records of Urban Immovable Property Tax Circle II, Jammu and Commanding Officer Ist J&K Armed Bn NCC, Srinagar revealed that immovable property of an assessee, rented out to the latter department from January 1993 at Rs 5500 per month, was not assessed to property tax upto March 1997. The rent of the property was revised (January 1998) to Rs 8749, Rs 9412 and Rs 11310 per month with effect from January 1993, September 1994 and April 1996 respectively. The assessee, who was required to inform such enhancement to the Assessing Authority within two months of occurrence, did not do so. Failure of the Assessing Authority to assess the property to tax from January 1993 to March 1997 and detect the increased income due to revision of rent resulted in short levy of tax of Rs 1.75<sup>♦</sup> lakh including penalty of Rs 0.35 lakh.

**6.7.3** On this being pointed out in audit (November 2000 and March 2001), the Assessing Authority reassessed (April 2001) the case from 1 April 1997 and raised an additional demand of Rs 0.55 lakh against the assessee. The Assessing Authority, however, did not initiate proceedings for levying tax, interest and penalty for the period from 1 January 1993 to 31 March 1997 and interest on unpaid tax from April 1997 on the ground that such action could not be taken as the validity of valuation list ending 31 March 1996 had expired. The contention of the Assessing Authority was, however, not consistent with the provisions of the

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<sup>♦</sup> Includes Rs 0.84 lakh for the period 1 January 1993 to 31 March 1997



Act, which did not debar him from initiating assessment proceedings for earlier valuation periods.

**6.7.4** The matter was referred to the Government/Department in May 2001; reply had not been received (September 2001).

## **6.8 Non-realisation of service tax due to inadequate monitoring**

### **Absence of control mechanism in the Sales Tax Department resulted in non-realisation of service tax of Rs 41.95 lakh.**

**6.8.1** Under the Jammu and Kashmir General Sales Tax Act, 1962, deduction of service tax at source, at the rate of 2 *per cent*, from the gross value of contract payments was obligatory for Drawing and Disbursing Officers (DDOs) of the State/Central departments, autonomous bodies and local authorities with effect from 23 July 1997. The levy of service tax was extended, among others, to transport companies/agencies and tax rate increased to 4 *per cent* from 5 April 1999. The DDOs were required to deposit the tax deducted at source into the treasury within 15 days and send a quarterly statement of such deductions to the concerned Deputy Sales Tax Commissioner. Failure to do so rendered the DDOs liable to penalty equal to 10 *per cent* of tax evaded.

**6.8.2** Test-check of records (August 2000 to April 2001) of 9<sup>^</sup> Drawing and Disbursing Officers revealed that recovery of service tax aggregating Rs 41.95 lakh was either not made or was recovered short from the value of contract payments of Rs 11.74 crore made by these DDOs between June 1998 and February 2001. The Sales Tax Department had not set up any effective control mechanism including maintenance of a data-base, etc. for ensuring deduction of tax at source by the DDOs which resulted in non/short recovery of service tax, besides non-imposition of penalty on the defaulting DDOs. On this being pointed out (April 2001) in audit, the Commissioner Sales Tax Jammu issued (April 2001) circular instructions to various heads of departments for their strict compliance for ensuring recovery of the tax, etc. The position of recovery of unpaid tax was awaited (September 2001).

**6.8.3** The matter was referred to the Government/Department in May 2001; reply had not been received (September 2001).

<sup>^</sup> Director Stores Procurement Department: Rs 5.06 lakh; Executive Engineer, Central Division (CPWD) Jammu: Rs 25.32 lakh; Transport Commissioner: Rs 3.72 lakh, Executive Engineer, Irrigation Division No 1, Jammu: Rs 1.55 lakh; Executive Engineer, Irrigation Division No-II, Jammu: Rs 2.51 lakh; Executive Engineer, Irrigation Division, Udhampur: Rs 0.58 lakh; Executive Engineer, Irrigation Division, Kathua: Rs 2.41 lakh; Executive Engineer, Irrigation Division, Akhnoor: Rs 0.61 lakh; Executive Engineer, Mahore Irrigation Division, Dharmari: Rs 0.19 lakh

**6.9 Short levy of tax due to application of lower rate of tax**

**Failure of the Assessing Authority to apply correct rate of tax resulted in short levy of tax and interest aggregating Rs 5.02 lakh.**

**6.9.1** The State Government increased the rate of sales tax on drugs and medicines from four to eight *per cent* under Jammu and Kashmir General Sales Tax Act, 1962 with effect from 22 August 1994.

**6.9.2** Test-check (November 2000) of records in Sales Tax Circle, Sopore revealed that Rs 31 lakh out of the taxable turnover of Rs 1.42 crore of a dealer for the year 1994-95 was assessed (March 1999) to tax at 4 *per cent* by the Assessing Authority against the prescribed rate of 8 *per cent*. The application of lower rate of tax resulted in short levy of tax (Rs 1.29 lakh) and interest (Rs 3.73 lakh) aggregating Rs 5.02 lakh. On this being pointed out (November 2000) in audit, the Assessing Authority reassessed (April 2001) the case and raised additional demand against the dealer. Further report on the recovery was awaited (September 2001).

**6.9.3** The matter was referred to the Government/Department in June 2001; reply had not been received (September 2001).